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Real: An upholstery company in the new luxury context

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Master's in Business Management

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Acknowledgments

In the first place, I would like to thank my parents for providing me the conditions to have developed this dissertation.

In the end, I have the feeling that things could not have gone any better, every person involved played a crucial role in my work throughout this last year.

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Professor Nelson is a case where the less sceptic would say it was destined to be this way. I remember one of the first times we talked Professor Nelson sending me a thesis he had oriented in the past about “new luxury”, saying that I should read it. As I read it, I felt that it made complete sense for the ideas I had at that time, and now, 1 year later, I can see that it was one of the moments when the foundations for this project were built. Not to mention the motivational emails about the immense cues Professor had seen outside some luxury goods’ stores around the world.

I also want to thank to all the participants in the research study for contributing with such precious inputs, and for dedicating part of their time to meet me and answer to the research questions I prepared. I sincerely hope that the research from this dissertation can propel the entire Portuguese luxury furniture industry, for I believe there is so much yet to explore and value, and so many incredible companies that have carved such a beautiful path until this point.

Summary

This dissertation is set towards the development of Real, a project for a luxury upholstery company acting in the new luxury context. Being a project, the dissertation arrives at a more practical standpoint where there is information to make a decision regarding the project's viability.

It begins by exploring the new luxury concept and what is its place within the global luxury context, by understanding the luxury concept in its many facets and knowing what has changed in the last decades in the luxury market and in the luxury strategies being adopted by companies. The developed research study was set in order to know how the new luxury concept is present in furniture companies' activity, gathering insights on the theory's empirical applicability, especially in the luxury furniture market. The main output from the research study are the 12 themes that emerged from it, consisting of categories that contribute to understand the participants' standpoint regarding the concepts explored in the literature review and thus their stance on the new luxury context and brand constructs.

The second half of this dissertation is based on the developed research, consisting on the development of the foundations for Real, a project for a luxury upholstery company which is set to act in the new luxury context. The project's viability is assessed in the end.

Keywords: New luxury; Luxury strategies; Luxury market; Luxury furniture

JEL Classification: L10, M10

Resumo

Esta dissertação visa o desenvolvimento da Real, um projeto para uma empresa de estofos de luxo a atuar no contexto do novo luxo. Por ser um projeto, a dissertação chega a um ponto de cariz mais prático onde está reunida a informação necessária para se tomar uma decisão quanto à viabilidade do projeto.

Começa-se por explorar o conceito de novo luxo e qual o seu lugar no contexto do luxo global, procurando compreender o conceito de luxo nas suas várias facetas e saber o que mudou nas últimas décadas no mercado e nas estratégias de luxo que são adotadas pelas empresas. A investigação desenvolvida foi realizada com o objetivo de saber de que forma o conceito de novo luxo está presente na atividade das empresas do setor mobiliário, percebendo a aplicabilidade prática da teoria, especialmente no mercado de móveis de luxo. A principal contribuição do estudo desenvolvido são os 12 temas que emergiram do mesmo, consistindo em categorias que contribuem para entender o ponto de vista dos participantes em relação aos conceitos explorados na revisão da literatura e, portanto, a sua postura sobre o novo contexto de luxo e respetivos arquétipos de marca.

A segunda metade desta dissertação consiste no desenvolvimento do projeto para a Real, uma empresa de estofos de luxo a atuar no contexto do novo luxo, baseado na pesquisa desenvolvida. A viabilidade do projeto é avaliada no final.

Palavras-chave: Novo luxo; Estratégias de luxo; Mercado de Luxo; Mobiliário de luxo
Classificação JEL: L10, M10

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CHAPTER 1

Introduction

1.1. General description

This dissertation is set towards the development of a project for a luxury upholstery company. Being a project, the dissertation arrives at a more practical standpoint where there is information to make a decision regarding the project's viability. However, an exploration of the theoretical aspects that are somehow connected to the project's development is developed in the first place.

There is a considerable volume of literature about the new luxury context. Some authors specifically attempt a description of such a context by studying the ways in which luxury companies create value for their customers and the perceptions the latter create of the offered products and experiences. Changes in the way customers perceive the value being created by luxury companies are intrinsically related with the differences among generations, for the society in which individuals have grown up has changed dramatically in the last years regarding three aspects that have a great influence on the luxury context, namely wealth creation and distribution, globalization, and awareness.

The reality of our times is that wealth created is increasingly being accumulated by high-net-worth individuals, whose number is at one of the highest ever registered. Besides, with a world population which is increasingly more highly educated, younger individuals now have the means to arrive at job positions that were previously only accessible to middle-aged individuals, earning more money in a younger age and consequently becoming part of the group of people who are able to afford luxury products. If some decades ago most of us were limited to our surroundings, with borders between countries being mostly closed to anyone who did not have the means to travel, nowadays information and goods travel more freely around the entire world. The latter's impacts on society have been many, namely the abolition of barriers to have access and purchase goods from other countries directly (regardless of customs), and the flow of information that has created a world population which lives in a big world-wide community, sharing worries and concerns between them. This sharing was one of the main reasons for people to become more aware of the world and to realize that somethings have to change, as for instance the consumerism culture created in the twentieth century with the industrial revolution.

It is by departing of these matters that this dissertation explores what is the place of the traditional luxury aspects in this new world, what do luxury customers desire in the current times, and how companies can develop an offering that best meets such desires. Thus, this dissertation is set towards the development of Real, a project for a luxury upholstery company acting in the new luxury context. With this being said, the dissertation begins by understanding the luxury concept in its many facets, by knowing what has changed in the last decades in the luxury market and in the luxury strategies being adopted by companies, focusing on a new luxury concept that has emerged over the last years with the new generations.

1.2. Objectives

The objectives of this dissertation are both theoretical and investigational, and practical. These come as a sequence throughout the dissertation, for it is first necessary to explore the theory, then to investigate how it applies in reality, and only then create a project for a company based on the previous discussion.

The following objectives can be disclosed for this dissertation:

- To explore the ways through which luxury customers perceive value.
- To identify new archetypes for luxury brands.
- To describe what management concepts can be most useful for luxury brands.
- To find out how the new luxury concept is present in the luxury furniture industry.
- To understand the environmental forces driving businesses in current times.
- To describe the luxury furniture industry's competitiveness.
- To develop the foundations for a luxury upholstery company.
- To assess the project/ company's viability.

1.3. Structure of the dissertation

This dissertation consists of fourteen chapters. Chapter one introduces the work being developed. Chapter two presents the literature review that serves as the base for the research study and the project. Chapter three is the methodology adopted to collect and assess the empirical data about the research focus. Chapters four to eleven describe the development of the project for a luxury upholstery company. Chapter twelve concludes the dissertation and discloses its main outputs. Each chapter has its own introduction describing its main concerns.

CHAPTER 2

Literature review

The following chapter is set to explore some of the most relevant topics regarding the luxury concept. Doing so becomes particularly useful considering the quite diverse meanings that have been associated with luxury throughout time, exalting its inherent subjectivity even more.

With this being said, the first part of this literature review, from section 2.1 to 2.4, consists of delving into the subjectivity carried by luxury, leading the investigation towards the core of this question, which relates to the way people perceive the value created by luxury brands. This perception happens through a number of different dimensions that together define luxury. By taking luxury as multi-dimensional concept, it becomes easier to understand luxury's subjectivity and how companies can best navigate it. An exploration of luxury's distinct nature is carried through, setting it apart from other concepts like premium and fashion.

Thereafter the literature review concerns the appearance of a new luxury context that emerged as consequence of a new customer profile through the evolution of individuals' attitudes towards luxury and brands in general, allowing one to understand which dimensions are most valued and how that value attribution works nowadays. Along with this shift by individuals, luxury strategies have themselves gone through some changes regarding permeability between brands' archetypes and adjustments of traditional luxury aspects in the light of these new times. As a consequence of these changes, one arrives at a new luxury construct, for which customer-brand relationship is one of the key pillars and is properly explored in this literature review.

The second part of the literature review, sections 2.5 to 2.7, aims at understanding the most relevant managerial topics that emerged throughout the first part, in an attempt to better explore their adequacy to the new luxury brands construct and to lay the bases for future decisions regarding the further developed business plan/ project. In essence, dynamic capabilities will be set as the core element from which other topics like brand identity, value co-creation and design thinking will be addressed, due to their suitability to the globalized world we live in and their wide scope of application. Brand identity has always been a vital aspect in luxury, and it still has a great impact on the way the value created by luxury brands is perceived, namely through the individual dimension, hence its relevance to this dissertation. Value co-creation is a construct that cannot be detached from a context where customers want to be more active in creating value, a context where information sharing is made easy to the point of the augmented value it allows companies to create becoming a standard and those who isolate themselves run the risk of eventually becoming obsolete, by not being able to create a contemporary value integrative offer. Design thinking reveals to be useful considering its capability to facilitate the creation of an experience, which is essential in the new luxury context, and it is evidently relevant given that design professionals will certainly be a part of this project.

2.1. The luxury concept

Luxury is a concept often linked to high quality, authenticity, and a prestigious image that all together are worthy of a premium price (Ko, Costello & Taylor, 2019), representing the industries' high-end segments (Caniato, Caridi, Castelli & Golini, 2011). Although it is a concept being studied for a long time, there is still no broad consensus among researchers about what a luxury brand stands for (Ko, Costello & Taylor, 2019). One of the main difficulties on defining luxury is the fact that it is a somehow relative subject (Mortelmans, 2005), what ones consider luxury, can be seen as a standard non-luxury matter by others (Turunen, 2017; Vigneron & Johnson, 2004; Wiedmann, Hennigs and Siebels, 2009). As Tynan, McKechnie & Chhuon (2010) mentioned, there is a continuum that has luxury at the end, and non-luxury goods in the starting position, the point where the latter finishes, and the former starts depends on each customer. Taking Lacoste as an example, the brand lost some of its status in Italy and Spain due to the brand's wide distribution in those countries. However, in the BRICs, the brand still enjoys an exclusive status, as there are less stores in those countries (Kapferer & Bastien, 2012). It is a case to say that, in a world of widely available tap water, luxury is about replicating the experience of the spring (Sudjic, 2008).

This relativity has to be with the strong symbolic dimension comprised in luxury consumption through the costumers' need to regard the process as meaningful (Loureiro, Jiménez-Barreto & Romero, 2020; Kapferer & Bastien, 2012) depending on both psychological and social aspects linked to their motivations (Bahri-Ammari, Coulibaly & Mimoun, 2020), apart from the inherent product quality. The meanings attached to luxury brands are both cultural and social, aiming to fulfil customer's personal and social goals/ aspirations (Bian & Forsythe, 2012; Kim & Ko, 2012; Sirgy, 1982).

Since that, at the end of the day, it is consumers who decide what is luxury or not, based on their motivations and perceptions of the brand/ product (Ko, Costello & Taylor, 2019), the next section will look into the reasons why consumers buy luxury products and the way they perceive luxury value.

2.1.1. Luxury dimensions

Despite the discrepancies on defining a luxury brand, the majority of researchers approaches luxury as a multi-dimensional construct, one which value relies on more than one aspect (Ko, Costello & Taylor, 2019). These dimensions are separate ways through which consumers perceive the value created by the brand. Once luxury is a subjective concept, depending on the specific set of needs and requirements of each customer (Johnston & Kong, 2011), individuals will perceive value in a unique way and consequently evaluate the brand regarding the luxury dimensions differently from each other, with the set of separate evaluations constituting the overall value perception of the brand (Wiedmann, Hennings & Siebels, 2007).

The way customers perceive value will influence some aspects of their decision making from then on (Park, Hyun, Thavisay, 2021), that is why it is so important to understand how the luxury dimensions impact customers' perceptions.

There have been many studies on luxury consumption values, including research made by Vigneron & Johnson (1999, 2004). These two authors understood that it was not enough to explain luxury customers' behaviors only using social/ interpersonal aspects, so they have included personal dimensions on their framework, like extended self and quality. However, there was still a predominant social/ interpersonal orientation on the presented framework, reason why the work from Wiedmann, Hennings & Siebels (2007) will be the one used for the purpose of this dissertation, giving more relevance to the personal side. Besides that, the study from Wiedmann, Hennings & Siebels (2007) is the only one with empirical prove (Wiedmann, Hennings & Siebels, 2009) and with tested global applicability (Wiedmann, Klarmann & Strehlau *et al.*, 2012), which favors' its choice.

Wiedmann, Hennings & Siebels (2007) proposed to explain how value is created for, and perceived by, luxury customers through four dimensions, moderating each other's effect on customers' perceived value at the level of their antecedents. The four dimensions are:

- *Financial dimension*, which refers to the price paid to obtain the luxury product/ service, expressed in a monetary value. A high price is often associated to high quality (Erickson & Johansson, 1985) and prestige, specially by status-conscious consumers. These consumers may perceive more value from a product with a high price, and thus feel a stronger desire to purchase it (Groth & McDaniel, 1993) in order to signal wealth, power, and a higher social status, achieved by owning extremely expensive goods. The described motivation acts accordingly to the Veblen effect, which conceptualizes that a product's demand (for conspicuous consumers) is as high as its price (Bahri-Ammari, Coulibaly & Mimoun, 2020).
- *Functional dimension*, which embodies the utilitarian features a product offers (Seo & Buchanan-Oliver, 2019), referring to the need for luxury to still offer a superior quality and performance (Wiedmann, Hennings & Siebels, 2009). Luxury is often the choice of people who want to be reassured that they are buying the best product money can buy to satisfy their needs (Shukla, 2012), and/ or want to avoid risks of purchasing an underperforming product (Stathopoulou & Balabanis, 2019). Quality dimensions play a big role on driving luxury consumption for perfectionist consumers (Vigneron & Johnson, 2004).
- *Individual dimension*, which comprises customers' personal orientation to consume luxury products (Wiedmann, Hennings & Siebels, 2009). Consumers aim to buy a luxury product that is congruent with their personalities, that has similar characteristics to the image they hold of themselves (Holt, 1995). Besides that, regarding luxury products/ services, hedonic customers look towards getting something meaningful to them, a trigger to their senses that goes beyond

the functional aspect (Hirshman & Holbrook 1982), an emotional value attained through aspects like aesthetic beauty and arousing experiences (Vigneron & Johnson, 2004).

- *Social dimension*, which comprises the role of social groups/ relevant others on individuals' life, regarding the way individuals are perceived by others. People often buy luxury products to get recognition from the members of a certain social group, attaining to be associated to that group by buying/ using luxury products that are distinctively representative of it (Llamas & Thomsen, 2016). The described situation is evidence of the Bandwagon effect, which motivation is the need to belong to a group, not necessarily to signal wealth and power by buying an expensive product, like in the case of the Veblen effect (Veblen, 1899).

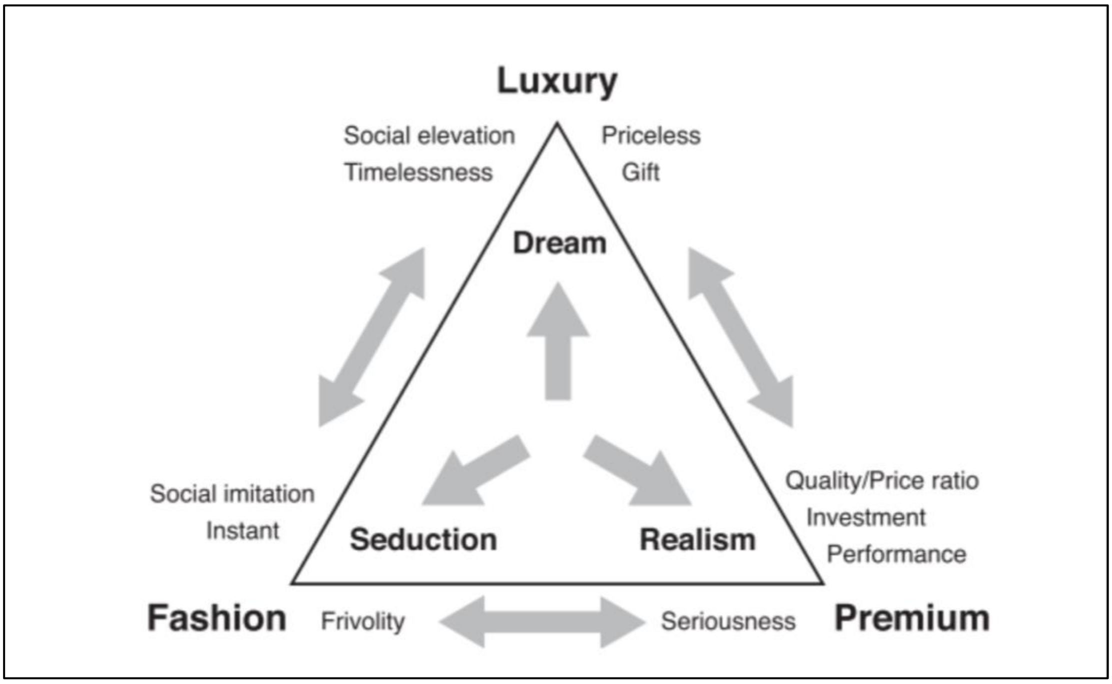
2.1.2. Distinction between premium and luxury

The word "premium" is commonly used when analyzing luxury brands, whether it is regarding price or quality aspects. Doing so is not wrong, however, it might induce one to believe that premium brands exist in the same exact universe as luxury brands, which is not true. Authors like Tynan, McKechnie & Chhuon (2010) and Doyle (2002) presented the idea of a continuum beginning with mass consumer goods and finishing with luxury products, progressing through a line in terms of price and quality where premium brands would be somewhere in the middle. This view helps us understanding that luxury is subjective, because a continuum gives people the freedom to define/ place luxury accordingly to their individual perceptions, which can mean lower/ higher quality requirements, or lower/ higher price.

Nevertheless, this outlook points towards a difference between categories that relies on level matters, suggesting that luxury brands are defined as "the most" in every aspect, such as the most expensive and the most selective (Sicard, 2003). Yet, the difference between brand categories is in their nature (Kapferer & Bastien, 2009), and luxury brands have a very distinct one that, when properly managed, differentiates them from other brands. A case that shows the peculiarities of managing a luxury brand is the one of the acquisitions of Aston Martin, Jaguar, Land Rover and Volvo by Ford. Aston Martin and Jaguar have always been genuine luxury brands, thus when Ford applied the same methods to them, as it did to Volvo and Land Rover (premium brands in its core), the results were not good for the former. Aston Martin and Jaguar's business performance deteriorated, not to mention their status (Kapferer & Bastien, 2012).

Figure 2.1

Luxury, fashion and premium positioning triangle



Source: Kapferer & Bastien (2012: 32)

Luxury is mainly characterized by strong symbolic aspects linked to equally strong personal and hedonistic values, enabling customers to fulfil their desires and to signal a certain social status. Unlike premium ones, luxury products are sold at prices that far exceed their functional value, sustained by a strong heritage, unique know-how, and culture, that make the brand and its products become social markers (Kapferer & Bastien, 2012). The most outstanding distinction between premium and luxury brands is the focus on functionality of the former, their products' objective superiority when compared with others, while the latter focuses on hedonic aspects, ideally incomparable. Premium brands focus on having the best product being offered at the market, and to be rationally chosen for their excellence (Kapferer & Bastien, 2012), while luxury brands focus on experiences, creativity, authenticity and storytelling, maintaining a superior quality that sustains these aspects (Kapferer & Bastien, 2009). A Ferrari car is not perfect, but its weaknesses are part of its charm, just like a Porsche 911, which favors lap performance over air-conditioning or electrically opening windows.

Kapferer & Bastien (2009) said that luxury should be rare, presenting obstacles to customers that would enhance the aspirational/ mythical side of the products, whereas premium brands are often less selective and end up being more widely distributed, once symbolic matters are not as important for them (Reddy, Terblanche, Pitt & Parent, 2009). However, as presented later on this document, brands can overcome aspirational issues coming from wide distribution by adopting an abundant rarity strategy (Kapferer, 2012), reason why this topic may not still be useful nowadays (the abundant rarity construct is explored below).

Brand identity takes over brand positioning when managing luxury brands. Luxury managers should be bold enough to build a unique brand identity that represents the brands' values and creations, aiming to bond with customers that feel attracted to its identity, to forge a meaningful relationship with them. Comparison with other brands should be left for premium brands, which activity benefits from surveys to know what customers value the most and their willingness to pay, as well as a benchmark study on their competitors, aiming to elaborate a positioning strategy that best enhances the brands' resources and capabilities considering their external environment. The reason for this, is the fact that in the premium brands category, customers take the quality/ price ratio into consideration, which does not mean they are just looking for the cheapest offer, but instead indicates they are trying to get the best value for their money (Kapferer & Bastien, 2012).

2.2. Shifts in consumers' attitudes towards brands

The luxury industry has been entering a new era over the last two decades (Quach & Park, 2017; Catry, 2007; Kapferer, 2016), propelled by the appearance of a new generation of consumers, new consumption habits, and innovative technologies (Bahri-Ammari, Coulibaly & Mimoun, 2020). These consumers' purchasing decisions are mostly influenced by symbolic/ intangible and not so functional aspects (Sreejesh, Sarkar & Roy, 2016). For this reason, it is now increasingly important to establish meaningful relationships with consumers, to trigger the symbolic notions on the consumer's mind, as well as to develop an emotional bond with them (Fournier & Yao, 1997).

There has been a comeback of romanticism propelled by the western world's younger generations. These individuals are more individualistic, constantly on a quest to find the meaning of their lives (or, if unsucceeded, to at least have fun), relying on deeper, richer, more gratifying and exciting experiences, that hopefully will help them on their quests (Schaefer & Kuehlwein, 2015). Since its creation in the eighteenth century to oppose mass industrialization and urbanization, romanticism has been (and still is) characterized by attempts to imbue meaning to the ordinary aspects of life, to give the finite an infinite glow, on which subject and object exist in a reciprocal and dynamic relationship (Schaefer & Kuehlwein, 2015; Safranski, 2007). A way to achieve this is to balance reason with emotion, giving subjective senses a relevant role while gathering impressions from different matters. To do so, it is necessary to see things as a whole, not just as tangibles, but as a set of both tangibles and intangibles, a unity. Romanticism treats feelings as a key, for they allow us to imbue subjects with meanings and values, supporting their intangible side (Horton, 2018). Thus, art and aesthetics appear as crucial, once they play a big role on how people experience life (Safranski, 2007). All these aspects rely on an individual that has the ability to interpret life and attribute meanings at any given moment, an ability that is exclusive to the self, therefore the individualistic aspect of romanticism.

Tangibles are taken for granted by most of us in present times, due to the considerable improvements on life conditions during the past decades, somewhat all around the globe but especially on the western world. More people can now buy expensive products, so high prices do not elevate a brand so well anymore, and most of us are now discovering that less can be more. With this being said, current consumers want more with less, by means of less merchandising and more meaning, less quantity and more quality, less unmet promises and more honesty and integrity (Schaefer & Kuehlwein, 2015). Nowadays, people yearn for sense, while getting tired of mindless consumerism driven by ephemeral products assembled in unknown places, built to simply make a profit, lacking a story, a background that would provide a much valuable soul. Products have become just stuff, shells devoid of meaning, soul and substance. Mass-tailor made products are in high demand these days, for they provide a product made by ourselves, for ourselves, which gives them a feeling of authenticity and soulfulness.

Today's society is full of widely available knowledge, with a tendency to make everything too objective, in a way that the mystery and more emotional side of things are disappearing. This is good when talking about healthcare and exact sciences (among others), but people still need to establish an emotional connection with what surrounds them, namely the products they buy, which is why we are once more leaning towards rediscovering what lies behind the obvious side of things, the core that holds everything together.

Companies exist in this context of change as well, they cannot let these shifts go unnoticed, so we are now witnessing what Schaefer & Kuehlwein (2015) called enlightened capitalism, a new paradigm where profit has to serve a purpose, creating value coexists with having values, and where the main goal cannot be to just sustain the company's business. Besides, it is now increasingly difficult for companies to hide aspects they once kept secret, due to the transparency brought by the digital revolution. Most consumers look into companies' ethics, social and environmental responsibilities before making a purchase, so brands that do not adhere to this newer time, will eventually vanish. Long gone the shareholder capitalism, let the stakeholder one take its rightful place.

2.3. Shifts in luxury and premium brands archetypes

2.3.1. Learning from luxury

As the changes described in the previous section occur, shifts regarding luxury brands are taking place in a way that boarders between the latter and other brands are becoming more permeable (Kapferer & Bastien, 2012).

Although it is true that the traditional luxury market still exists (and does not show signs of going anywhere anytime soon, by the contrary), served by brands that apply all the traditional aspects of a luxury strategy, it is clear that some premium brands began to implement a couple elements of a luxury strategy in order to serve an emerging segment of customers. Clear signs of thinner strategic boarders between brands' archetypes are visible on premium brands that built their strategy upon a strong vision (to begin with), a relationship to art, product personalization options, craftsmanship, iconic products, controlled distribution, higher prices, a status component, a geographic anchor point, a respected heritage, and authenticity (Kapferer & Bastien, 2012). This segment is thereby focused on serving the individuals described in the previous section, whose purchasing decisions are mostly influenced by symbolic aspects (Sreejesh, Sarkar & Roy, 2016), and for whom physical scarcity is no longer a crucial matter (Nobre & Simões, 2019). Apple is an example of a company who successfully learned from luxury. The company is led by a strong vision of a creative utopia, evidenced in its close relationship to art (from shows to partnerships) and its effort to design tools for creative individuals, which makes it worshipped by design/ arts professionals (Kapferer & Bastien, 2012). Besides that, Apple strictly controls the distribution of its products, and sets them a price that is higher than most competitors. Another example is MINI. After BMW taking over, MINI recovered its status, and built upon its strong geographical anchor point to England, where all its cars are made, and can be personalized to the tiniest of details.

2.3.2. Abundant rarity

Luxury brands have traditionally been associated to aspects of rarity, scarcity, and exclusivity, but nowadays, scarcity does not have the same relevance for the new luxury brand constructs as it had before (Nobre & Simões, 2019), for the traditional luxury brands, because it regards a limited number of units only available to the lucky few who can pay a premium price. However, nowadays the increasing number of people able and willing to pay a high price makes scarcity inviable. The notion of scarcity does not fit in a luxury industry with increasing sales as the one that we have nowadays (Chandon, Laurent & Valette-Florence, 2016), a new approach focusing on perceived exclusivity is the way for brands looking to keep up with the market dynamics.

In the current context, more brands tend to adopt a model of mass production combined with exclusivity (Nobre & Simões, 2019), potentially benefiting from an abundant rarity strategy. Kapferer (2012) explored a new concept of rarity based on feelings of privilege and exclusivity, that can be achieved through two rarity concepts named virtual rarity, and qualitative rarity. Both allow brands to maintain their perceived exclusivity, while abandoning the real/ objective rarity. *Qualitative rarity* refers to integrating elements of industrialization that allow to satisfy the needs of more customers, with elements such as a geographical anchor point, handwork in some part(s) of the process and a strong heritage that is properly communicated (Bell & Ross capitalized on heritage elements in every aspect of its business, although being a fairly recent brand).

The author presented *virtual rarity* tactics to spark consumers' desire for the brand's products, by artificially inducing rarity in the products, which should have a strong symbolic dimension. Virtual rarity tactics comprise selective distribution and limited editions. On the other hand, virtual rarity includes capitalizing on celebrities as brand ambassadors, creating memorable retailing experiences, and a communication strategy capable of creating the dream that will inspire customers and non-customers (that is why Chanel usually only advertises its most expensive jewelry line, and not its most accessible one). These tactics can be of great help considering the new market dynamics that brought more consumers to the luxury industry, requiring brands to produce in a bigger scale and thus abandoning physical scarcity (Kapferer & Laurent, 2016). Kapferer & Valette-Florence (2016) explored the concept of luxury dream building, naming two paths, selection and seduction, to do so.

2.4. New luxury constructs

Luxury has assumed a new worth, shifting from "having to being", and from "owning to experiencing" (Cristini, Kauppinen-Räisänen & Barthod-Prothade, 2017), with consumers perceiving new luxury as an individualistic experience embedded with subjectivity (Nobre & Simões, 2019). The new luxury consumption is in essence more symbolic and subjective, achieved through an intimate, unique and individual relationship with each consumer (Nobre & Simões, 2019). The customer-brand relationship is defined by the experiences and connections established between the two whenever there is an interaction between them (Hamzah, Alwi & Othman, 2014), which helps developing emotional bonds between customers and brand (Brakus, Schmitt & Zarantonello, 2009).

Aggarwal (2004) stated that consumers follow the same norms interacting with brands as they do in their social relationships. By nature, people maintain social relationships that are meaningful, leaving not worthy relationships behind. Thus, once customer-brand relationships follow the same norms as the social ones, customers are expected to make efforts towards maintaining meaningful brand relationships, only (Fournier, 1998), highlighting the crucial role of consumer luxury experience as a key to individuals' perceptions of excellence, creativity and exclusivity (Cristini, Kauppinen-Räisänen & Barthod-Prothade, 2017). As in an interpersonal relationship, the meaning of the consumer-brand relationship is created by both subjects, indicating customers as actors in the process of meaning creation, via co-creation (Vargo & Lush, 2004). In the new luxury context, symbolic, hedonic and relational aspects are key for differentiation, much more relevant than utilitarian and financial values, which have been set as standards in previous times (Tynan, McKechnie & Chhuon, 2010).

Schaefer & Kuehlwein (2015) suggest a new brand construct to respond to the shifts previously presented on this dissertation, naming it Ueber brands. These brands are committed to provide guidance, or something to aspire to, based on strong convictions and a sense of inner direction that exalts the brand's myth and mission. By pursuing a daring mission without compromising their ideals and convictions, brands become something individuals can aspire to, something they relate to and recognize a higher value at, by being seduced, not sold into. Doing so requires brands to keep an ethereal velvet rope around them, not like the old sense of rarity and scarcity, but more in a way of establishing a design target that epitomizes brands' ideals and keeps the strategic target aspiring to reach them through the brand (Nespresso's design target are individuals with an upper-lifestyle, that are sophisticated enough to appreciate their coffee, which makes other individuals that want a taste of that lifestyle see the brand's products as a way to do so). The core of a strategy like this one, are the brands' deep connections with their customers, by truly living the dream they are communicating, building an identity that allows individuals to esteem the brand. Such is made by translating the brand's mission into a story that has the potential to be elevated to a myth. Myths make brands become icons whose products are physical manifestations of their underlying myth, providing substance to the brand, and giving the so much needed authenticity.

Therefore, Ueber brands emphasize the importance of symbolic and experiential dimensions in the current times, highlighting how important it is for brands to be carefully and distinctively built around a strong core, that has enough depth for customers to build a relationship with.

2.4.1. Dimensions of the new luxury brand relationship

Nobre & Simões (2019) stated that as long as the consumer-brand relationship is meaningful, and brings socio-emotional benefits to customers, they will be more willing to pay a premium price for the brand. The authors suggest that the customer-new luxury brand relationship should transmit trust, intimacy, self-identification, affection and commitment, and propose a relationship construct based on four dimensions. The dimensions are:

- *Commitment*, which regards the behavioral ties that sustain the relationship strength (Fournier, 1998; Morgan & Hunt, 1994), capturing consumers' attitudes and behaviors that reflect their efforts towards that goal. Such attitudes and behaviors become visible through purchasing and interest on the brand over time.
- *Self-connection*, which regards the match between individuals' personality and the brand's, which is an important antecedent of whether consumers attach strong meanings to the consumer-brand relationship (Fournier, 1998).
- *Intimacy-loyalty*, which refers to the beliefs consumers hold about the brand, like the trust degree they feel the brand is worthy of, reflecting the overall level of understanding between consumer and brand (Nobre & Simões, 2019).
- *Passion* comprises the experience aspect, which should be affective and bring socioemotional benefits to consumers, in order for them to establish meaningful symbolic associations with the brand.

Commitment and self-connection are related to the relationship strength (Aaker, Fournier & Brasel, 2004), while intimacy-loyalty and passion dimensions concern the bonds consumers develop with new luxury brands, that, as mentioned above, are similar to the ones developed in interpersonal relationships.

2.5. Firms' strategy and performance

During the last decades of the previous century, a new management perspective that was more focused on the internal aspects of firms began to emerge. This new construct is recalled as the resource-based view, an internal approach that presents management strategy in a way that its core relies on a company's resources, capabilities, and competences, that are potentially able to provide a sustainable competitive advantage and a successful long-term performance. In this way, this approach differs from others such as Porter's five forces (Porter, 1980), which approaches strategic management with a focus on external dynamics at the industry level and opportunities from which companies should elaborate a competitive positioning strategy (Grant, 2019).

The starting point for a resource-based strategy is for companies to invest in acquiring/ developing the organizational resources and capabilities that will be used to create an ideally superior economic value, aiming for a sustainable competitive advantage (Grant, 2019). In order to do so, when acquired/ developed, resources and capabilities should then be matched to the market, looking to exploit external opportunities (Andrews, 1980), meaning that before setting competitive strategies, firms should acknowledge what they are capable of doing, and only then look to the industry. Peteraf & Barney (2003) suggest that resources and capabilities with a potential to achieve a sustainable competitive advantage are valuable (enable value creation by exploiting opportunities and/ or diminishing threats), rare (not owned by many companies), inimitable (existence of barriers for other companies to acquire the resources, like patents, historical path dependency or strong social complexity), and consider organization, which concerns the companies' governance capability to exploit their valuable, rare and inimitable resources, also coined VRIO resources[1] (António, 2015).

Despite the benefits of the internal focus inherent to the resource-based view, it is necessary that companies take the market's dynamics into consideration, so they can remain relevant (Teece, Pisano & Shuen, 1997). Resources that today serve as a source for a competitive advantage (VRIN resources), may not be able to sustain that competitive advantage in the future due to market changes (António, 2015). A competitive advantage is able to remain as one in a dynamic market as long as firms can continuously change (Fiol, 2001). Hence, dynamic capabilities came along the need to move beyond a static market, comprehending the evolutionary aspect of resources and capabilities that should be built, integrated and reconfigured by this dynamic set of capabilities, in a way that responds to a volatile environment (Teece, Pisano & Shuen, 1997).

There are three types of dynamic capabilities, namely adaptive capability, absorptive capability, and innovative capability (António, 2015):

- *Adaptive capability* represents the ability to continuously search and reconfigure resources and capabilities in order to timely exploit the opportunities identified from the environment, such as technology trends or emerging markets (Teece, Pisano & Shuen, 1997).
- *Absorptive capability* regards the capability to recognize the value in new knowledge about the firm's context and to use it, enhancing firm's performance. There can be external or internal sources of information (Mody, 1993). Can include value co-creation.

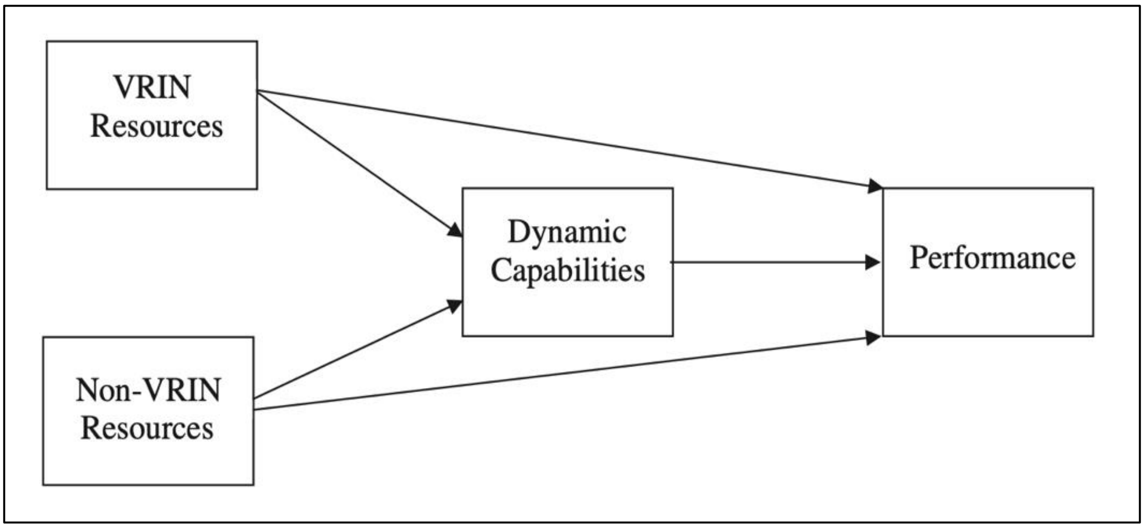
[1] The VRIO perspective added corporate governance as a key antecedent of a sustainable competitive advantages, complementing the previous (and still used) VRIN perspective

- *Innovative capability* is the ability to efficiently integrate internal and external resources (Aoki, 1990) towards developing new products/ markets, which requires an alignment of strategy with adopted behaviors and processes (António, 2015). Can include design thinking.

Dynamic capabilities are mediators in the relationship between resources and firm's performance (Wu, 2007), it is them that extract the competitive combinations of VRIN resources in order to further implement a value creating strategy (Lin & Wu, 2014). Lin & Wu (2014) found that dynamic capabilities significantly mediate the effect of VRIN resources on improving firm's performance, once they also contribute to improve competitive advantages.

Figure 2.2

Mediating effect of dynamic capabilities between resources and performance



Source: Lin & Wu (2014: 410)

2.6. Value co-creation in the new luxury context

Authors like Ind, Iglesias & Schultz (2013) define co-creation as a dynamic relationship (group of interactions) between subjects that are active in the process of value creation, with these subjects being firms and their stakeholders (Prahalad & Ramaswamy, 2000). In this new paradigm, customers become a source of competitive advantage for firms, because now they have an active role on value creation (Mukhtar, Ismail & Yahya, 2012; Woodruff, 1997).

Customers and brands co-create value in a time where the focus is on personalized, intimate brand experiences, evolving from the old firm and product centered view of value creation (Tynan, McKechnie & Chhuon, 2010). Value is created by means of interactions between brands and customers, such as exchanges of knowledge and skills that aim to create unique experiences (Vargo & Lusch, 2004; Prahalad & Ramaswamy, 2004). This implies an active customer who determines value when consuming the product, meaning the experience involves an interaction between customer and brand, opposed to the traditional, usually passive, customer who exchange money for a value created exclusively by the brand (Prahalad & Ramaswamy, 2004). It is necessary to consider that different groups of customers will desire different levels of engagement. Van den Broeke & Paparoidamis (2021) found that co-creation seems to thrive in environments where customers are more sensitive to quality than price, product demand is high, operations systems are flexible enough, and the investment intensity is low.

Value co-creation happens on many levels besides the customer-brand relationship, meaning that other stakeholders like brand partners (as shareholders, suppliers and similarly positioned complementary brands) and brand communities (such as opinion leaders, experts, and cultural icons) are also involved on creating value (Achrol & Kotler, 2006), by engaging and marketing between them. The openness of a brand to its environment is crucial on maintaining relevance and meaning to customers. Kapferer & Bastien (2012) say that contemporary art, from music to fashion, is a great form of doing so, not only do they serve as inspirations, but also are good partners for collaborations that enhance the overall created value (Tynan, McKechnie & Chhuon, 2010). The benefits of contemporary art for brands, are related to the fact that works of art reflect the way society sees and judges the world around at the time they are made, for they are born in our world and thus are influenced by it, namely by advances in scientific knowledge (Eco, 2016).

These multiple interactions are the basis for luxury brands to create differentiated, unique, and desired experiences, that deliver the luxury customers a kind of benefit that can't be bought, enhancing perceived exclusivity (Catry, 2003).

2.6.1. Brand identity

In its early days, brand identity was unilaterally created by managers, according to what they wanted the brand to be, and should be maintained clear and consistent, in order to serve as a meaning reference for customers (Aaker, 1996). Thus, brand identity was recalled as a unique set of desired associations that represented managers' ideas for what a brand aimed to do, which should provide a long lasting and relevant reference for customers (Aaker & Joachminsthaler, 2000; Kapferer, 2008).

The idea that a brand's identity is created by managers and remains static independently of the environment has been contested in the last few years, because nowadays, the market environments where companies act are more complex and require a dynamic brand identity that maintains core values while continuously making partial adjustments to the environment (Da Silveira, Lages & Simões, 2013). The core values' maintenance is important in order for the brand identity to constitute a source of differentiation, essential for customers to distinguish the brand from others when there is a such big number of options to choose from (Kapferer, 2008). Despite the core values' maintenance, flexibility regarding the environment's changes can be assured, propelling brand's evolution. Evolution is necessary due to dynamic markets and to proactive customers that now participate in the value creation process (Vargo & Lusch, 2004).

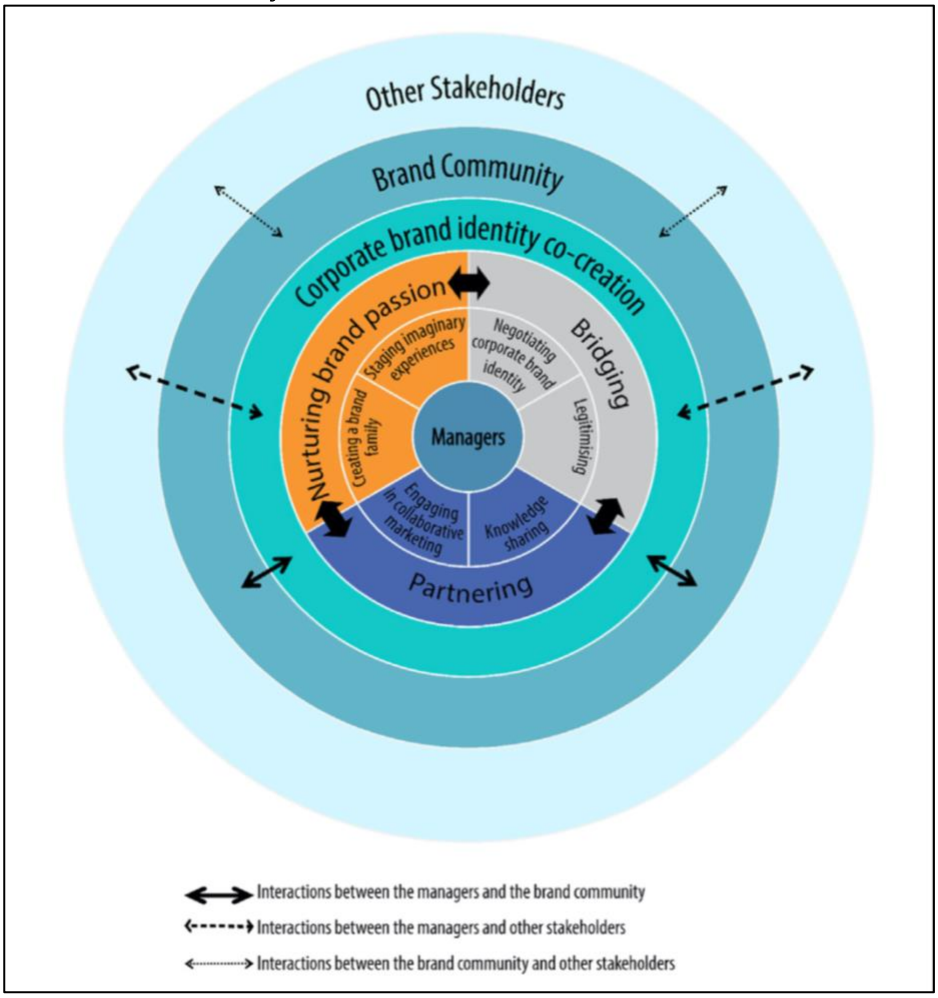
Thus, firms should adopt a stakeholder-oriented perspective, considering brands as dynamic and social constructed concepts that are reshaped over time, according to the environment's changes and inputs from multiple stakeholders (Da Silveira, Lages & Simões, 2013; Merz, He & Vargo, 2009). Brands are a product of all the stakeholders' inputs that occur in every encounter between them, so companies should be able to develop and maintain synergies with multiple stakeholders (as customer groups and suppliers) towards co-creating the brand identity, using its core values as an overall reference point (Iglesias, Ind & Alfaro, 2013). Brand identity should now be seen as a relational construct that has its inputs in social relationships and is originated by insiders (Handelman, 2006), then developed by both company insiders and outsiders, following an adaptive instability principle that asserts the possibility for firms to change while maintaining key enduring aspects of their identity (Hatch & Schultz, 2004; Gioia, Schultz & Corley, 2000).

Essamri, McKechnie & Winklhofer (2019) suggest a framework to assess managers' role on the brand identity co-creation process, focusing on the exchanges with online brand communities while recognizing the multitude of interactions with other stakeholders. Brand communities are social groups to whom individuals are engaged in order to share their brand experiences and admiration for it (Vallaster & Von Wallpach, 2013). The authors identified six activities through which brand managers engage with brand communities: creating a brand family; staging imaginary experiences; negotiating corporate brand identity; legitimizing; engaging in collaborative marketing; knowledge sharing. These six activities further support three types of co-creation processes:

- *Nurturing brand passion* comprises creating a brand family and staging imaginary experiences. The process is supported by activities aimed towards creating a strong relationship with customers, developing an environment for interactions among them where the brand identity can be negotiated. Activities that allow customers to dream and fantasize about the brand are comprised in here as well, such as allowing customers to design the products themselves.
- *Bridging* comprises negotiating corporate brand identity and legitimizing. The process is facilitated by activities aimed towards an on-going exchange with the brand community regarding brand identity meanings, as well as the relationship between companies and stakeholders with the goal of fitting the brand identity to the customers, and to shape their perceptions of corporate brand identity in a desired way.
- *Partnering* comprises engaging in collaborative marketing and knowledge sharing. The process is facilitated by activities aimed towards getting feedback from brand community members, as well as inputs for new product development. Besides that, partnering involves discussing technical aspects that are key for the brand's identity with brand communities.

Figure 2.3

Stakeholder-oriented brand identity



Source: Essamri, McKechnie & Winklhofer (2019: 372)

2.7. Design thinking as a dynamic capability

The perspective of design problem-framing and problem-solving has lately been adopted in many contexts, including management, which has found it to be particularly useful to propel innovations and deal with all kinds of realities in a world where innovation is the main source of differentiation and competitive advantage for companies (Johansson-Sköldberg, Woodilla, & Cetinkaya, 2013; Kotler & Rath, 1984; Mintzberg, 1990; Nakata & Hwang, 2020). Design thinking consists on addressing problems arising in the management context as designers would do, consisting on thinking in a conceptual dimension that designers are so used to, to then elaborate a new objective solution (Dunne & Martin, 2006; Beckman & Barry, 2007).

As mentioned before, individuals are now increasingly looking for meaning in their lives, for which emotionally satisfying, and also meaningful experiences are demanded. These experiences consist on combinations that gather products, services, spaces and information. Design thinking presents itself as a useful tool to idealize these experiences and to bring them to the objective dimension (Brown, 2008).

Nakata & Hwang (2020) suggest that design thinking is composed by a set of actions and mindsets (with the latter influencing the former) that all together have a positive impact on performance. The authors suggest human centeredness, abductive reasoning, and learning by failing as mindsets. *Human centeredness* goes beyond customer orientation, it refers to (among others) providing compelling moments to customers, and to translate their preferences into memorable and meaningful experiences (Zheng, 2018). *Abductive reasoning* challenges what exists in a search for alternatives that is better described by asking "what might or ought to be" (Liedtka, Ogilvie, & Brozenske, 2019). *Learning by failing* recognizes that daring to fail in an early stage of the innovation process allows companies to get an effective solution sooner. The authors suggest discovery, ideation, and experimentation as actions. *Discovery* is aimed towards understanding customer's needs, using interviews for example. *Ideation* is where new concepts (aligned with customers' needs) are generated from brainstorming activities. *Experimentation* refers to testing the ideas to see their effectiveness, and then adjust the solution, if needed. It is mainly supported by early prototyping and stakeholders' feedback (Lockwood, 2009).

Brown (2008) suggests that design projects go through three stages, starting with *inspiration* (a problem/ opportunity detected from looking into the environment and that motivates the search for answers), then *ideation* of ideas and their respective testing to see if they lead to solutions, and lastly *implementation* (taking the solution to the market).

CHAPTER 3

Methodology

The following chapter serves to do some empirical testing on the theory regarding the new luxury brand construct that was explored in the Literature Review. As mentioned before, the overarching goal of this dissertation is to develop a project for an upholstery company acting in the new luxury context. Thus, a research study was developed in this stage in order to see how relevant the new luxury context is to the major Portuguese luxury furniture brands, and to find out how relevant is the Literature Review for the desired market segment, which is the one this project is aiming to integrate.

In order to do this, the research questions were widely set throughout the diverse topics from the Literature Review in a way that enabled the understanding of the brands' activity by framing it throughout the different explored aspects, that served as dials indicating the degree to which the brand was acting in the new luxury context. This includes understanding how brands create value to their customers, how do they differentiate themselves from competitors, how is their customer-brand relationship, in which way does their strategy go along with the changes in the luxury brands' archetypes, and which dynamic capabilities are more important to them, as well as how do they set their activity to exploit such capabilities.

The main output from this chapter are the 12 themes that emerged from the research study. These themes consist of categories relating to the research focus, 12 categories that contribute to understand the participants' standpoint regarding the concepts explored in the literature review and thus their stance on the new luxury context and brand constructs.

In the end, results from the research study are interpreted as a whole in light of the literature review. Research questions are disclosed in the interview guide on Appendix B.

3.1. Theory and research

In order to know how the new luxury concept is present in companies' activity, a research study following an empirical approach was developed. The study consisted of a qualitative analysis, that was carried through semi-structured interviews. Being an empirical approach, questions arose from the previously developed literature review (Bryman, 2016), aiming towards understanding how companies perceived the many aspects of the new luxury concept, and if their actions were in any way influenced by it, thus answering questions posed by theoretical considerations.

An interpretivist epistemology was adopted, for it emphasizes on understanding human behavior, instead of its mere explanation (Bryman, 2016). Interpretivism accounts for the need to consider the differences between social (people and their institutions) and natural objects, namely the distinct inherent subjectivity of the former (Schutz, 1962). This subjectivity regards the meanings that people attribute to their actions, which strongly influence their behavior. Therefore, interpretivism claims for the need to interpret people's actions on their social world, from their own point of view (Bogdan & Taylor, 1975), which is useful for this matter, once companies exist in a social context and reflect (in their core) people's decisions.

As mentioned earlier, data were collected through semi-structured interviews which left a great deal of freedom for the interviewee to reply (Bryman, 2016; Palinkas, Horwitz, Green, Wisdom, Duan & Hoagwood, 2013), regardless having an interview guide with the specific topics to be covered (namely luxury dimensions, brand identity, brand-customer relationship, value co-creation, and organizational strategy). Thus, by conducting semi-structured interviews (see the interview guide in Appendix B), it was possible to collect research participants' insights on the topics, from their own point of view, which is in accordance with an interpretivist epistemology. Furthermore, when dealing with a subject as subjective as luxury, this degree of freedom for participants to express ideas in their own way, brings more depth and richness to the data. After the interviews, data was stored and treated in a way that guaranteed participants' anonymity, preserving that key ethics' principle (Israel & Hay, 2004).

The study sample is constituted by twelve individuals working on Portuguese luxury/ premium furniture brands, mainly on marketing and executive positions, but also on design. Participants were selected based on their acquaintance with the research topics (see interview invitation on Appendix A), in order to get appropriate answers to the research questions. Thus, a generic purposive sample approach was adopted (Bryman, 2016).

Research quality criteria were considered since the research planning stage, ensuring every aspect was properly taken care of during the entire process. The criteria taken into consideration were *trustworthiness* (concerning credibility, transferability, dependability, and confirmability) and *authenticity* (concerning fairness, ontological authenticity, educative authenticity, catalytic authenticity, and tactical authenticity), presented by Lincoln & Guba (1985) as a recognition of the need to use specific criteria to evaluate a qualitative analysis, different from a quantitative analysis. One of the practices adopted to guarantee *trustworthiness* through dependability, was the creation of a detailed contacts' log with all the information about each contact (date, subject, and purpose, among others), and also upkeeping a record of each phase of the research process. Besides that, regarding confirmability, researcher's personal values and inclinations were strictly managed in a way that didn't sway the research path and its findings, formulating and posing interview questions that did not make any assumptions about the topics. On the matter of *authenticity*, the research represents several different perspectives on the topic, once it includes participants from twelve different companies, performing different roles, which enables participants to better understand their context through a multitude of perspectives.

3.2. Thematic analysis

A thematic analysis was used in this study, given its suitability to analyze qualitative data (Bryman, 2016). Initially, data were read multiple times in a search for themes, that emerged as categories relating to the research focus, the new luxury context and brands' constructs. Twelve themes were identified through repetition of topics that kept recuring in the interview transcripts, and by comparing the ways in which different interviewees discuss the same topic (Ryan & Bernard, 2003). These themes were originated from 387 initial open codes. These codes were identified by naming the different parts of the data, and then, by putting together codes with common elements into successively higher order codes, the 12 themes were achieved and carefully examined to take useful insights on how/ why they contributed to understand the participants' perspective about the various new luxury concept aspects (Clarke & Braun, 2013). The 12 themes will now be presented.

Customers' value perceptions refers to the different ways in which customers perceive the value created by the brands, and comprises three codes:

i. *Passion*, which relates to the individual dimension where senses are triggered through unique designs/ aesthetics and materials, turning some pieces into objects of desire. Some brands admitted having fans. *"There was a trade fair where a group of visitors started screaming as soon as they saw our stand, they couldn't believe how beautiful and arousing our pieces were".*
ii. *Statement*, which refers to the social and financial dimensions. Some brands assert that their products are quite often bought to flaunt prosperity, associated to owning a very expensive piece, that very few people are able to afford.
iii. *Product knowledge*, which refers to the value perceived by knowing what lies behind the products, its materials and manufacture. *"We are sometimes seen as a well-kept secret, whose true value is only known by customers who have more knowledge on the matter"*. *"We try to educate customers on how the products are made, so they understand their value"*.

Brand identity refers to the elements regarding differentiation by means of establishing a deeply constructed brand identity, capable of sustaining a meaningful customer-brand relationship. The theme was divided into:

i. *Strong core values*, which comes from most companies having a well-defined set of unique guiding values that exalts the brand's mission and myth. *"You either love it or hate it"*.
ii. *Inherent coherence*, which refers to the fact that every aspect of the brand reflects its core values, everything spreads from within the brand's core. *"We guide all our actions by our brand's values, at every moment"*. *"Each product has an intrinsic value, a reason to exist that reflects the brand's values"*.
iii. *Brand's universe*, referring to the intention to offer a lifestyle, a unique complete experience that brings the brand identity to life in diverse ways. *"It has to be a complete experience, including products, service, smell, touch and every other sense"*. *"Our aim is to be seen as a luxury lifestyle brand"*.

Wide communication concerns brands' efforts to reach their customers and admirers, using many channels to do so, including social media (both in video and photograph format), press, newsletters, showrooms and trade fairs.

Customer-brand relationship is a key aspect for all the participant brands, making all the possible efforts towards building and maintaining a trustful, long-term, sharing relationship that extends way before, and beyond the purchase moment. *"We are always available for our customers, they feel they can count on us to solve any of their problems, so many of them end up buying our products again"*. Thus, these relationships show signs of the dimensions Nobre & Simões (2019) presented for the customer-new luxury brand relationship (sub-section 2.4.1).

Openness to the environment refers to the close collaboration maintained with stakeholders, from which the following two are most relevant:

i. *Customers*, referring to the search for customers' feedback, in order to keep satisfying their specific needs. Furthermore, the majority of the participants offer vast product customization options, some even offer a bespoke service that allows customers to buy designs that were not even on the catalogue. *"It has happened that we produced the customers' designs, and then asked for permission to include them on our catalogue"*.
ii. *Partners/ suppliers*, referring to the constant feedback between brands and their partners to achieve the most appropriate solutions, which, once most participants recurred to outsourcing, is more evident with manufacturers. *"Every product's detail is discussed with our partners/ suppliers, from stitches, to fabrics, to manufacture method"*.

Service component regards the emphasis on the need to not focus activity on the sales aspect only, but also, and most importantly, on accompanying customers, and adjusting to their needs, from the first contact on, even after the products are delivered. *"Besides the products, the service is made-to-order too, from the first contact we try to make whatever the client needs, until the products are delivered and ready to use"*. Participants saw themselves as design assistants, not as salespeople, for their focus is to deliver an experience, a different universe, achieved by means of helping customers create their spaces. *"The service sustains everything else"*.

Customer centricity emerges from participants' efforts on doing everything within their reach to satisfy customers' needs and having that in mind at all times. It is coherent to what Nakata & Hwang (2020) identified as human centeredness, when suggesting design thinking mindsets. Efforts such as having an initial conversation to understand what the customer desires, and then study the project to deliver the most adequate solution for the case, including product characteristics and service aspects (like the type of delivery, for instance).

Thorough development is another theme that emerges from matters relating to design thinking's actions and mindsets (Nakata & Hwang, 2020). The majority of participants mentioned numerous actions taken to control possible failures, such as experimentation in the early ideation and development stages to test products and ideas to their maximum before they are released. This process involves a close relationship with partners/ suppliers, in order to guarantee relevant and timely feedback. *"Every product is ideated and developed in a close synergy between designers and craftspeople, going through numerous tests that involve everyone in the company. This way we minimize possible errors, but if something fails, we are ready to learn and adjust. The same goes for marketing strategies, for instance"*.

Reinterpreting tradition refers to the fact that most brands take traditions as an inspiration for their creations, both in design/ aesthetic values and manufacturing methods (which mostly rely on craftspeople, some performing crafts that are extremely rare in these days), and combine them with modern values in their own unique way, *"combining the best from both worlds"*.

Innovation regards the need to create new products in a rhythm that sustains the brands' image as trend setters, as the ones who set the market's pace and behaviors. Besides the rhythm, products need to bring something new that is able to entice customers' senses, making them perceive the brand as the one to look up to. *"Our products usually get copied on the imitations' market, by companies who produce in low-cost factories, with low-cost materials that end up being bought by customers who like our products but don't have the money to buy them. We see that as a sign that we are leading the market, and we make sure to regularly create new products to maintain that image and make it impossible for copycats to keep up with us"*.

Rigor regards aiming for perfection at all moments. All participants manifested a high degree of attention to every detail and commitment to deliver the best solution possible, in the best way possible. *"At the ordering moment, we talk with the customers about the delivery, to make sure products fit in the customer's doors/ windows. If necessary, we divide the products in the factory and send the parts with an explaining video and instructions on how to assemble it. Other times, products are too specific and require us to send a team to assemble it."*

Uniqueness concerns some of the aspects Kapferer (2012) mentioned when talking about abundant rarity, and emerged through four different codes:

i. *Anchor point*, which refers to the growing prestige of Portuguese furniture, due to its quality and deep roots.
ii. *Handmade*, referring to the fact that a great level of attention and work goes into each product, and being handmade, it is very unlikely to find two products with the exact same characteristics (as pieces with carved wood, for instance).
iii. *Limited editions*, with each product numbered and signed by the designer and craftsman.
iv. *Made to order*, which refers to each product being customizable to a degree that makes the existence of two identical products very unlikely. Besides, some products are made through a bespoke service.

3.3. Interpreting results

The current study made it possible to see that although the new luxury concept is present in many companies' activity, some traditional luxury and premium aspects still play a relevant role in some others. No premium company showed signs of learning from luxury, once most of them purely focused on functional aspects.

A few luxury brands admitted being formal and traditional regarding their brand identity, communication strategy and overall service, stating that part of their customers exclusively looked for something unique that nobody else owned, or at least was owned by only a few people. Most times, these customers were driven by a will to flaunt prosperity, to make a statement of their status, and saw the purchase of these products as an opportunity to do so, attributing value in terms of price.

Despite companies emphasizing on each luxury dimension differently, it was clear that a focus on the individual dimension was common to all. Most brands developed a deep brand identity that enabled customers to forge a strong bond with the brand, an admiration for its values and what it stands for, represented in both products' aesthetics and service. This identity was aimed towards creating a brand universe, an experience where customers could fully immerse into the brand. Some customers intended to make a different kind of statement, based on knowledge about the products, their unique materials and manufacturing. The financial dimension did not have much importance for the latter, and even the social dimension is more a kind of wanting to own a hidden secret that only a few have heard of.

It is also important to mention that quality and attention to details (both relating to products and service) were taken as the foundation for everything else, thus delivering a product that meets all customers' expectations is extremely important. To do so, companies were open, in different degrees, to their customers' inputs, whether by offering customization options, producing customers' own designs, or helping them creating their projects, as well as to their suppliers/ partners, once the close relationship with the latter enabled companies to be more flexible and deliver better results.

None of the companies showed a preoccupation with rarity for the impact its lack could have on the financial and social driven customers' perceptions. Although most of them had a clear selective distribution, that aspect came as a consequence of the brand identity, and of course helped enhancing the products' perceived exclusivity, as much as the fact that each product was made to order, customizable (some even through a bespoke service), and handmade in Portugal, a country with a strong heritage in furniture craftsmanship.

CHAPTER 4

General environment analysis

The following chapter represents a turning point from an investigational stance to a more practical one. Until now, the goal was to explore the theory that could be relevant to the development of the project and to see its empirical applicability. From now on, all efforts will be directed towards the development of a project for an upholstery company acting in the new luxury context, aiming towards having enough information to make a decision regarding the project's viability.

Throughout this chapter, a situational analysis was carried through consisting on an overall diagnosis of the external macro environment set to collect data to further identify opportunities, threats and market trends that enable a future efficient strategic formulation. The analysis departs from the PESTEL framework (Boddy & Patton, 2011), identifying political, economic, socio-cultural, environmental, technological, and legal factors that may be relevant for the project to be developed.

4.1. Political context

We are living intriguing times these days. If on one hand we are witnessing a globalization process that passes an image of mutual cooperation between all countries, on the other we see events that may make us doubt of such utopia. War scenarios and dictatorships are something we usually think of as distant memories from the twentieth century. However, eastern Europe has been terrorized by conflicts between Russia and Ukraine since 2015, causing a considerable deterioration of people's well-being all over the conflict zones (Osiichuk & Shepotylo, 2020). This makes one think twice before considering Europe as a flawless role model of modern civilization and cooperation. Besides, there are countries like Russia or Turkey, where a wind of fear and repression surrounds individuals in such ways that ideas opposite to the governments are tremendously repressed (Devi, 2018; Spiegelberger, 2020).

International cooperation is extremely important at all times, especially during a pandemic as the one we have been hit by during the last year. Some discouraging signs from the Brexit initiative may lead us to think cooperation is over, however, deals and pacts between countries still exist and are still essential, for most world leaders fortunately believe we can no longer live within closed borders. Most European mainstream parties converge in matters of globalization (Adam & Ftergioti, 2019), and the United States, one of the most influential countries in the world, have recently elected a president that is aware of the importance of these matters and already began reversing some previous opposite measures (Himmelstein & Woolhandler, 2021). In the end one may say that international cooperation is not something that has been conquered already and may now be enjoyed, but a matter that will require continuous efforts towards maintaining it, especially with the rise of extremist political movements all around Europe.

4.2. Economic context

All around the world, people's lives have been affected in countless ways by the Covid-19 pandemic during the last year. Although it may be too early to see its full impact on the world's economy, there are already some signs of a seemingly inevitable crisis. Looking at the EU-27 countries overall GDP from Pordata (2021a), one can see there was a 5 % drop from 2019 to 2020 (13 297 246.5 million EUR), interrupting a steady growth since 2009 (10 585 151.7 million EUR). The global wealth level has showed signs of a hard time too, worldwide wealth has lost 7.2 trillion USD in 2020, when comparing to the estimates made before the pandemic for this period (Credit Suisse, 2020). Excluding 2015, the world's overall GDP had been growing since 2009 (World Bank, 2020). Furthermore, the household savings rate in the euro area, which had been below 15 % from 2008 to 2019, reached its peak in the second quarter of 2020, at 24.6 %, finishing the year at 19.8 % (Eurostat, 2021a). Trade balance for manufactured goods in the EU decreased from 417.19 billion EUR in 2019, to 340.43 billion EUR in 2020 (Eurostat, 2021b), due to both imports and exports having the first accentuated decrease since 2009. Trade balance had been consistently around 400 billion EUR since 2016, and it is interesting to note that until 2009 its reference point was 200 billion EUR. From that moment on, it began taking new proportions with added value exports leading the way (Eurostat, 2021b; Eurostat, 2021c).

Depending on the future consequences from these events, we might witness what Kapferer & Bastien (2012) called an “acid test” that will clean the luxury market and only leave the brands that are truly managed accordingly to a luxury strategy. This was the case between 2008 and 2010 if we look at brands such as Louis Vuitton, which kept a 10 % growth rate, and BMW, which had exceptional results in 2010, despite the global economic crisis that swept many other brands entering vicious cycles of discounts and special offers. It is possible to see a similar tendency at the present already. Every luxury group results declined throughout the first half of 2020, but in the second half of the year, registered losses were smaller, and there were even some gains, that in some cases were accompanied by higher prices (Deloitte, 2020). Curiously enough, this recovery was mostly due to luxury sales in Asia, particularly in China, where Hermès sold approximately 2.46 million EUR on the first day after confinement (in April, in the brand’s Guangzhou store). According to Deloitte (2020), the overall top 100 luxury goods companies’ sales growth rate declined from 2018 to 2019 (from 9.6 % to 8.5 %, respectively), with 70.1 % of that year’s overall luxury sales being made by the biggest companies (activity superior to 5 billion USD), opposed to the 2.8 % of the smallest ones (activity inferior to 500 million EUR). Either in 2017, 2018, and 2019, the majority of the Deloitte (2020) top 100 luxury goods companies have grown their net-profit margin at a rate between 0 % and 10 %.

Kapferer & Bastien (2012) suggest that during crises, clients prefer to be more cautious and postpone their luxury purchases. The authors further mention a strong correlation between luxury purchases and the stock market, which was suggested and proved by Sahalia, Parker & Yogo (2004) and shows that whenever stocks are down, their holders (the case of most luxury customers) feel poorer, so luxury purchases are postponed. As a matter of curiosity, it might be interesting to see that between February and March 2020, equity prices abruptly dropped in all major stock markets (Credit Suisse, 2020), and precisely by that time, the Portuguese furniture companies had their worst results in a long period of time, declining 32 % in March, 75 % in April, and 52 % in May, compared to the respective homologue periods in 2019 (APIMA, 2020).

There is not enough data to affirm these two events are in fact correlated, but it is true that most Portuguese furniture companies export their production to countries with greater purchasing power, once in general these companies produce high-value goods that are usually bought by individuals with a high level of wealth (traditionally with stock market investments), so one might be led to believe that this fall in the stock market made the Portuguese furniture customers’ postpone their purchases, leading to the companies’ poor results in that period. As the equity markets recovered from April 2020 on (Credit Suisse, 2020), so did the Portuguese furniture companies’ results, which presented little variations comparing with the same period in 2019 (APIMA, 2020). Once again, it important to note that there is not enough data to affirm these two events are in fact correlated. Besides, although high-value, luxury is not just a question of being the highest valued, the difference is in nature, so the percentage of luxury companies in the whole of the Portuguese furniture companies might be so small that this correlation is insignificant. Notwithstanding, the overall Portuguese furniture exports in 2020 dropped 14 % compared with 2019, with the main exports' destinations being France, Spain, Germany, United States of America, and United Kingdom (APIMA, 2020).

4.3. Social context

One of the most evident impacts of the Covid-19 pandemic regards wealth distribution inequalities. According to Credit Suisse (2020), the pandemic has accentuated discrepancies between countries that own enough resources to cushion its impact and those who do not, with the latter being more affected due to their governments' overall lack of borrowing capacity, thus not being able to cushion the pandemic's impact on household income. Also, some groups of individuals have been more affected by the pandemic's consequences than others. Taking Canada as an example, unemployment for non-high school graduates, high school graduates, and university graduates, respectively rose 17.1 %, 14.7 %, and 5.6 %, in the first half of 2020. For that same period, in the United States, unemployment reached 7.5 %, 11.5 % and 12.3 %, for Caucasians, African Americans and Hispanics, respectively (Credit Suisse, 2020). Besides, about 70 % of the labor force in health and social care, where infection rates have been high, is constituted by women (Credit Suisse, 2020). Meanwhile, unemployment rates have been relatively similar in the EU-27 countries, although unemployment rate for individuals that completed a higher education level has been the lowest in the last decade (Pordata, 2021b).

Wealth inequalities were also emphasized by considerable variations in terms of the pandemic's impact on different industries and sectors. Most industries from the so called "new economy", as the tech and automotive industries, have had their businesses increased throughout the pandemic, making countries more specialized in those industries have their wealth risen (Credit Suisse, 2020). Notwithstanding, the number of millionaires did not change much in the first half of 2020 comparing to 2019. Credit Suisse (2020) estimated there was only a decrease of 1%, with the United States, China, Germany, United Kingdom and Japan still remaining among the countries with more millionaires. According to Deloitte (2020) the countries with more luxury sales in the 2019 financial year (most recent at the time this dissertation was done) were China, France, Germany, Japan, Italy, Spain, Switzerland, United Kingdom and the United States (by no particular order). It is interesting to note that furniture was the seventh most popular passion investment among high-net-worth individuals, surpassing colored diamonds, coins and handbags. The top investments in this category were watches, art, classic cars, wine, jewelry and rare whisky (Knight Frank, 2021).

Some say the pandemic might be the final blow into destroying the middle class, by opening a gap so big between the rich and the poor, that only those remain (Credit Suisse, 2020). Looking at estimates for the end of 2019, the most recent data available at the time this document was written, one can see that 83.9 % of the world's wealth was held by only 12.4 % of individuals (Credit Suisse, 2020), which is a very strong indicator of existing income inequalities. Considering the reduced economic activity, high unemployment rates, and reductions in share prices, it is possible to see that both the rich and the poor's wealth can be affected by the pandemic, although it is not yet clear how it did, nor how it will in the future.

Consumption habits have changed throughout the last year as well, according to Deloitte (2020), online sales reached a peak in April 2020, with more 209 % online purchases than in the same period in 2019, and according to data from the World Economic Forum (2020), last-mile deliveries are expected to grow 78 % over the next 10 years. The importance of the digital is not something new (Deloitte, 2017), in 2018 ecommerce accounted for 10 % of all luxury purchases, so most luxury companies had already implemented some measures in this regard over the last years (Ryu, 2020). Luxury brands began to make big investments in technologies that allowed them to catch up with customers' requirements. The focus was now on creating an omnichannel experience, which does not mean erasing the traditional in store experience so unique to luxury brands but equipping brands to be more responsive to contemporary customers' needs. These efforts enabled companies to compensate for stores being closed and consequently existing less engagement with customers during the last year. Besides, in the near future, stores will need to be prepared accordingly to health safety measures, which is something important to consider when creating the instore experience. Brands like Burberry and Gucci invested on augmented reality features, such as a virtual shop where products can be bought, others like Prada, Miu Miu and Valentino opened virtual stores through Alibaba and Tmall's luxury pavilion, between 2018 and 2020 (Deloitte, 2020).

Another interesting fact about luxury consumption habits regards second hand/ used goods, which are now seen as "unlimited destination goods". There has always been a belief that re-selling luxury goods would damage brands' image, however, with this change of paradigm, the resale market is helping to boost the primary market sales, and it is here to stay, according to Deloitte (2020). The resale market is forecasted to increase at a compound annual growth rate of 15.5 %, from 2018 to 2026. Thus, luxury companies need to adapt to these new circumstances, and can do so by creating iconic products, making limited editions, and promoting their products' exclusivity. This subject is further developed in the next section.

4.4. Environmental context

Even though luxury brands do not always promote their functional qualities, they are still making long-lasting products, most often with a design that has the potential to be iconic and thus not becoming obsolete in the short time. This helps boosting luxury products on the resale market, not only because customers know they were made to last, but also because environmentally conscious customers feel it is a more sustainable way of purchasing, promoting a circular economy. This consciousness about environmental causes is predominant among Millennials and Generation Z individuals, who look for companies whose products are made of sustainable raw materials and that are aware of the cultural changes in this regard. Environmental concerns are a key aspect to Millennials, a study revealed that it is such a relevant aspect that 75 % of the Millennial participants revealed to change their purchasing habits because of environmental concerns (Deloitte, 2020). With the Covid-19 pandemic, with the number of online purchases rising, concerns regarding their packaging and the waste that can come from it should also be taken into consideration by companies when thinking about sustainability practices.

Sustainable raw materials are not the only way through which customers evaluate companies' sensitivity to cultural changes. The new times require companies to be more aware of their role in the world and to do something towards being more responsible in every step of the way. Ethical issues such as the use of child labor and animal testing are being carefully taken care of by most luxury brands. For instance, Chanel has recently published its first ever report on their manufacturing practices, while Hermès opts for sharing information about their tier 1 suppliers, a tendency that evolved from 12.5 % companies revealing their tier 1 suppliers in 2016, to 35 % in 2019 (Deloitte, 2020).

4.5. Technological context

Technology has been a great tool for companies to adapt to these new times and the challenges they bring. Regarding the online purchasing experience, Foundation Louis Vuitton created virtual exhibitions to entertain their customers and fans during quarantine, while Dolce & Gabbana filmed detailed webcasts to recreate in-store interactions (Deloitte, 2020). Other examples include Louis Vuitton incorporation of natural language processing in its webstore chatbot, and also Tommy Hilfiger's partnership with IBM to develop a customization service in their website. Even before the last year's pandemic, some brands were already implementing new technologies in their physical stores, as the Prada Group did in 2019 by collaborating with Adobe to be able to analyze customers' experience throughout all channels.

Fashion shows are landmarks for this sector, and in 2020, the London, Paris, and Milan fashion events adapted themselves to the context by making fully virtual shows (including webinars, interviews, etc.) via online platforms, or, when possible, combining both physical and virtual events, as happened in Milan. Technology is a key aspect for luxury companies nowadays, and although it is not something that exclusively came with the pandemic, it definitely has been accelerated by the latter.

4.6. Legal context

Across the entire world, regulations regarding ethical and environmental aspects of luxury companies' activity have been developed. Taking China as a first example, the "Clean by Design" program, which many luxury brands have already joined, aims towards improving Chinese textile mills' efficiency, namely by reducing water, energy and chemicals usage in the textile processes (Murray, 2016). Bangladesh also has a program to reduce the harmful impacts from textile and apparel production industries (Deloitte, 2020). On another matter, the United Kingdom requires companies (and other organizations) to disclose information about any human rights infractions happening in their supply chains. France has also taken some measures in ethical matters, requiring fashion models to present a doctor's certificate confirming their physical health before any fashion show (or any other assignments), due to prior cases of models despising their health in name of extreme "beauty" standards.

The EU has long been working with the International Labor Organization (ILO) to deal with employment and social affairs throughout the world. The former has funded projects from the ILO Development Cooperation program at almost all African, Asian and South American countries, covering economic empowerment of women at work, decent work in global supply chains, labor migration, youth employment, and indigenous peoples' development and access to justice (ILO, 2019a). One of the sectors where ILO tries to promote decent work conditions is the textiles, clothing, leather and footwear sector. Some examples of projects in this sector regard: the promotion of decent work conditions and inclusive industrialization in Ethiopia's garment and textile industry (ILO, 2019b); promoting fundamental principles and rights at work in the Pakistanis cotton supply chain, the fourth larger cotton producer in the world (ILO, 2018).

CHAPTER 5

Competitive environment analysis

Moving into a more specific environment, the following chapter consists of an industry analysis which is set to identify the main dynamics in the luxury furniture industry, more specifically the Portuguese luxury furniture industry.

The goal is to assess the competitiveness of the industry's companies, reason why the analysis will be carried through based on the Porter's 5 forces framework (Lopes da Costa, Pereira & António, 2019), which is still one of the most influent frameworks for this purpose. Doing so will allow to start understanding the industry's profitability, hence, to understand part of the return prospects for the project to be developed. The forces to be analyzed in this chapter are:

- Potential entrants.
- Intensity of rivalry amongst competitors.
- Bargaining power of suppliers.
- Bargaining power of customers.

Threat of substitutes is part of the Porter's 5 forces framework, however, in the case of the luxury furniture industry, one assumes it is not relevant, for to this day there are not really substitutes to furniture, only different models that excel on one aspect or another, or use one material instead of another, and usually a brands offer more than one model and uses more than one material, so they can concentrate this different options of satisfying the same need on their own.

It is worth mentioning that to the time this dissertation was made, one was not able to find, nor have access, to a lot of data about the Portuguese luxury furniture industry, neither about the international luxury furniture industry as a whole. With this being said, the inputs for this analysis will mainly be withdrawn from the research study presented in chapter 3, along with some other sources of information found useful for this purpose.

Section 5.1 is meant to be a bridge between the general environment analysis developed in the last chapter, once it also tries to project a path for future tendencies. However, in this case those are tendencies specific to the luxury furniture industry. It could be included as a section 4.7.

The last section, 5.6, comes from a suggestion made by Lopes da Costa, Pereira & António (2019) regarding the limitations of the Porter's 5 forces model. It consists on an analysis of the brands' relationship with suppliers at the light of the current times, which is especially relevant in an industry as marked by co-creation as the luxury furniture one.

5.1. An outlook on the Portuguese luxury furniture industry

Despite the peculiar situation we were faced with over the last year, all the participants in the study described in chapter 3 revealed to have had the demand for their products maintained (and even uplifted in some cases) in the last few months. Analyzing companies' implemented measures during the last year may bring some useful insights to understand their good results in the present, for they show companies' efforts to adapt to the presented challenges.

One of the key aspects mentioned by participants throughout the interviewing process was the emergence of a final customer that is cutting its way through interior design ateliers (and other intermediaries) directly to the companies. This has always happened, but never in such a large scale as now. Companies were more used to B2B sales, thus most of them felt the need to create specific teams to deal with the B2C process, aiming to provide the same experience no matter the type of client. There has even been a growing number of final customers that make some purchases through the companies' webstores only, with no need for greater product and service customization (despite it being available). However, this is still a work in progress, for these companies have a strong service component, as well as a close relationship with their customers that needs a careful online sales' experience in order for the relationship not to be harmed in any way.

Another main initiative to maintain a high service quality was the creation of virtual consultations that customers can ask to schedule. These consultations are made online, with a team of brand's collaborators that tries to clarify all the customers' doubts about the products, and/ or tries to understand what the customers are looking for and then present an adequate solution that suits their expectations. In either case, a sample of the materials is sent to the customers so they can personally see and touch the materials of the products being presented/ discussed. This situation was not new to most participant companies, once this kind of attention has always made part of their activity, and the inexistence of a considerable network of physical stores demanded a well-developed online service that was capable of maintaining the service level. However, it was something that spontaneously resulted out of a single situation, and now is a formalized/ organized process, part of the companies' everyday activity.

Most participants further mentioned that it was crucial to carefully and timely plan raw materials' stocks, for there were some cases of companies in the same industry not being able to fulfil customers' demands due to stock shortage, caused by the last year's many temporary restrictions on frontier circulation. With this being said, one can conclude that during the challenges brought by the Covid-19 pandemic, the Portuguese luxury furniture companies were able to reinvent themselves, to find new ways of reaching customers, to engage with them and satisfy their needs, maintaining their level of service through many different channels, which is never easy, particularly in the luxury segment.

5.2. Potential entrants

To begin with the Porter's 5 forces framework, lets first analyze factors relating to the industry's entry barriers for new companies.

5.2.1. Economies of scale

Regarding economies of scale, although it is a considerably important aspect in almost every industry, that is not the case with luxury, including luxury furniture. Throughout the research study, only premium brands referred economies of scale as being a preoccupation, none of the luxury ones presented it as a relevant concern. It is important to keep in mind that luxury products, beyond the functional part, comprise a dream, thus a volume strategy does eventually lead companies to depart from luxury. Kapferer and Bastien (2012) suggest a production volume threshold from which luxury brands should start investing in new product ranges despite of economies of scale, so not to lose exclusivity. That threshold is the point where a certain product starts being profitable at the desired sales price. With this being said, economies of scale do not present a great barrier for new entrants in the luxury furniture industry.

5.2.2. Distribution channels

Along with economies of scale, distribution is a matter to be particularly handled in the luxury industry, for it depends on each brand's own strategy. There were some brands from the research study that have showrooms, however, in the globalized world we live in today (please see sections 4.3 and 4.5), most opt for not having any kind of physical distribution channel, and do not suffer many consequences from it, which puts all players in a similar standpoint in this regard.

5.2.3. Entry costs and investment

About entry costs, these are extremely dependent on the decision to keep manufacture inside or outside the company. As one can imagine, investing in a manufacture facility with all the necessary machines and personnel can easily be something that significantly increases the initial investment. However, such an investment is not mandatory in the luxury furniture industry, as shown by many of the participants in the research study, who sub-contracted production and thus did not need to make big initial investments. With or without an investment on manufacturing facilities, furniture pieces often require several different tasks to be performed, whether by designers, upholsterers, sewers, or carpenters, which even if subcontracted represent an important cost. However, one does not believe this cost can be an entry barrier.

5.2.4. Cost advantages independent of scale

On a different level, regarding cost advantages independent of scale, getting access to the necessary manufacture know-how is not easy in the luxury furniture industry. Luxury furniture lays on traditions that are overall neglected, which made them become something rare to come upon, an aspect that increases the pieces' perceived exclusivity (please see section 2.2.2). There are some locations where such traditions have suffered less in the last decades (the Portuguese north region for instance), turning them into semi-temples where know-how and raw materials are more available. Adding to that, companies in this industry do have the potential to benefit from learning and experience curves. As mentioned before, making luxury furniture requires a lot of specific knowledge, which makes it hard for someone new in this context to be efficient at first. These factors can well constitute entry barriers for new players wanting to enter the luxury furniture industry.

5.2.5. Product differentiation

Regarding product differentiation and its possible effects on customers' loyalty towards incumbent brands, maybe for the fact that at the moment this is still not much of a B2C industry as it is B2B, one did not notice the existence of an entry barrier from product differentiation and customers' loyalty motives. This may be because most brands present similar quality standards and offer a similar service, leaving the decision to a matter of personal aesthetic taste, which in the case of decoration/ architecture ateliers depends, among others, on the project being developed and its final user, reason why the former may not often work with the same brands all the time.

It is true that from what one has observed, most Portuguese luxury furniture brands have products that are not alike any others, there is something special to them, something that differentiates them. Each brand tended to have a very particular style and identity, attracting customers who identified with them. However, this differentiation leaves space for others. That is part of the beauty in luxury. If unique, and properly/ boldly developed, a luxury brand's identity can open a space in the industry by standing for values that no one else does, or at least do it differently, and expressing those on its products. With this being said, one is led to conclude that product differentiation and loyalty do not represent an entry barrier in the luxury furniture industry, nevertheless it is important to accomplish the industry's product quality and service standards, so not to be excluded immediately.

5.2.6. Legal and regulatory barriers

At last, luxury furniture is not an industry where governments usually decide to intervene, for it is not an essential good or service. Notwithstanding, it is worth mentioning the incentives' programs developed by the Portuguese government and the European Union, which have reinforced the Portuguese furniture industry to a great extent in the last years, including the premium and luxury brands, and is expected to continue doing so. Thus, in this particular case, governmental entities are reducing entry barriers, not building them, as sources from APIMA mentioned when asked about this matter.

5.3. Intensity of rivalry among competitors

The second aspect from the Porter's 5 forces framework concerns the intensity of rivalry in the industry.

5.3.1. Prices reduction

Actions like price reductions are not usual in the luxury context. However, although not frequently, some of the Portuguese luxury furniture brands (participants in the research study and others who did not participate) often offer some kind of price reduction on in-stock pieces. One assumes that this is not a decisive factor for the luxury furniture industry, once most of the times prices are not revealed on brand's websites or catalogues, it is necessary to ask for the pricelist or the price of a particular piece, thus it is not the case of relying on announcing big discounts in an attempt to attract customers at all times. Besides, to one's knowledge, discounts are way more common on in-stock pieces than on made-to-order cases. Made-to-order pieces do have discounts if it is a very big order by a final customer, but the most relevant happen in the B2B channel, in which case brands provide a base discount for professionals, regardless of the order size.

5.3.2. Number of players

Luxury furniture is an industry with a considerable number of players. In Portugal alone there are dozens of furniture companies, as well as in Italy and other European countries. Despite the high number of players in this industry, none of the participants in the research study mentioned market saturation issues, especially in the luxury context. As mentioned before, luxury brands can carve their own space in an industry by standing for a unique, and properly/ boldly developed brand's identity that is expressed in every brand's manifestation. Part of the premium brands interviewed in the research study mentioned issues regarding price/ quality ratios, pointing towards an eventual future scenario where a rising number of premium luxury furniture companies would take the industry towards a fight for market share. However, in the luxury furniture industry, which is the main focus here, such matters did not present themselves as being a problem, the industry's Portuguese companies maintain a good relationship between themselves, probably for they seem to see that with proper differentiation, there is space for everyone.

5.3.3. Large existing companies

In terms of companies' size, specifically in the Portuguese luxury furniture industry, there is a handful of companies with a considerable dimension, which are not necessarily the ones that have been established the longer. From these brands, there is no one which size definitely sets it apart from the others and consequently bring it some advantage, it feels like there is a relative balance between them, and the same applies to the international market. There is no ultimate ruler, nor group of rulers in the luxury furniture industry (at least yet). It is interesting to mention a Portuguese holding that includes many Portuguese luxury furniture brands under its umbrella, thus of course having a condensed size that is much bigger than any of the other brands alone. Nevertheless, regardless of the eventual operational synergies between companies, in practice, the effect from the junction is not extensively felt, for brands act on their own on their visible manifestations.

5.3.4. Products' similarity

Regarding products' similarity, it is a fact that all products serve a similar function to other products belonging to the same furniture category, however, they often do it through different paths. Continuing with the point made on the last paragraph about the possibility for each luxury brand to carve its own space when standing for a unique set of values/ beliefs, if brands reflect those values/ beliefs on their pieces, they will always differentiate themselves when comparing to other products from the same category. Remember that the value of a luxury product is perceived through a number of different dimensions, with only one of them referring to functional aspects (Wiedmann, Hennings & Siebels, 2007). Thus, although it is true that luxury furniture products belonging to the same category serve a same functional need, there is much more beyond functionality when talking about a luxury product, leaving enough space for brands to create differentiated products. In the luxury furniture industry, particularly the Portuguese, one noticed that only a handful of brands presented pieces with a truly unique style that makes it possible to say to which brand it belongs. Major part of brands makes pieces that are not immediately recognizable, at least for the average person, so one cannot accurately say until which point what was mentioned above about product's differentiation by reflection of the brand identity applies to these cases.

5.3.5. Intense communication campaigns

Extending the brand identity topic, as mentioned many times throughout this dissertation, besides products, communication is one of the keyways through which luxury brands can create their dream value. However, communication efforts in the luxury furniture industry are not in any way close to those of other luxury industries, as the fashion one. Communication efforts from most of the research study participants, and even from some companies that did not take part in the study, are commonly limited to social media, magazines, international fairs, and some online videos. In order to create a dream and deeply express the brand identity, a different approach is necessary. One felt that luxury furniture brands are relying too much on telling customers what the brand's values and beliefs are, expecting it to be enough for individuals to understand and interiorize it without creating an engaging and involving experience. With this being said, the luxury furniture industry is not one where intensive communication efforts thrive up rivalry between competitors, for it is an aspect that is relatively undifferentiated between companies.

5.3.6. New products' development

On a last point regarding the industry's rivalry, there was a recurring topic on the research study regarding the need for brands to keep on creating new and exciting products. Luxury products need to aim towards timelessness, reason why talking about a need to frequently introduce new products may seem contradictory. On the other hand, most research study's participants mentioned that they needed to be setting the market's pace, meaning that they aimed towards being seen as the ones who create tendencies, the ones who are looked up to. Thus, although this is not done in a pace similar to the fashion industry, for that would not fit in luxury, one can see the need to keep on creating new pieces in the luxury furniture industry, to not settle, for doing so puts a brand at risk of losing its creative/ innovative status, along with some of its dream, which are so important in this context.

5.4. Bargaining power of suppliers

The third aspect from the Porter's 5 forces framework concerns the way in which suppliers are structured and the extent to which that structure can affect the luxury furniture industry regarding quality and price issues. In the first place, it is important to make a distinction between raw goods suppliers and manufacture suppliers, for the situation is different for each case. This analysis will focus on the manufacture side, for one does not have enough information about raw goods suppliers to assess its concentration. Nevertheless, from the research study's participants, brands only mentioned problems regarding raw goods' suppliers concerning the Covid-19 situation, when there was some stock shortage due to boarders and general economic activity restrictions.

5.4.1. Number of suppliers

It has been mentioned above that know-how about the manufacture processes in the luxury furniture industry is not widely available. Nevertheless, the number of manufacturers is not small enough to allow one to say there is a high degree of concentration. In Portugal for instance, there is still a reasonable number of upholsterers and carpenters, whether working independently or in companies, particularly in the country's north and center regions. However, combined with the fact that it is a craft that requires time to learn, and that is not itself common, there is some degree of power resting on manufacturers side, for there is a considerable learning process to be carried before being able to perform the tasks at a luxury level. This power is greater on some crafts that have been more neglected over the last decades, commonly crafts related to metallurgy regarding a specific metal, but once more, we are often talking about individual craftsman or woman, not companies specialized in those crafts, which one believes to re-balance the bargaining power to a certain measure.

5.4.2. Supplies' differentiation

Regarding the product/ service distinctiveness, besides some crafts as metallurgy (mentioned in the end of the last paragraph) and maybe some customized wood carving, the differences between different manufacture suppliers rely mostly on the level of skill in more specific tasks. The majority of the luxury furniture companies that participated in the research study admitted recurring to different manufacturers for different pieces, depending on the necessary skillset necessary to achieve the desired output. Hence, to some extent, it is true that manufacture suppliers specialized in certain crafts have some bargaining power, but in general, in less specialized pieces, the output delivered by different manufacture suppliers is similar, not conceding any power/ benefits to them alone.

5.4.3. Suppliers' vertical integration

From what has been said until this point, one can think of a scenario where manufacture suppliers could sell products directly to customers. However, such a scenario is not likely in the luxury furniture context. Manufacturers in this context do not have the capability to create designs, neither to take care of other aspects essential to a luxury brand. There is much more to a luxury furniture company's activity than the manufacturing aspect, this is only part of a whole that needs to be created, involving product development, design, and client relationship capabilities.

Nevertheless, despite not being something that can happen from one day to another, it is of course possible that manufacturers acquire this set of capabilities and create their own luxury furniture brands, trying to reach final customers by themselves, thus forcing brands to find a new supplier. Besides, there is the possibility of manufacturers trying to create premium luxury brands and thus not need the exact same set of capabilities that was mentioned for the luxury context. But in the premium context, aspects like production volume and other operational issues that most Portuguese furniture suppliers are not concerned with due to their small dimension, would require manufacturers to still make some adaptations/ investments, which by any means are not easier than the ones required by luxury.

5.4.4. Industry's relevance for suppliers

Regarding the Portuguese luxury furniture industry, its rise in the past two decades has helped bringing back some crafts that would otherwise be forgotten along with the disappearance of present generations. Many of the participants in the research study mentioned that throughout the development of the brands, suppliers were able to expand their activity, many times passing from one single collaborator to a handful. Thus, although there is not enough information to accurately say that luxury furniture brands account for a great percentage of the suppliers' activity, from the previous point, that seems to be the most likely scenario, indicating a low bargaining power for suppliers.

5.5. Bargaining power of buyers (customers)

At last, this section will analyze the extent to which buyers can affect the luxury furniture industry's prices and profitability, hence its consequent attractiveness.

5.5.1. Number of customers

Customers in this industry are mostly interior design and architecture ateliers, along with independent interiors decoration professionals, that are developing some project for a final customer that will then use the products. From the developed research study, one understood that brands worked with many different ateliers and independent professionals, not depending too much on a single one, and thus not conceiving too much bargaining power to them.

5.5.2. Price reductions

Although the majority of the brands provide discounts to B2B customers, many of the research study's participants mentioned that customers were not concerned about discounts, but with the quality of the products and the service, indicating that even in cases where buyers would typically be in a position to ask for discounts, that does not usually happen in the luxury furniture context. However, one believes this might hold with customers working on true ultimate luxury projects, with higher budgets, but the fact that most brands offer a discount for industry professionals from the start does not allow to understand if they would do so if no discount was offered at the beginning. Consequently, one has reasons to believe it is not a factor that affect companies' profitability to a great extent, but there is not enough information to affirm it does not affect the industry at all. Regarding the B2C context, this is even more evident due to the small percentage that each of those sales represent to the whole, reason why no customer has a greater bargaining power.

5.5.2. Products' differentiation

Regarding products' differentiation, as mentioned before, although most products belonging to the same furniture category satisfy the same functional need, they do so differently, because there are other dimensions through which value is attributed to a luxury product. Each brand has the ability to have its own unique identity and to express it in all its manifestations, including products' aesthetics. Thus, although there is a similar level of service and product quality standards, products in the luxury furniture industry are differentiated, for each brand presents products with a particular aesthetic value that sets a difference between choosing that piece or another. Other aspects linked to luxury's financial and social aspects can set a difference between different brands as well. Some participants in the research study mentioned that there were clients who chose their brand for having the most expensive product, because for them, price is the most important measure of value. Besides, the majority of these clients pretended to purchase a piece to flaunt their prosperity and power, which benefited from a high price, as well as some branding efforts that could make the brand a symbol of such power, to be displayed in front of others who are acquainted with it (although one did not feel this branding power with the majority of luxury furniture brands). Thus, products in the luxury furniture industry are not standardized, they differentiate themselves from others, through dimensions more intrinsic to luxury, increasing buyers' bargaining power only in the cases where brands do not develop and express a unique brand identity that is capable of creating the brand's own space in the industry, distinct from all others.

5.5.4. Costs to change

Continuing the last point, ateliers often recur to different brands depending on what is pretended for the projects they are developing and can do so without incurring in any specific cost for changing brands. As mentioned before, price reductions are not a significant issue in the luxury context, even considering that furniture accounts for a significant part of an interior design project's cost, so one believes that ateliers' choice for one brand over another does not significantly depend on price matters. Throughout the research study, participants from luxury furniture brands never mentioned worries concerning meeting a customer's budget, so one did not identify the existence of pressure from buyers to decrease products' costs. This happened with some of the premium brands though. With this being said, one could say that there is an extent of bargaining power attributed to the fact that buyers can freely change suppliers without incurring in any costs, but this change usually happens for the fact that a brand's products fit a certain project better, not because it is less expensive, so the increase of bargaining power is limited to the few cases where the latter might happen.

5.6. Considering complementarity

One of the main aspects missing in the Porter's 5 forces framework is the complementarity between companies (Lopes da Costa, Pereira & António, 2019). Until this point of the competitive analysis, suppliers and buyers have been referred to in a way that might not only indicate them as being competitors, but may also carry feelings of distrust, which is not exactly the reality of the luxury furniture industry. Hence, this section will look into the relationships between luxury furniture brands and their suppliers and buyers, from the perspectives of value co-creation, which is a much relevant feature in the luxury furniture industry.

From the developed research study, one can say there is a close bond between luxury furniture brands and their manufacture suppliers, for they co-create the products together, taking the relationship much further beyond the purchasing aspect. This co-creation involves the establishment of a relationship that is set to be of mutual exchange, meaning both designers and other brands' collaborators exchange information with the manufacturers in order to achieve the most appropriate solution, in a collaborative (not competitive) environment. Both parts understand that they have much more to win from collaborating and complementing each other's activity than from isolating themselves. This is an industry where brand's success and expansion have a great potential to be beneficial for manufacturers, for the latter's activity significantly depends on the former. None of the aspects mentioned in the previous sections considering the possibility of manufacturer's building their own brands or brands absorbing manufacture by vertically integrating is being disregarded, this is just a different look at the industry, one that at the time this dissertation is being written is indeed very accurate.

Furthermore, luxury furniture brands' relationship with interior design and architecture ateliers has some features that are worth being analyzed at the light of complementarity as well, for the true is that at the moment they are offering different services that complement each other in a lot of ways. Many of the participants in the research study mentioned that for each case, constraints regarding the project being developed by ateliers were taken into consideration when advising them on the best suited pieces and materials to be used, co-creating value by means of sharing information that enables a more adequate solution. Consequently, by offering a better solution than the one offered if working separately, both ateliers and furniture brands are benefited, for if ateliers better satisfy their customers, their activity will most likely grow, and thus they will need more pieces to complete their projects, which then increases furniture companies' activity. Once more, none of what has been said in the previous sections is being disregarded, for bargaining power issues are always relevant in practice, just like co-creation ones.

CHAPTER 6

Internal analysis

The previous two chapters concerned an analysis of the external environment on which companies act. Doing so is important because companies exist in a certain context, they cannot live isolated from it, but they cannot simply be adrift at the mercy of the environment. There is a balance to be maintained between the necessary adaptations to the external environment and the maintenance of organizational efficiency. The extent of that balance that can tom some degree be controlled by companies lies on a set of resources and capabilities that enable them to pursue and maintain a sustainable competitive advantage. These resources and capabilities will be the focus of this chapter.

Once this dissertation regards the development of a project for a future company, the following chapter does not concern an analysis of existing resources and capabilities that are part of a company already. The following chapter is set to discuss the resources and capabilities that until this point have been identified as the most relevant for a company acting in the new luxury context. This identification was done based on the topics explored in literature review, as well as on the inputs taken from the methodology chapter.

The goal is thus to explore the advantages and disadvantages of each identified resource and capability, in order to provide some guidance for the project's concept and respective business model development.

6.1. Manufacturing

The decision between outsourcing manufacture or to do it internally is not as straightforward as it may seem. On one hand, outsourcing means less fixed costs, meaning that there will not be the risk of having installed capacity being wasted by a low demand. Besides, it gives a company more freedom to choose the best manufacturers for each product, meaning access to more specialized expertise each time.

However, luxury has a strong correlation with craftsmanship, with the workshops where the much-valued know-how resides on the craftsman and woman who make each and every product. This correlation regards image and operational factors. Manufacture is a key aspect of a luxury product, there are many meanings attached to it and it is something that is extremely customizable to each order, always aiming towards a humanized perfection. The image of a luxury brand that presents itself as having a strong heritage and artisanal manufacture process can be considerably damaged by subcontracting manufacture, once that part of its dream value is not sustained anymore.

Thus, in a luxury context where products' roots and heritage play such a relevant role, outsourcing manufacture may take some identity features away, not to mention the loss of a certain degree of independence and control over the output, which need to follow high standards. A strictly controlled vertical integration from the production moment to the delivery is one of the ways to meet such standards. Another matter of an internal manufacture is that collaboration between every intervenient in the process is much more facilitated, even though the interview participants referred they were still able to closely collaborate despite recurring to outsourcing.

6.2. Co-creation

Whether recurring to outsourcing or not, co-creation is a capability that is ever more important to luxury companies, especially when taking into account a high degree of customization aiming to deliver a product that best fulfills each customer's needs and desires. In luxury, the ability to balance the brand's identity and the sense of divine inspiration that exclusively falls upon the brand, with the openness to stakeholders' inputs, may be the line separating swimming from sinking in current times. As Kapferer & Bastien (2012) said, there are two ways to go broke in luxury: not listening to the clients; listening to the clients too much.

Traditionally, luxury was consecrated for not being customers led, for doing so was seen as a sign that the brand was simply satisfying a need, which was/ is not the goal with luxury (Kapferer & Bastien, 2012). The goal for luxury is to create a dream, which would lose significance if it was to please everyone. Besides, luxury is concerned with being a taste educator, creating designs that can be the classics of tomorrow, not just the hits of today that will please most current customers. However, although not being customers led, luxury should listen to customers because at the end of the day it is them who are buying. This should be done in a way that does not compromise the brand's identity nor its consistency over time and across its range. Taking BMW as an example, the brand refuses to add more rear room to its series 5 model, despite all the customers' complaints and requests to do so . This is because BMW believes that doing so would spoil the car's design and aerodynamics, which have been carefully developed (Kapferer & Bastien, 2012). Therefore, it is necessary to resist client's requests when these do not correspond to the brand's own vision.

In the case of the luxury furniture market, co-creating while maintaining the balance described above can be done by creating designs that embody the brand's identity through features that do not lose their significance in case there is customization, which is the most evident and common way of co-creation in this context. Customization is a key aspect in the furniture market, so, by having designs which core elements can tolerate customization in terms of dimensions and materials used, brands can deliver an object that although was customized still represents the brand's identity and vision. On the other hand, bespoke services which designs are created by customers or someone outside the company are, and will always be a complicated matter, for even if that design makes sense accordingly to the brand's identity, the fact that it was created by someone outside the company may damage some of the mystery/ myth aura of the brand, as well as it its status as taste educator. Bespoke services where customers simply present their wishes and then it is the brand who creates de designs that combine both brand's identity and customers' requests (without compromising the former) do not carry that burden.

Looking into the other side of things, the manufacture processes, customization and bespoke services require having a process developed to absorb new inputs at all times, whether it is regarding products' custom dimensions or the chosen materials. This process cannot exist without an extreme level of organization that allows such a degree of flexibility. It may include a sales team that is able to provide such degree of attention, a design team ready to fulfill customers' requests, and a manufacture process capable of adapting to those requests without compromising efficiency.

Continuing on the manufacture side, collaborating with manufacturers and suppliers is essential to develop the best possible solution, especially in the luxury context where details play a big role. Luxury furniture has deep roots that contain much valuable knowledge. Such knowledge lies in the manufacturers who have been using it and passing it through for years, so the key is to work closely with manufacturers, to value that knowledge and use it when developing new products. However, it is important to create a mutual exchange relationship where designers are able to give that knowledge new directions, to use it for new purposes, challenging some previously held assumptions in order to create something unique together. As one can imagine, a mutual exchange relationship like the one described can certainly bring challenges in terms of managing egos and inputs from both sides. Besides, it is not easy to create a relationship where both subjects feel comfortable sharing their opinions freely, where there is enough openness for all relevant possibilities to be explored without the fear of having fingers pointed for making a mistake. The described relationship is also relevant with suppliers, once using the best materials for each product is a pre-requisite.

6.3. Brand identity

Continuing on the value co-creation topic for a moment, the idea from the literature review about a stakeholder-oriented perspective according to which brands are a product of all the stakeholders' and should be able to develop and maintain synergies with multiple stakeholders towards co-creating the brand identity (Iglesias, Ind & Alfaro, 2013) may not be the best option for a luxury brand. The reason for this has to be with luxury needing to attract customers, not chasing them. Luxury has always been about seducing customers, building a brand identity that is bold and deep enough to attract individuals who identify with the values the brand stands for, or at least admire them (Schaefer & Kuehlwein, 2015). Despite the shifts in customers' attitudes towards luxury, the individual dimension still represents a key aspect for value creation in the new luxury context, for which brand identity is essential. Thus, by co-creating brand-identity, even if the core values are maintained, a luxury brand runs the risk of losing its dream and myth factors, as well as losing some of the capability to create and maintain meaningful relationships with customers, for brand identity allows individuals to esteem the brand.

A strong brand identity needs to be developed in order to give customers something to create a relationship with. Doing so creates an aura of boldness and humanity that can make some individuals fall in love with the brand, while it can at the same time result in the contrary with others who feel that the brand stands for values opposite to theirs. In both cases, a strong brand identity enables luxury brands to aim towards the products' individual dimension, which is key in the new luxury context.

As mentioned before, the brand's identity main purpose is to turn the brand into a person with whom customers can interact with, crucial for hedonic customers like the new luxury generation. To be perceived as a person, it is expected that there is coherence between the brand's actions and all its constituting elements, from the way relationships are maintained with customers and within brand's personnel, to the very own products' designs, which need to communicate the brand's identity to every individual who lay their eyes on the products. Maintaining brand's identity when offering deep customization options may be done by creating unique design guidelines that allow high degrees of customization and still deliver a recognizable piece, more than having a strict product catalogue.

6.4. Customer-brand relationship

The roots for the customer-brand relationship reside in the brands' identity. In the first place, a well-developed brand identity with daring values that are expressed throughout the whole brand's activity is necessary, in order to build and maintain close and meaningful relationships with customers.

The relationship with customers should be the center towards which everything else gravitates in a luxury company. It needs to be established bearing in mind much more than the purchase moment, aiming towards helping the creation of a unique experience that aims towards being holistic, in a sense that it is created through a number of different channels, involving a number of different aspects for which coherence is necessary at all times. This requires a team of individuals that are able to provide an assistance service that begins with the first contact with the brand and continues for as long as the customer wishes, whether it is personally or online. This means helping customers choosing the products that better fulfil their needs, customizing them, provide on-time feedback about the product's progress, taking care of the delivery process, and if that is the case, the assembly. After that moment, the efforts towards fulfilling customers' desires need to be maintained, whether that means giving advice on how to clean the fabrics or to reupholster the piece over the years. Customer-brand relationship is something that luxury customers value a lot, in many cases it is a big differentiator for the brand, and should be as caring as possible, adjusting to the method of contact preferred by the client.

As one can see, the creation and maintenance of a close and meaningful relationship with customers requires a great attention to salespeople and everyone who contacts customers, for they are the ones who serve the customers, which is the ultimate goal of a luxury brand. This may require some adjustments in the way the company is structured, for traditionally salespeople do not occupy such a distinct place in a company's activity, which is usually headed my management positions, not used to stay in the background.

6.5. Communication

As Kapferer & Bastien (2012) said, there are no brands, only expressions of them. This quote is useful to avoid the fallacy of simply saying what a brand is like, what its values are and what it stands for, and hope it is enough for customers to understand and interiorize it. Experiences should be provided to customers in order to allow them to truly interiorize the brand identity, along with products that express the brand's values. This emphasizes the role of coherence, once it is way easier and effective to express the brand identity when every effort and brand manifestation is pointing towards the same goal, based on the same core values. Every manifestation must be seen as an instrument part of a live orchestra which is the brand. Although different, each individual part is inserted on the whole and affects its output.

Communication is the mean through which the dream/ myth is created, it needs to envisage the founding of the brand's identity, and at the same time the suggestion of a brand universe where individuals can escape into. A brand's universe is a multidimensional construct that needs to be coherent and cohesive because otherwise individuals will simply see it as a group of separate elements that don't fit together. Art can be of great help to effectively communicate such a universe, given its capability to express deeper meanings and to connect with individuals. Other channels such as magazines and social media seem to have a limited depth extent to which they can communicate, thus may not be the best way to create the brand's universe, at least by themselves. Different channels should be used as part of an integrative communication effort, for there are different kinds of costumers with different kinds of expectations that can be better met by a specific channel. Communication in the luxury context must envisage engagement and interaction in the brand's own universe, moving to a kind of communication that resembles a presence/ involvement.

This is another point where luxury grows apart from other brand archetypes. It is true that communication is key to luxury brands, however, in order for its impact to be maximized, it is first necessary to reach a point where the brand's core products are profitable, where there is a certain buzz and word of mouth already. At that point, it is wise to make considerable investments on communication, for doing so before would probably not take its full advantage. From then on, communication becomes one of the main sustaining pillars of the brand's long-term success, once it strongly contributes to maximize the brand's value, regardless of its short-term net-profit.

CHAPTER 7

Project’s initial strategic guidelines

The following chapter marks the beginning of the business plan that will enclose in the project’s financial viability assessment. The chapter is set to disclose the project’s concept and the strategic guidelines that will serve as foundations for all future strategic concerns. The project to be developed aims towards the creation of an upholstery company acting in the new luxury context. That company is to be named Real, and from now on this will be the name used to refer to the project and the future company it aims to create.

Initially in this chapter, Real’s concept will be explained, along with the explanation of the reasons behind the chosen name, which ultimately enables a deeper understanding of the former. Then, Real’s value proposition will be explored throughout the five sub-sections that correspond to the five different ways through which Real aims to create value, as well as why they are relevant and how they can be explored in the new luxury context.

From section 7.3 on, the foundations for Real’s strategy will be deconstructed from top to bottom, from the outward to the center, which corresponds to the brand’s identity and core values. Because at the core there are brand’s core values and identity, which then provide the foundation for the strategic pillars that will hold the vision and mission, guarantying they are achieved, the order in which sections 7.3, 7.4 and 7.5 are presented in this chapter may seem contradictory. However, one believes that by presenting these topics in the chosen order, it is easier to understand and make sense out of them, for it is a successive deconstruction process that leads the reader to the core.

As mentioned throughout this dissertation, brand identity takes over brand positioning in the luxury context. Comparison with other brands should be left for premium brands, which activity benefits from elaborating a positioning strategy that best enhances the brands’ resources and capabilities considering their external environment (Kapferer & Bastien, 2012). With this being said, the initial strategic guidelines to be disclosed in this chapter will come from a perspective that puts brand identity in the center, more than positioning concerns, for being aiming to be a luxury brand, Real’s identity will be the core for its activity. By doing so, one is not denying that some brand positioning aspects have an impact in luxury. In the real world, consumers’ expectations and competitors do have an impact in every company, no matter its market, but in luxury, when seen through the light of brand positioning, the impact of such aspects is not only not relevant, but also dangerous, for the goal in luxury is to be bold and unique, not compliant enough for the masses to enjoy it straight away (Kapferer & Bastien, 2012). Following the last path would lead Real towards being a premium brand.

Thus, the strategic perspective adopted in this project is one that although acknowledges environmental factors’ importance for any company to be competitive, focuses on brand identity as the main driver for the project’s strategy and activity, as the core that stems coherence, once not doing so would probably fail to establish Real as a luxury brand.

7.1. Real: an upholstery company acting in the new luxury context

The project to be developed aims towards the creation of an upholstery company acting in the new luxury context. That company is to be named Real, and from now on this will be the name used to refer to the project and the future company it aims to create. The choice of this name has to do with my father's upholstery workshop, named *Estofo Real*. This is a name that carries a long heritage which is intended to be projected on Real. Besides, the word "real" can either mean something that is real, a thing is not artificial nor an imitation, but genuine and true, or, in some languages, refer to something "royal". The former meaning is the main one to be carried on by Real, however, the latter has some relevant aspects regarding the way customers are to be treated and feel whenever they contact the brand and its products.

Customers are intended to feel they are getting all the attention they need and desire, as well as to get a piece that is crafted to their specifications, making them feel like royals in the sense that they are being carefully advised, getting a piece made to their measure, with materials that will endure their functions for a very long time, and which were designed to be timeless and iconic.

The part of the meaning regarding genuineness refers to the design and materials' qualities. Despite what is usually seen in the fashion industry and others which designs seem to forget the functional side of things and focus only on aesthetics, when analyzed to its core, design reveals its true purpose, which is to serve a need, not to exclusively resemble a piece of art (Munari, 1966). Real is to interpret design in a holistic way, meaning there is the acknowledgment that design interacts with all human senses and thus individuals' responses depend on a combination of feelings/ sensations, rather than only one of them (Sudjic, 2008). Hence, Real's designs must serve a purpose that is both emotional and functional, going back to design's roots and recognizing that design has always been about more than its immediate/ functional utility, it is a reminder of the world that lies beyond that, the world of beauty/ aesthetics (Sudjic, 2008). Materials are also part of the way through which a design serves a certain need (Munari, 1966), so they too should be chosen acknowledging the combination of both design functional and emotional purposes, and not only one of them. With this being said, Real's "real" meaning concerns the recognition of what design really is about, of all the aspects that contribute to individuals' responses.

7.2. Explaining Real's value proposition

The overarching goal for Real is to become an upholstery company acting in the New Luxury context, departing from the traditional upholstery workshop concept and making some changes that make it feel more contemporary and unique. Traditional upholstery workshops provide some useful aspects for a luxury strategy as the one that is intended for Real. Aspects like the close relationship with customers and the customization options, so intrinsic of upholstery workshops, are traditionally part of a luxury strategy. However, the strict concept of an upholstery workshop does not allow many opportunities to create a brand, for the pieces are not created by them in any major way, which is the goal with Real. Thus, as mentioned before, although inspired in traditional upholstery workshops, some changes are to be made in Real's case. Real aims to create value through five main ways that are presented below.

7.2.1. Iconic/ timeless designs

It was mentioned in the literature review developed in chapter 2 that a growing number of customers now prefer a slower, more balanced, consumption rhythm. These customers opt for quality over quantity in search of products and that are made to last, with a soul and a clear origin, which are usually offered by luxury brands.

In order for the objects' functional aspect to last, the choice of materials and rigorous manufacture are key. However, to maintain customers' desire to own and use the product over time, iconic/ timeless designs must be the aim. Creating designs with the qualities to be iconic/ timeless gives pieces a higher inner value for the fact that when properly taken care of, they will remain desirable in the long-term, thus adding value for the new group of customers described in the previous paragraph.

Therefore, Real aims towards the creation of upholstery pieces which designs are able to sustain their desirability over time. These are designs that create trends and have the qualities to be long sellers, not only best sellers in the short-term. The management of iconic designs over time is unique in the sense that they should never be replaced or upgraded, for that would make the previous version seem obsolete, and then lose its timelessness and iconic value. They can however be reinterpreted in a new light, taking the previous concerns into consideration.

In order for the next point to work, Real's identity must be expressed in the designs through their main guidelines, so that even when deeply customized, objects still represent Real's values. Therefore, timelessness and iconic status must be in the designs' guidelines, not only in a single object with a predefined size.

7.2.2. Wide customization options

The shifts in customers minds are also related to customization aspects, for when looking for products with a soul and clear origin, offers that are made to order and customizable are perceived as being more valuable. In these cases, customization gives products a feeling of authenticity and soulfulness, once they are made to a specific order, and that is something that the new luxury customers look for. Besides, customization helps creating qualitative rarity, enhancing products' perceived exclusivity and thus moving it away from mass-consumption related aspects that these customers so contemn (Kapferer, 2012).

With this being said, Real is to offer made to order/ measure pieces, giving customers the possibility to choose details regarding pieces' dimensions and the materials used, and not just to offer the choice between pre-defined sizes. The goal is that customers say how much space they have available for the piece or how much space they would like it to occupy, and then adapt the piece to those specifications. This is a process that needs to be accessible and intuitive for both B2C and B2B contexts, which does not always happen. The next point sheds some light on this matter, for the customer-brand relationship may help customers obtaining their desired piece, no matter their level of expertise.

7.2.3. Close and meaningful relationship

In the luxury context, value creation is extended in time, through elements that go beyond the product itself. A luxury product is the object-service pair, hence part of the value is created through the interactions between brands and their customers. In the new luxury context, symbolic, hedonic and relational aspects are key for differentiation (Tynan, McKechnie & Chhuon, 2010), so it is now increasingly important to establish meaningful relationships with consumers, to trigger the symbolic notions on the consumer's mind, as well as to develop an emotional bond with them (Fournier & Yao, 1997).

Like the pieces, the customer-brand relationship needs to be made to measure too, for different customers may require different levels of attention and may have different relational expectations. It is necessary to make all the possible efforts towards building and maintaining a trustful, long-term, sharing relationship that extends way before, and beyond, the purchase moment.

Therefore, regarding the relationship between Real and its customers, there needs to be total availability from the first contact, which means advising customers choosing the pieces that better fulfil their wishes and needs, helping them customizing the pieces to their liking, taking care of all distribution matters until the piece is where it is supposed to be, and remain available for future customer's contacts and requests. Availability and willingness to help are a must, for customers need to feel they can always count on Real.

7.2.4. Arousing designs combined with the highest level of comfort

Although not enough to differentiate a brand in the luxury context on its own, functionality is the base sustaining everything else. An object's functional utility is part of its core, just like the emotional one. Without it, customers such as the new luxury customers would lose most of their interest, for the products' core/ soul would feel incomplete. Therefore, the combination of function with emotion is the key for these customers, and it is something still lacking on some cases.

On the emotional side, products are increasingly becoming means to express and share attitudes, revealing part of the design's emotional purpose. Besides, as mentioned before, symbolic, hedonic and relational aspects are key for differentiation in the new luxury context, reason why a strong brand identity that is expressed in brands' products attracts a new category of customers, characterized for being hedonic and bringing back romanticism. For these customers, the individual dimension through which their senses are triggered is of the most importance. Designs with arousing aesthetics that embody the brands' unique values can turn some pieces into objects of desire, creating more value for the customer.

Real aims towards creating designs that express the brand's identity and that are thus capable of evoking emotional responses on individuals, making them objects of desire for customers that truly admire the brand identity. Besides, this identity expression needs to be followed by a level of performance that contributes to exalt that emotional response, taking customers closer to Real's universe by combining both design's purposes. Functionality is often left behind by many luxury furniture companies, however, that will not be the case with Real.

7.2.5. A universe to escape into

It was many times mentioned in the previous points that a strong brand identity is key in the new luxury context, for symbolic, hedonic and relational aspects are key for differentiation. Thus, brands need to develop a unique brand identity that represents the brands' values and creations, aiming to bond with customers that feel attracted to its identity. This identity will provide the foundations for the customer-brand relationship.

We are once more leaning towards rediscovering what lies behind the obvious side of things, the core that holds everything together, the mystery and magic, because as Schaefer & Kuehlwein (2015) say, besides homo-sapiens, we are "homo-narrativus". This exalts our inherent need to believe in something, to feel inspired, and stories that translate a brand's mission in a way that can eventually become a myth can satisfy that need. A communication strategy capable of creating the dream that will inspire customers and non-customers is thus necessary, and its efficiency can be greatly improved by thinking holistically, offering a unique complete experience that brings the brand identity to life in diverse ways, creating the brand's universe.

Departing from what Kapferer & Bastien (2012) said about there being no brands, only expressions of them, Real aims to create a dream/ myth, envisaging the founding of the brand's identity, and at the same time the suggestion of a brand universe where individuals can escape into. Real's universe is to be a space of timelessness, emotions, and self-consciousness. Real aims to be the intermediary between the day-to-day universe marked by a widely vertiginous pace and the universe individuals dream of, where there is a chance to reconnect with life's essentials, namely, to be with ourselves and the ones we love the most. Real is to be seen as a myth, a hero that comes from the universe of our dreams and brings people the opportunity to visit it whenever they contact with the brand in its diverse manifestations.

The creation of a universe requires the commitment to tell a story, as well as extreme attention to details and the awareness that each one of them counts, once the minimal incoherency in the story can tear apart the whole universe.

7.3. Real’s vision and mission statements

Real is to provide an escape from the ephemeral, to be the bridge between the day-to-day and a hedonistic universe where only the primordial aspects of life exist. Due to the vertiginous pace that life has taken over the last decades, it is sometimes hard to stop and enjoy the things that will in fact bring meaning to our lives. Real aims to guide those who contact the brand to a universe where such is possible, where time flows differently, allowing individuals to be with their selves and the ones who are most important to them, keeping all the meaningless worries away, turning the spaces decorated with Real’s pieces into portals that lead us to a primordial/ ideal universe.

Ephemerality is part of life, our own physical existence is itself ephemeral, but our souls, our relationships with others and the consequent impacts on their lives have repercussions that can go much further beyond tangibility, passing from one individual to another, and from another to the world, possibly, if authentic and meaningful, passing to all others who will ever contact with such reality, extending throughout time. Besides, by comparing the different periods of human existence, one realizes that some aspects have always remained relevant despite of the time period, some questions have always wandered in our minds, and some emotions have always been kept alive, staying out of ephemerality’s reach. Those are the aspects that remain while all others come and go, those are the aspects that can truly bring meaning to our lives, that can truly bring peace to our existence, and thus, those are the aspects that Real aims to provide a bridge into.

In order for this to happen, Real aims to create timeless/ iconic made-to-measure upholstery pieces that are capable of guiding individuals towards escaping into Real’s universe, through a design that exalts both emotional and functional purposes, responsible materials that endure their function for as long as possible, and a service that is itself made-to-measure to each client and is maintained beyond the delivery moment for as long as the customer wishes.

Table 7.1

Real’s vision and mission statements

Vision
To provide an escape from the ephemeral, to be the bridge between the day-to-day and a hedonistic universe where only the primordial aspects of life exist.
Mission
To create timeless made-to-measure upholstery pieces that are capable of guiding individuals towards escaping into Real’s universe, through a design that exalts both emotional and functional purposes, responsible materials that endure their function for as long as possible, and a service that is itself made-to-measure to each client and is maintained beyond the delivery moment for as long as the customer wishes.

Source: Author’s own elaboration

7.4. Real's values and strategic pillars

In order to achieve the brand's mission and vision, as well as to live the dream that is being communicated, a set of values that is coherent with those and that is capable of orienting all brand's collaborators towards the same goal is necessary. A brand's values should be the guides for all its manifestations, for they allow every brand collaborator to understand what the brand is expected to be/ become and then orient their actions accordingly, bringing coherence. As mentioned before, there are no brands, only expressions of them (Kapferer & Bastien, 2012). These expressions are carried through by individuals, hence, it is necessary to have a set of values capable of orienting all brand's manifestations in a way that enables the founding of the brand's identity, and at the same time the suggestion of a brand universe where individuals can escape into, passing the same image to everyone who contacts the brand (regardless of the contact point).

Furthermore, a luxury brand needs to make sense from the inside out, it needs to be what it is communicating, for not doing so may compromise its dream power. Thus, it is first necessary to have a clear set of values that is capable of imbuing collaborators with the attitudes and culture that turns the brand into a unique single core from which every manifestation naturally departs. Strong values that are present in every aspect of a brand contribute to help it living the dream it is communicating, thus making collaborators actions being more coherent towards the brand's vision and mission.

Therefore, the following values and beliefs must be looked up to by every person that is part of Real at each moment:

i. ***Be humble***, with yourself and with others. This value regards being aware that no one knows everything, and no one is required to. The most important is to be capable of identifying and admitting your own limitations, and to have the willingness to overcome them, whether alone, or with the team. This means you should acknowledge that a value creating teamwork is about combining different inputs without the fear of being judged and with the mindset that good inputs can come from everywhere, regardless of one's position. Contributing to an environment where everyone is comfortable admitting their own limitations and to overcome them together allows the creation of an output that is truly authentic and valuable, not blinded by egos. Everyone is someone, you included.

ii. ***Dare to***, ask "what might or ought to be". Do not set barriers to your thoughts, nor to others', let ideas flow freely. It is necessary to be openminded and incentivize others to be so as well, for sometimes, just because someone has never done something, does not mean it can/ should not be done, it is up to you to see if it is relevant. Be authentic.

iii. ***Build and maintain meaningful relationships*** with anyone you contact with, including suppliers, manufacturers, colleagues, and customers. At the end of the day, we are all human, and we all like to be treated as such. Interactions must not feel standardized, time and care are necessary to build a meaningful relationship ant to maintain it over time. Be respectful and careful with everyone, listen and show interest, show you will remember what people are saying (and actually make efforts towards that) and that you can be trusted. Being human, even if we do not realize it, most often we tend to give back as much as we receive, which in this case means that the better stakeholders feel in their relationship with Real, the more they will contribute to the brand. Regarding customers, this means that even if customers do not buy now, they will surely remember how they were treated, and purchase Real's pieces in the future when they feel like doing so, and even recommend the brand to others. Hence the importance of building and maintaining meaningful relationships with everyone who contacts Real.

iv. ***One action is worth a thousand words***, in every context. Verbal communication is important, and it plays an undeniably important role, whether working with your team or with a customer, but talking is often cheap, so make sure you put your actions where your words are. Make an effort to truly mean what you say, and most times you will see that words have a limited extent of effectiveness, and it is necessary to take action. Replace an email to a customer saying he/she can count on the brand to solve a problem by actually taking responsibility on the matter and making sure the problem gets solved for the customer. Replace statements about Real's identity for actual actions that embody it and make it possible for people to see it for themselves. If you see a colleague going through some kind of difficulty, do not just say you are sorry or that you wish you could help, ask what you can do to help and do so.

v. ***Make commitments, not sales***, for it is not just about money, Real aims to provide customers the upholstery pieces that best meet their needs for as long as they wish. This means ensuring that customers are able to fully express their wishes and needs concerning the pieces' design, dimensions and materials, being available to timely clarify any doubts through the customers' preferred communication channel, taking care of everything until the piece is delivered where it is supposed to be, and then remain available to take care of any customer's future wishes and needs.

vi. ***Quality over quantity***, meaning that the goal is to achieve the best possible output, not just to achieve an output, in every activity. It is preferable to take more time and to properly explore a subject, to go through different possibilities and assess which one works better, than to do something just for the sake of getting it done. This also applies in terms of costs, for everything that adds value/ quality to the customer's experience is worth it, even if it carries extra costs.

vii. ***The smallest things make the big picture***, meaning that small, often less visible things, are as important as the most immediate ones. Real aims to provide an escape from the day to day, and thus it is of upmost importance to bring the brand identity and myth to live in a multi-sensorial environment, which requires being attentive to the small details. Even the smallest of details that seem to go unnoticed by everyone can play an important role on a sub-conscious level, for it still impacts the overall experience, so it is key not to ignore it. However, do not focus on the details that do not set Real apart or make it unique, nor on those that do not make its dream come to live for customers, for what we are not and do not do, define us as much as what we are and do.

viii. ***Look beyond what the eyes can see***, by searching for the meanings behind a certain material, color, form, gesture, and any other aspect involved in the value creation process. If those meanings can be used to better bring Real's universe to life for customers, exalt them, for they will make the entire experience more meaningful and unique. Mean what you do, contribute to make every piece and process meaningful, because people can feel that, and in the luxury context that can make a difference between choosing a brand or another.

ix. ***Think holistically***, by aiming to create an experience able to stimuli customers through different means, in every moment/ point, from the first contact to the last, from the showrooms/ stands to the website/ social media, the waiting process and the delivery. Combine subjective and objective reasoning to do so, first thinking in a conceptual dimension to then elaborate an objective solution. It is crucial to make things in a way that plays with more than one sense/ stimulus at a time, creating an experience that originates a different number of intertwined perceptions that contribute to the overall message. This requires human centeredness, aiming to provide compelling moments to customers.

x. ***It is a statement of beliefs***, not only a formal statement by means of expensive and rare materials. Real is not to be the kind of brand which only focus is to serve conspicuous consumption (despite some customers may choose the brand to do so), therefore, although rare/ expensive materials may be used, they will always serve a functional and/ or emotional utility. Real is to be the brand that represents a set of beliefs that are present in every piece, the guardian of a dream universe that can be achieved by contacting the brand. Thus, the main envisioned distinction to be provided to customers regards stating that they identify themselves with the brand, that they are closer to that universe than others, and that they have a bond with the ultimate representative of such world.

These values will be carried to Real's activity through a set of five strategic pillars that will act as the link between the brand's values and its vision and mission statements. Real's strategic pillars are meant to bring the brand's values and beliefs to every manifestation, guarantying the company's long-term success. Thus, the following are set to be Real's strategic pillars:

i. ***Human centeredness***, regarding the focus on creating a meaningful experience to customers at all moments, and to offer a solution that best fulfils their needs and wishes, including product characteristics (customization) and service aspects (like the type of delivery, for instance).

ii. ***Co-creation***, which concerns the openness to inputs from different stakeholders and the ability to integrate them in a way that increases the value being created.

iii. ***Exquisite manufacture***, referring to the need to sustain any assumption about the brand with a manufacture that not only embodies the Portuguese furniture and upholstery heritage, but elevates it even more, fulfilling the highest quality standards.

iv. ***Dream building communication***, being aware that communication is the mean through which the dream/ myth is created, reason why it needs to envisage the founding of the brand's identity, and at the same time the suggestion of a brand universe where individuals can escape into.

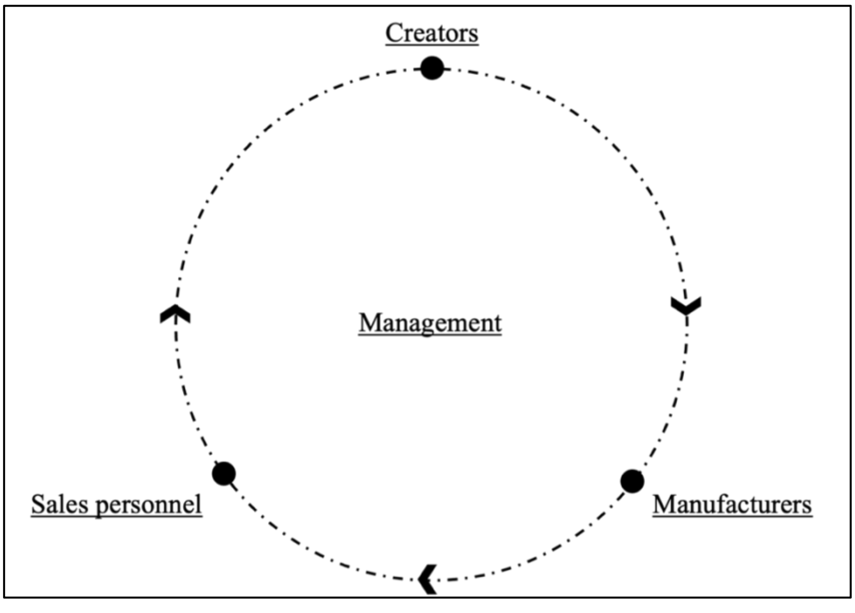
v. ***Outstanding customer service***, which refers to accompanying customers, and adjusting to their needs, from the first contact on, even after the products are delivered. This involves a made-to-measure service that is aimed towards building and maintaining a trustful, long-term, sharing relationship that extends way before, and beyond, the purchase moment.

vi. ***Creativeness***, regarding the efforts for Real to be the brand to look up to, the brand that sets the pace, by creating pieces that are authentic and timeless, as well as unique experiences.

There is a principle intended to guide Real's functioning in a way that facilitates acting according to its strategic pillars and consequently bring its identity to life and achieve the brand's mission and believes it is more helpful not to consider it as a pyramid at all. The idea is that the most important people for Real are to be the creators (designers and others who create the pieces and brand manifestations), manufacturers (upholsterers, sewers, carpenters and anyone else involved in the manufacture process), and sales personnel (those in direct contact with customers). Everyone else must be at their service, and it is management's role to create and maintain links between these three functions, because that is what will create value to customers.

Figure 7.1

Real's functioning principle



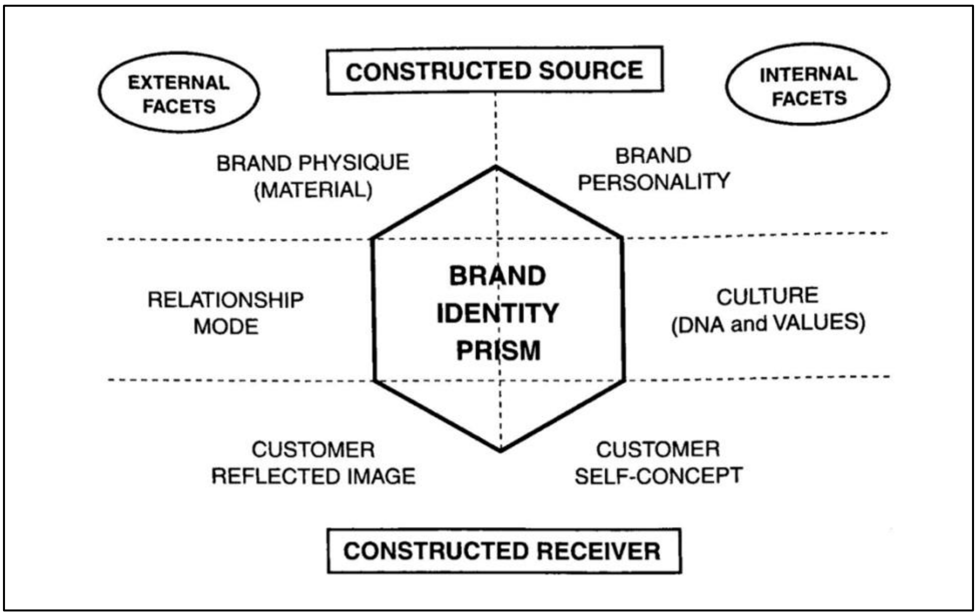
Source: Author's own elaboration

7.5. The core: Real's Identity prism

Luxury has traditionally been rooted on brand identity, rather than on brand positioning, and it is still the case in the new luxury. Thus, Real's brand identity will be the core aspect to its activity, by proposing a universe in which customers wish to immerse themselves. Kapferer & Bastien (2012) propose the brand identity prism as a framework to analyze a brand's identity as whole and serve as lever of coherence. The brand prism consists of six facets which the author suggests to define a brand's identity, These facets vary in terms of their proximity to customers (constructed receivers) and the brand (constructed source), as well as in terms of being more internal or external to the brand, and should be interconnected in order to build a clear and concise brand identity.

Figure 7.2

Brand identity prism framework



Source: Kapferer & Bastien (2012: 148)

Brand physique regards the codes, signs, gestures, traits, and all the other elements that allow resemblance within the brand, and consequently enable the brand creations to be recognized even without its logo. These are brand symbols. *Brand personality* are the brand's character traits, and should be faced as if describing a person, following an anthropomorphic point of view. *Customer reflected image* concerns how a luxury brand portrays its ideal customers. *Customer self-concept* concerns a luxury brand's contribute to one's self, how it can help an individual constructing her/ his ideal self. This is the intimate aspect of customers' relationship with luxury. *Culture* comprises the brand values' roots, its essence, that sets the foundation for everything else. *Relationship mode* regards the nature of the relationship between brand and its recipients

Table 7.2 sets Real's identity prism, in order to serve as a conglomerate of all that has been said throughout this chapter, once at the end of the day, it is the point of departure for all Real's strategy.

Table 7.2

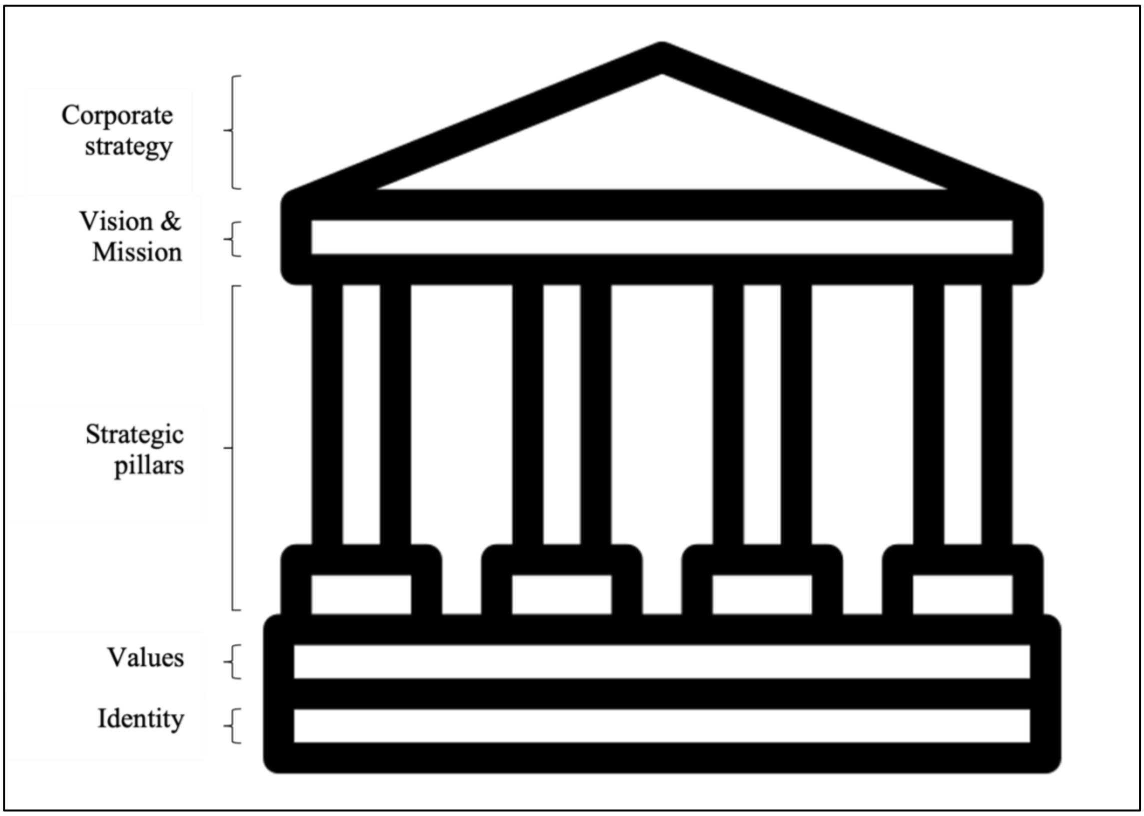
Real's identity prism

Brand physique	**Brand personality**
Combination of comfort and arousing designs with exquisite upholstery. Iconic pieces that underpin Real. Robust, lusty pieces.	Creative, open minded, rigorous, introspective, humble, self-confident, and caring.
Relationship mode	**Culture**
A one to one, customized relationship, extended for as long as the customer wishes. A commitment to best satisfy customers' needs and wishes.	Elevating the Portuguese upholstery legacy in the new world. Promote freedom of thought, empowered by art. Create genuine objects and relationships. Respect for the world and for each person. Exalt feelings and emotions.
Customer reflected image	**Customer self-concept**
Wealthy, romanticist, and hedonistic individuals.	Individuals that aspire to escape ephemerality and live a meaningful life.

Source: Author's own elaboration

Figure 7.3

Strategic integration



Source: Author's own elaboration

CHAPTER 8

Getting to Real’s strategic objectives

In the last chapter’s introduction, it was mentioned that the strategic perspective adopted in this project is one that although acknowledges environmental factors’ importance for any company to be competitive, focuses on brand identity as the main driver for the project’s strategy and activity, as the core that stems coherence, once not doing so would probably fail to establish Real as a luxury brand. Thus, the SWOT i framework (an adaptation of the SWOT analysis that takes into consideration the need for companies to be coherent with their values and strategic pillars) will be used throughout this chapter, once the departure from the brand’s core at all times is key in luxury, regardless of the market pressures.

After a brief explanation of the SWOT i framework, opportunities and threats are identified from the external analysis developed throughout chapters 4 and 5.Once Real is still a project for a company, and not an actual company yet, at the image of what was done in chapter 6 with the discussion about the resources and capabilities configuration, strengths and weaknesses role for the SWOT i analysis will consist on remarks discussing how those configurations of resources and capabilities might be used by Real to take advantage of an opportunity or to neutralize a threat from the environment, how might they inhibit the brand from doing so, and to which extent can they expose Real to those threats. Following the SWOT i framework, each of these remarks is accordingly to Real’s values and strategic pillars and should only be used for strategic decisions who also do so.

The main output from this chapter are the strategic outputs and objectives set in sections 8.3 and 8.4, which will respectively disclose how Real is to respond to the remarks from section 8.2 and serve as a compass for Real’s short, middle and long-term activity. Each objective departs from Real’s initial strategic guidelines set in chapter 7, as well as from the SWOT i analysis and consequent outputs from sections 8.2 and 8.3, guaranteeing their accordance regarding the brand’s initial strategic guidelines and thus orienting the brand towards achieving its mission and vision in the best way possible, considering the external environment’s opportunities and threats. The strategic objectives are laid out in a way that contribute to coherence between every action and the company’s strategy (by disclosing how they can be achieved), and also enable a more reliable performance evaluation by comparing what has been achieved with what was established.

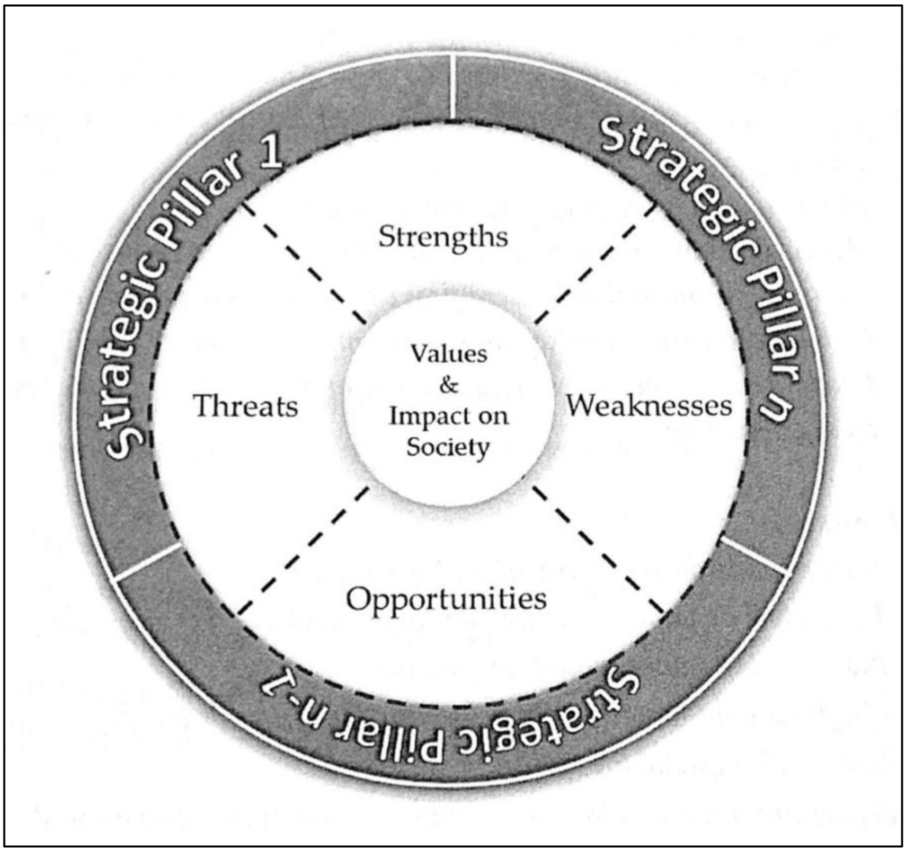
8.1. SWOT i framework

Aiming to suggest a framework that supports strategic decision making and respects the brand core values, Lopes da Costa, Pereira & António (2019) proposed the SWOT i. This framework is similar to the original SWOT in what regards the identification and articulation of strengths, weaknesses, opportunities and weaknesses. The difference is that these will be framed accordingly to the brand strategic pillars in the SWOT i, exalting the importance to contextualize them. Strategic pillars depart from the brand values, they sustain the company's vision and mission, and consequently the entire corporate strategy. Therefore, following the SWOT i framework, every action originated from the identification and integration of strengths, weaknesses, opportunities, and weaknesses should make sense according to the brand's values, as well as contribute to a positive impact on society.

Due to its emphasis on coherence with strategic pillars and core values, the SWOT i framework presents itself as being a more adequate solution for a luxury company, for as mentioned numerous times throughout this dissertation, brand identity takes over brand positioning in the luxury context. Thus, by adopting the SWOT i framework, one hopes to achieve a better standpoint for future strategic decisions regarding Real, once every path drawn out of the present analysis will be accordingly to the brand's identity, values, and strategic pillars, which is key in the luxury context.

Figure 8.1

The SWOT i framework



Source: Lopes da Costa, Pereira & António (2019: 133)

8.2. Applying SWOT i to Real's case

At this point, opportunities and threats coming from Real's external environment will be identified, regarding both the general and competitive environments, respectively developed in chapters 4 and 5.

Table 8.1

Opportunities identified for Real

Number	**Opportunities**
1	Globalization is seen as the way to go by most countries, opening access to new markets
2	Europe increasingly becoming recognized as a center of added-value goods exporter
3	Worldwide luxury sales growth tendency
4	Large number of people who can afford luxury products
5	Luxury customers are welcoming the online experience
6	Luxury products as propellers of a circular economy
7	More tools available to create the desired experience to customers at a distance, as well as in stores
8	Luxury furniture industry showing signs of resilience in hard times
9	Final customers increasingly reaching luxury furniture brands with no need of intermediaries
10	Financial incentives from the Portuguese government and the European Union
11	Luxury furniture industry's stakeholders are generally prone to co-creation
12	Portuguese furniture strong internationalization and notoriety

Source: Author's own elaboration

Table 8.2

Threats identified for Real

Number	**Threats**
1	Political and social instability in supposedly civilized regions
2	Possible restrictions in exports to the UK (one of the main destinations of Portuguese furniture exports) due to the Brexit initiative
3	Rise of extremist political movements which are traditionally less tolerant to foreign goods/ services and less respectful of freedom of thought
4	Presumable global economic crisis due to the impacts of Covid-19 pandemic

5	Uncertainty regarding the future making customers be more cautious with their spending on less essential goods/ services
6	Customers' behaviors and requirements are changing at a pace that may be hard to keep up with
7	Eventual impacts from the purely online sales increase on customer-brand relationship and provided experience
8	Too much dependability on geographically distant suppliers
9	Few furniture manufacturers with certain specific skillsets
10	Long-term effects from the luxury goods re-sale market
11	Large concentration of furniture manufacturers/ craftsman on certain locations in Portugal
12	High costs to internalize manufacture (a key differentiator activity)

Source: Author's own elaboration

Now that opportunities and threats are identified, the discussion held in chapter 6 about the most relevant resources and capabilities for a luxury furniture company will be taken into analysis in the extent to which those resources and capabilities can be combined with the former, with the purpose of setting the main challenges, restrictions, risks, and warnings, that all together will contribute to a better strategic decision making. Thus, through a set of remarks, the following sections disclose how each of the resources and capabilities discussed in chapter 6 can orientate Real towards taking advantage of possible challenges, avoid brought up restrictions, risks, and consider the presented warnings.

Each remark was developed by considering Real's values and strategic pillars, in order to what it proposes make sense within Real's values and strategic pillars, laid out in chapter 7. Besides, the impact on society of eventual actions coming from each remark is also indirectly considered, for responsibility matters are part of the Real's values.

To make interpretation easier, opportunities will be numbered accordingly to table 8.1, and threats will be numbered accordingly to table 8.2. Tables 8.3 and 8.4 disclose what opportunities and threats each resource and capability are linked to.

Table 8.3

Relationship summary between Resources & Capabilities and Opportunities

R&C/ Opportunity	**Opp. 1**	**Opp. 2**	**Opp. 3**	**Opp. 4**	**Opp. 5**	**Opp. 6**	**Opp. 7**	**Opp. 8**	**Opp. 9**	**Opp. 10**	**Opp. 11**	**Opp. 12**
Manufacture		x				x	x		x	x	x	x
Co-Creation	x				x		x		x		x	
Brand Identity	x		x	x	x	x	x		x			x
Relationship	x				x	x	x		x			
Communication	x				x	x	x		x		x	x

Source: Author’s own elaboration

Table 8.4

Relationship summary between Resources & Capabilities and Threats

R&C/ Threat	**Thr. 1**	**Thr. 2**	**Thr. 3**	**Thr. 4**	**Thr. 5**	**Thr. 6**	**Thr. 7**	**Thr. 8**	**Thr. 9**	**Thr. 10**	**Thr. 11**	**Thr. 12**
Manufacture			x	x		x		x	x	x	x	x
Co-Creation						x	x	x	x		x	
Brand Identity			x		x	x	x			x		x
Relationship				x	x	x	x			x		
Communication			x	x	x		x			x		

Source: Author’s own elaboration

8.2.1. Manufacturing

a) Opportunities 2 and 12

Real might take advantage of some image benefits from keeping manufacture in Portugal, which by itself has a very relevant notoriety in the furniture market. Also, Europe's overall worldwide notoriety as a trustworthy manufacturer of added value goods contributes to this effect.

b) Opportunity 6

Real aims to deliver pieces that endure their functions for the longest time possible, thus prepared to be re-upholstered or arranged in some way, which reduces consumption and takes the most out of every material. Internalizing manufacture would facilitate the pieces' reupholstering option, for the entire manufacture process would be designed for Real's own activity, ready to deal with those aspects without depending on others and have them adapt to it.

c) Opportunity 7

New tools bring possibilities for customers to better customize their pieces. To fulfil those requests, manufacture needs to be capable of dealing with that flexibility, which could be facilitated with an internal manufacture where communication/ information exchange would be more direct, besides allowing less complex logistics.

d) Opportunity 9

An internal manufacture would allow more accuracy and celerity on attending customers' specific requests, which is particularly convenient when dealing with final customers, once they probably are not aware of all the necessary logistics to deliver an object, and thus might be less tolerant with questions regarding stakeholders' activity coordination (more complex with an external manufacture).

e) Opportunity 10

Apply to governmental incentives with a project for an upholstery workshop (internal manufacture), aiming to create more jobs and sustain activities that are rooted in Portugal's culture and are sometimes vulnerable.

f) Opportunity 11

The co-creation environment intrinsic to the Portuguese luxury furniture industry facilitates the option to keep an external manufacture.

g) Threat 3

On one hand, exalting on Portuguese furniture heritage increases perceived exclusivity and gives a soul to pieces. On the other, the rise of extremist political movements might indicate a scenario where those individuals avoid goods that exalt on foreign heritages, as the Portuguese furniture one that Real intends to praise for the values it represents.

h) Threat 4

Once installing an internal manufacture capability requires a big investment, due to the global economic uncertainty at the moment from the covid-19 pandemic, making such a big investment in such an early stage might be a too big of a risk, for it would take even more time for Real to recover it, and in the meanwhile that money could not be used in other things that are probably more relevant for the company's early growth.

i) Threat 6

To a certain extent, an internal manufacture would decrease Real's flexibility to adjust to changing customers' attitudes, for having an internal manufacture with rigid capabilities and facilities might limit Real's capability to make changes in its processes.

j) Threat 8

Establish a relatively close value chain, as little geographically dispersed as possible, making Real's activity less susceptible to borders/ customs' restrictions. Internalizing manufacture would reduce dependability to a considerable extent, for manufacturers being distant would no longer be a problem.

k) Threat 9

Internalizing manufacture would allow Real to welcome craftsman with rare skills and protect them, as well as to ensure their continuity by learning and teaching those skills. Besides, it would give the brand control over a rare asset, contributing to its distinctiveness and pieces' perceived exclusivity.

l) Threat 10

By maintaining the re-upholstering option to secondhand owners, pieces carry the extra value of being able to be re-upholstered by Real, a value intrinsic to them that to some extent helps maintaining the brand's and its pieces' perceived value.

m) Threat 11

There are high chances of manufacturers being in the center/ north region of Portugal, once those are the regions with more tradition in the furniture industry. Thus, implies that if Real remains in the Lisbon area, it would be hard to recruit manufacturers from the North to work in Real's workshop. Besides, co-creation would be more likely than internalization in this case, but still hard due to geographic distance.

n) Threat 12

External manufacture might be the only financially viable option for a considerable period of time, until Real has the financial sturdiness to do so.

8.2.2. Co-creation

a) Opportunity 1

A global market emphasizes the need to prepare the co-creation process for a geographically distant customer, it emphasizes the need to welcome different cultures and to provide the same service quality to all, and to be able to use the tools to do so.

b) Opportunity 5

The online is an increasingly familiar daily life aspect, so luxury customers are expecting an online experience that does not take any option away, reason why co-creation must be prepared to the online too.

c) Opportunity 7

Take advantage of the new technology tools that, regardless of distance, make co-creation easier, facilitating information sharing, giving customers the possibility to enjoy the same experience as if they went to a store.

d) Opportunity 9

Final B2C customers might not be so acquainted with some specific terms or with what the process consists of, so it is necessary to establish a co-creation process that has that in mind and is able to adapt to different individuals with different degrees of industry specific knowledge/ experience.

f) Opportunity 11

Co-creation with manufacturers and other industry's stakeholders might be facilitated by the already existent considerable co-creation environment in the Portuguese furniture industry.

g) Threat 6

By co-creating with customers, Real becomes better aware of any shifts in their requirements, and once there a degree to which customers can customize their pieces, or request a bespoke piece, there is always the possibility for them to reflect their current preferences on their orders.

h) Threat 7

A co-creation process that is properly prepared to the online, has the potential to provide customers a meaningful experience, reducing the risk of harming customers' experience in this regard.

i) Threat 8 and 11

Co-creating with distant suppliers, either manufacturers or raw goods, may present some additional challenges. Thus, the ideal situation was to be in a place where there are more industry stakeholders, or at least the enough for Real's activity.

j) Threat 9

With manufacturers whose skills are rarer, it is even more important to be open to their inputs and to truly learn about the craft. Being a less common activity, there might me some fields unknown to everyone but the craftsman, so it is extremely important to create a good environment for him/ her to feel free to contribute to the project, and to deeply explore every situation.

8.2.3. Brand identity

a) Opportunity 1, 3, and 4

A strong and unique brand identity provides an anchor point that distinguishes Real from among the others in such a big market. Thus, it has the potential to guide new luxury customers and to offer something refreshing to long-term luxury customers, emphasizing its importance even more.

b) Opportunity 5 and 7

There are now more technologies that bring opportunities to express Real's identity in a more holistic and meaningful way. The brand's identity should be reflected in every element of an omnichannel presence, allowing individuals to have a deeper and richer contact with the brand's universe.

c) Opportunity 6

By reupholstering its pieces, Real is able to empirically express its values regarding pieces genuineness and timelessness, as well as it focus on creating and maintaining meaningful relationships.

d) Opportunity 9

Brand identity matters are commonly more relevant in the B2C context than in the B2B one, so the appearance of final customers contacting brands directly calls for the need for Real to properly express its brand identity.

e) Opportunity 12

As mentioned before in this dissertation, Real's brand identity partially departs from the traditional Portuguese upholstery workshop, enhancing the possibility of enjoying benefits from the international notoriety of the Portuguese furniture industry.

f) Threat 3

With the rise of extremist political movements, there is an increased risk of Real's values and identity being against some more conservative and extremist standpoints. However, this will not change the brand's values.

g) Threat 5

During crisis, wealthy customers often feel guilty for flaunting prosperity through pure conspicuous consumption items. Once Real is a brand comprising a statement of beliefs, not wealth, it might absorb some of the demand from these customers in times when they would typically not make luxury purchases for fear of being provocative. Thus, Real should exalt its statement of beliefs value, as well as other similar ones, once they are not provocative and might therefore make luxury customers more comfortable to purchase.

h) Threat 6

Expressing a strong brand identity establishes brands as less dependent and susceptible to others' opinions, giving them an aura of power to be who they want. Hence, one believes that a strong brand identity might conduct customers to not expect Real to match their every attitude shift, and understand the brand has its own values, which is part of its charm.

i) Threat 7

Expressing the brand identity using an omnichannel strategy which every element reflects Real's values, can contribute to create a meaningful online experience, thus reducing any harmful impact from an increase of this type of sales.

j) Threat 10

Reflecting Real's identity into each piece gives them an intrinsic value that is sustained by the strength and uniqueness of the brand's values, as well as by the communication efforts. So, even if sold on the re-sale market, Real's identity still is present and adds value to the pieces, reducing impacts from the re-sale market. However, it is worth mentioning that once these sales are not controlled by the brand, the way in which they are done might harm Real's identity.

k) Threat 12

As a brand that presents itself as having a strong heritage and artisanal manufacture process, subcontracting manufacture due to high costs of internalizing it, might to some extent clash with Real's identity, once that part of its dream value is not sustained anymore.

8.2.4. Customer-brand relationship

a) Opportunity 1

Globalization brings the need to keep in mind the linguistic, cultural, and any other differences coming from customers being in different regions of the world, in order to build and maintain the same level of relationship with every customer.

b) Opportunity 5 and 7

Use new tools to create and maintain a meaningful customer-brand relationship at a distance, through the channel that best suits customers. This is facilitated by customers' greater acceptance of the online, being more prone to these efforts.

c) Opportunity 6

If the customer-brand relationship is worthy to customers, they will feel more willing to contact Real to reupholster their pieces over the years, promoting a circular economy by means of not purchasing any other product.

d) Opportunity 9

There can be greater loyalty impacts in the B2C context than in the B2B one, for customers are buying for themselves, not for third party projects that might require different styles each time. This increases the need to care for the customer-brand relationship, which needs to be prepared to make customers feel able to express their needs and wishes, regardless of their level of specific industry knowledge/ experience.

e) Threat 4 and 5

It is necessary to make efforts towards laying the foundations for a meaningful relationship with every individual who contacts Real, because even if they do not buy at the moment, they might do so in the future when things are better.

f) Threat 6

This emphasizes the need to be in the position to understand what customers are into at each moment, to be open for them to say what they wish from Real, and what they would like the brand to do (which does not mean Real will attend to it, just to know what is changing, it might or not be used), making it possible to better know them and their present expectations.

g) Threat 7

By using the new technological tools to build an omnichannel experience and keep the human touch, it is possible to build and maintain meaningful relationships and make customers feel they can always count on Real for every situation, online or physically.

h) Threat 10

Real needs to apply the same relationship principles to secondhand customers from the moment they contact the brand (because until then there is no way the pieces were re-sold), meaning that they too will be able to reupholster it and count on the brand to solve any problem. By doing so, Real maintains the relational aspect that is so important to its activity with secondhand customers as well, keeping that part of the experience value, and thus reducing some of the possible impacts from the harmful re-sale market.

8.2.5. Communication

a) Opportunity 1

Individuals from different parts of the world will interpret communications differently depending on their culture, so it might be necessary to create specific communications for some regions, or at least to exalt the communications differently for each region.

b) Opportunity 5

Being more open to the online, customers are more receptible for a wider omnichannel communication, involving more than the traditional means in a holistic effort to better express the intended message.

c) Opportunity 6

The idea that Real's pieces are made to last and that customers can always count on the brand can be praised on communications. However, it must not destroy the dream aspect by focusing too much on functional aspects, so it can only be done in a subtle, dream-coherent way.

d) Opportunity 7

Due to the new technological tools, there are more opportunities to reach individuals and to communicate with them, creating a more impactful and holistic experience to everyone, which strengthens communication impact on bringing the brand's universe to life.

e) Opportunity 9

Communication is even more important in the B2C context, for as mentioned before, brand identity is the basis that provides the elements that make brands susceptible of forging a relationship with, which in its turn is the key for loyalty matters, more relevant in the B2C than in the B2B one.

f) Opportunity 11

Real can apply to incentives regarding communication campaigns, especially if it refers the Portuguese furniture heritage, for that would be beneficial for the industry as a whole.

g) Opportunity 12

Exalt on the Portuguese furniture heritage in a way that adds value and meaning to the communication, show it is Real's origin, for that might increase its impact due to the increasing notoriety of Portuguese furniture. However, it is necessary to be careful in order not to be seen as a campaign for the Portuguese furniture industry alone, it has to make sense in Real's universe.

h) Threat 3

Extremist movements and respective way of thinking might not take some of Real's communications so well, for the focus of these will be to reflect the brand's identity, hence something more open minded, which is something against the majority of these movements.

i) Threat 4 and 5

If an economic crisis comes, it might take more time for Real to reach the point when it is more beneficial to invest heavily on communication, for during a crisis' peak, sales volume is expected to be low.

j) Threat 7

An omnichannel communication has the potential to reduce the perceived distance, once it creates an holistic experience to customers, making them feel the brand, thus perceiving it as being closer.

k) Threat 10

Communication keeps Real's dream alive and well for everyone, either first or secondhand customers. Both customers have access to it through Real's pieces, regardless of the rest, so secondhand customers do not feel despise in any way compared with firsthand customers, avoiding any harmful impact from the re-sale in that regard.

8.3. Strategy outputs from the SWOT i analysis

What has been written until this point reveals the importance of the customer-brand relationship in the luxury context, and the need to find new ways to facilitate it. It is essential that Real is present in all channels that customers use, if they make sense for the brand. In the beginning, once there will be no physical stores where customers can contact Real, the online channels propelled by new technologies will be the main way for Real to contact with customers, except for the industry fairs and some eventual events where customers may be present and thus there is a chance to contact them personally. Online/

distant channels will include social media, email, video meetings, as well as phone calls and messages. Such presence also allows Real to have less geographical barriers and consequently be able to take advantage of globalization by serving customers from different countries.

Real's efforts to build a meaningful customer-brand relationship need to be prepared to do so with different customers, whether B2B or B2C, with different cultures and requirements. This will be a responsibility of everyone who contacts customers, because, for instance, it might happen that designers are needed to provide specific advice and help in some cases, hence playing a role on how the relationship is built and maintained. Notwithstanding, sales personnel will be the main responsible for this, and to maintain the relationship throughout the future so customers feel free to contact Real regarding reupholstering and other post-purchase services.

Concerning manufacture, one believes that the goal for Real is to have a facility where all stages of manufacture are combined (from carpentry, to sewing and upholstery), besides the clear conclusion that manufacture must be fully held in Portugal. This intention has to be not only with logistics and co-creation concerns, but most of all with the dream creation aspect. Having an internal manufacture allows the creation of an aura around manufacture, it exalts the heritage facet by giving customers a place to admire as a temple where timeless pieces are created. Notwithstanding, an internal manufacture grants the conditions to create a strong in-company culture for Real, which ends up being reflected in every manifestation's increased coherence in the eyes of customers, whether because co-creation is facilitated and thus pieces are better developed than when recuring to out-sourcing, or because such a scenario allows Real to have more control over the entire process and consequently over outputs' quality. The latter is also related to the fact that by keeping manufacture internally, there is a faster flow of information between all parts, which inevitably makes it possible to better satisfy customization and to provide customers with a more timely feedback on the progress being made. This is a goal to be explored in the financial analysis from chapter 11, comparing it to the outsourcing option, for although it is important and undoubtedly beneficial, having an internal manufacture is not a critical factor for success in the luxury furniture industry (lets remember that most of the participants in the research study present in chapter 3 recur to out-sourcing). Hence, if one reaches the conclusion that outsourcing would be significantly more financially viable for Real's first years than an internal manufacture, the choice will be to out-source it (partially or entirely) during that period.

On the matter of designers, the question of out-sourcing has a different relevance. Design will be responsible for creating pieces that make sense to Real's identity, and to make sure that every brand manifestation obeys to certain codes that convey Real's identity. With this being said, designers are intended to be a part of Real from the very beginning, so they can develop a continuous and coherent work throughout the years. The same applies to sales personnel, because it is of upmost importance that everyone representing Real in understands its values and knows how to act accordingly (especially if contacting directly with customers), which would be much harder in the case of outsourced sales personnel. Specific sales personnel might not be integrated right from the beginning, once that role can be performed by other collaborators with a similar quality that although is not the exact same of having someone specialized and specifically focused on the task, gives the company a greater freedom by having less expenditures in a stage where finances will be even more strictly controlled. Notwithstanding, sales personnel are to be recruited as soon as possible.

Regarding the balance between B2B and B2C activities, Real is not to be the kind of furniture company that simply provides a catalogue for decorators (and other B2B customers) to choose from, as it commonly happens in this industry. The goal is for Real to be desired by final customers, so they recur to the brand directly or ask their decorators to do so. This has to be with Real's entire dream creation purpose, which might lose some relevance if directing efforts to the B2B context alone. Although not being the overarching focus, B2B is a great way to reach final customers in a first stage. An initial greater concentration on the B2B channel may provide Real with opportunities to establish the brand and create a presence in the luxury furniture industry by reaching final customers through architecture and interior design/ decoration ateliers and consequently gaining legitimacy while refining its operations. Refining operations is also a benefit from the B2B channel, once these customers will most likely be more acquainted with the entire process and hence be more comprehensible towards eventual manufacture/ deliver concerns. Having this opportunity makes Real's processes more prepared to a future where the B2C channel takes over, reducing the chances of disappointing final customers who are generally less acquainted with the processes.

In order to take this through, communication tools as industry fairs and specialized magazines are key. Furniture fairs are mostly visited by B2B customers who are there to get a chance to contact brands personally, for some do not have any showroom or other physical contact points, so sales personnel are key on creating customers' initial perceptions. Besides, most industry magazines visit these fairs as well, creating opportunities for Real to be featured on them and contribute to increase its word of mouth. These communication efforts are traditionally not as expensive as others more focused on dream creation for final customers, and have a more immediate turn around that is useful for Real to reach profitability as soon as possible. However, dream creation cannot, and will not be despised, because doing so would compromise Real's vision and mission. Dream creating communications more focused on the B2C context will be created in simple but effective ways that although are not too expensive, allow the brand to communicate its identity in a holistic and meaningful way. Once profitability is reached, bigger investments on the latter can be made, and eventually communication will be clearly focused on the B2C activity, for increasing investing too much on the B2B at such a stage would put Real along all other brands, losing the opportunity to create its own universe. An in-depth exploration of communication policies is made in section 9.2.4.

Despite what was mentioned above, one believes that B2B will always be relevant to Real. The matter of investing more on B2C communication after profitability is reached only has to do with the need to create the brand's own universe and space in the industry, and to communicate it to final customers in a way where the latter is clearly perceived. Doing so makes final customers desire Real's pieces, and eventually purchase them directly with the brand or through ateliers and other B2B agents. The goal is to impact final customers' decisions and not leave it in ateliers hands alone, which most brands are doing. This does not mean decreasing investment on B2B communication, but to simply maintain it and perfect it, because increasing investments on the latter at that point, would certainly not bring as many benefits as doing so on the B2C.

8.4. Real's strategic objectives

If a brand's values guide all its manifestations by means of its strategic pillars, a brand's strategic objectives state how it is going to fulfil its mission and vision, orienting the company's day-to-day activities. Having strategic objectives is important to assess how the company is performing at each moment, and to guarantee coherence between strategy and operations. Departing from Real's initial strategic guidelines set in chapter 7 and the SWOT i analysis above, the following set of objectives was established for Real, guaranteeing their accordance regarding the brand's initial strategic guidelines. For each objective, key measures are disclosed to achieve them, as well as the time frame for doing so. The long-term will be considered as 10 years, the middle term as 5 years, and the short term as 1 year from the project's beginning. In order to make things clear, intermediary periods will also be considered between short and middle term, as well as between the latter and the long term.

Real's short term strategic objectives:

i. **Express Real's identity in every manifestation** *by*
   a. *Introducing Real's universe by using less expensive means of communication in a unique/ meaningful way.*
   b. *Creating iconic designs that can be identifiable as Real's.*
   c. *Guaranteeing coherence in all band manifestations.*

ii. **Ensure products' eximious quality** *by*
   a. *Carefully developing pieces to meet the most rigorous quality standards.*
   b. *Choosing the best raw materials for each purpose.*
   c. *Clearly communicating Real's quality standards to every value-chain intervenient.*
   d. *Establishing a rigorous quality control process.*

iii. **Ensure customers have a meaningful experience** *by*
   a. *Establishing all the necessary channels and procedures to facilitate the customer-brand relationship.*
   b. *Establishing a one-to-one relationship.*
   c. *Handling all maters for the customer, so he/ she only has to worry with choosing the best piece and to receive it.*
   d. *Being available for future requests after delivery.*

iv. **Start building a network and presence in the industry** *by*

   a. *Attending industry's fairs and events.*
   b. *Being featured in the main industry's magazines and blogs.*
   c. *Initially focusing on the B2B context.*
   d. *Propelling word of mouth.*

v. **Forge meaningful relationships with stakeholders** *by*

   a. *Incorporating know-how from manufacturers in product's development.*
   b. *Working along with customers to deliver the best solution possible.*

vi. **Optimize logistics** *by*

   a. *Establishing clear interactions between every value-chain element.*
   b. *Trying to geographically concentrate the value chain.*
   c. *Exalting transparency throughout the value chain.*
   d. *Setting operations for the international market from the beginning.*

Real's short to middle term strategic objectives:

i. **Achieve profitability** *by*

   a. *Not diversifying too much until profitability is achieved.*
   b. *Not investing heavily on communication until profitability is achieved.*

Real's middle term strategic objectives:

i. **Start expanding the offering** *by*

   a. *Developing other upholstery products.*

ii. **Create a dream building communication** *by*

   a. *Deploying bigger budgets to communication.*
   b. *Focusing on bringing Real's universe to life by means of deeply communicating the brand's identity.*
   c. *Taking advantage of the greater financial freedom to create more creative and meaningful communications.*
   d. *Starting to turn the focus into the B2C context as well.*

Real's middle to long term strategic objectives:

i. **Globally expand the brand** *by*

   a. *Strengthening Real's international brand image and presence.*
   b. *Focusing on the countries with more luxury sales.*
   c. *Considering cultural differences and respecting them.*
   d. *Exploring the possibility of opening physical stores.*

Real's long term strategic objectives:

i. **Be the most desirable upholstery brand** *by*

   a. *Employing unique communication efforts capable of building the dream and bringing Real's universe to life.*
   b. *Exceling at all products and service features.*
   c. *Exploring new techniques to redefine upholstery.*
   d. *Having unique physical stores throughout the world.*

ii. **Achieve financial robustness** *by*

   a. *Only making big investments in initiatives that bring value to customers, either by creating the dream or by improving the offer.*
   b. *Investing in good working conditions, not in palaces for ego driven reasons.*

iii. **Be the dream workplace for creatives and craftsmen/ craftswomen** *by*

   a. *Giving workers the opportunity to use their capabilities and challenge themselves.*
   b. *Creating a familiar environment.*
   c. *Being able to provide the means for workers to have their desired life.*

These objectives can be met by keeping in mind Real's strategic pillars, set in chapter 7, and by making all efforts to excel on them. The strategic pillars are the equivalent to differentiation axes for a differentiation strategy, or to a business's critical success factors, once they represent the aspects that guarantee the company's long-term success.

CHAPTER 9

Real's marketing strategy guidelines

The following chapter aims towards disclosing how Real's strategic guidelines will/ can be best put into practice in order to allow a successful implementation. This matter is important due to resources' scarcity, because once companies are not able to do everything, the need to prioritize actions on which is worthier to invest is key to their survival.

This prioritization starts with defining the set of customers a company aims to serve, hence, this chapter begins with a market segmentation that will lead to Real's target audience. This audience is divided through the company's B2B and B2C activities, which inevitably require specialized attention. A number of different criteria are used according to their relevance in this context.

In the second part of the chapter, the decisions to best take Real's strategy to market (both B2B and B2C) are presented through four dimensions that constitute the marketing-mix: product policies; price policies; distribution policies; communication policies.

9.1. Segmentation and targeting

One of the first segmentation criteria when talking about furniture is age. Real aims towards directing its efforts onto individuals who have their own residencies, either purchased or rented, and thus are responsible for making decisions regarding their homes' decoration and consequently furniture. By setting a bottom line at 25 years of age, one comprises the majority of wealthy individuals who have their own homes, from the two commencement points: individuals who come from wealthy families and are now moving to their own home; individuals in their thirties who are now at a point where they have a high disposable income.

Continuing with demographics, in the luxury market these criteria usually go hand to hand with socioeconomic aspects, once the top luxury consuming countries are also the countries with the highest number of high and ultra-high-net-worth individuals. Real's prices will correspond to the prices practiced in the luxury furniture industry, and thus high (wealth superior to 1 million USD) and ultra-high-net-worth (wealth superior to 30 million USD) individuals will be the brand's target in this regard. However, cultural aspects may lead some countries' high-net-worth individuals be less prone to spending money on luxury goods, so Real's geographical focus will prioritize the countries where the highest luxury sales occur, meaning there is some guarantee that there are no cultural constraints to luxury consumption.

Table 9.1

Potential geographic markets for Real

Main reason	**Country/ Region**	***Main reason***	**Country/ Region**
Luxury sales	United Kingdom	*Luxury sales*	Hong Kong
Luxury sales	France	*Luxury sales*	Japan
Luxury sales	Germany	*Luxury sales*	United States
Luxury sales	Italy	*HNW/ UHNW [2]individuals*	New Zealand
Luxury sales	Switzerland	*HNW/ UHNW individuals*	Canada
Luxury sales	Spain	*HNW/ UHNW individuals*	Russia
Luxury sales	China (mainland)	*HNW/ UHNW individuals*	Australia

[2] High-net-worth (HNW)
Ultra-high-net-worth (UHNW)

HNW/ UHNW individuals	South Korea	*HNW/ UHNW individuals*	Singapore
HNW/ UHNW individuals	Brazil	*HNW/ UHNW individuals*	Saudi Arabia
HNW/ UHNW individuals	Sweden	*HNW/ UHNW individuals*	UAE
HNW/ UHNW individuals	Mexico		

Source: Author's own elaboration

In terms of personality and lifestyle, Real is to focus on the individual dimension through which value is perceived (see section 2.1.1), thus targeting individuals who look for a strong emotional value and something that is capable of arousing their senses. These individuals can be described in general by using the romanticist concept introduced in section 2.2, starting with being more individualistic, on a quest to add meaning to their lives through richer and more gratifying experiences, coming from art or aesthetics for instance. Real's target will therefore be looking for an holistic offer that allows them to escape the ephemeral side of life so characterized by objective matters, in an attempt to live an hedonistic existence. Despite the emphasis on intangibles, these individuals see things as a whole, not just as tangibles, but as a set of both tangibles and intangibles, a unity. Hence the functional dimension is not neglected as well.

What has been said above to describe Real's target refers to the B2C context, which in any case is going to be the ones to use the pieces. However, the furniture industry is deeply characterized by a strong presence of the B2B market, with architecture/ interior decoration ateliers, individual architects/ decorators, and hotels representing a big part of companies' sales. With this being said, segmentation regarding the role in the purchase decision making and purchases volumes is relevant to Real as well. Real's B2B target will consist of:

i. Five stars hotels.
ii. Luxury architecture and interior design/ decoration ateliers.
iii. Luxury architects and interior designers/ decorators who work on their own.
iv. Luxury brands' flagship stores.

The geographic criteria apply to this target as well.

9.2. Real's marketing-mix

The marketing mix consists of a group of decisions regarding key aspects that should be considered and when taking a product to the market. These decisions are based on the analysis and guidelines that were previously developed and are aimed towards concentrating resources and capabilities on matters that can bring the most benefits for the company.

As disclosed throughout this dissertation, Real is to be a company which product does always carry a strong service component along, exalting people's importance before, during, and after the purchasing moment. However, once the moment of usage/ consumption of the upholstery pieces on which Real's offer is based on does not coincide with their manufacture/ production, one does not consider it as a pure service which marketing mix would need the three extra aspects regarding people, processes and physical evidence to be effective (Baynast, Lendrevie & Lévy *et.al*, 1992). Hence, Real's marketing mix will consist of the traditional product, price, distribution and communication policies, emphasizing the fact that Real is offering a product with a strong service component.

9.2.1. Product policy

The product aspect of the marketing-mix consists of conceiving and organizing a company's offering, revealing marketing's role on creating a product that is able to satisfy customers' needs.

9.2.1.1. Activity portfolio and complementary services

In the first place, it is important to set Real's activities' portfolio. Real is set to perform a single main activity, which is designing and manufacturing luxury upholstery pieces. This involves other activities that need to be performed as well if the company is to fulfil its objectives, so the development of a set of complementary services is also necessary throughout all stages of the purchasing process. Thus, the following set of services can be disclosed as a part of real's activity throughout the different moments of the process:

i. Preparing the purchase moment*:*
    a. Provide all kinds of necessary and relevant information requested by customers. *(Included in the sell price)*
    b. Helping customers completing their projects (whenever necessary) by giving advice on which piece would better fit the given environment and/ or which materials would make more sense to be used. *(Included in the sell price)*
    c. Helping customers customizing their chosen piece(s). *(Included in the sell price)*

ii. Purchase moment:
    a. Online ordering. *(Included in the sell price)*
    b. In-store ordering (when physical store exists). *(Included in the sell price)*
    c. Arrangement/ Advising of/ on the pieces' delivery method. *(Included in the sell price)*
    d. Different payment methods available (as credit cards, debit cards, bank transfer and money, when in stores). *(Included in the sell price)*

iii. After the purchase moment:
   a. Reupholstering/ reconditioning pieces. *(Not included in the sell price, depends on what is to be done)*
   b. Maintenance and repair guarantee in case the piece is not performing as it was supposed to. *(Included in the sell price, unless it is an obvious case of misusage)*
   c. Pieces' delivery and installation. (*Not included in the sell price)*
   d. Helping customers with any doubt regarding the purchased pieces. (*Included in the sell price)*

9.2.1.2. Products' characteristics

With the activities defined, the next step is to set the characteristics of the products being offered, their visible attributes. This was briefly approached in section 7.5 but will now be more deeply explored regarding products' components, performance, and design, respectively. With this being said, Real's pieces are to be:

i. Made with materials that are not derived from animals (as leather for instance), are as less artificial as possible (as, for instance, plastics, wood treatments, or fabrics containing a great amount of chemicals), and guarantee the best fulfilment of both design purposes, enduring their function for as long as possible while contributing to exalt customers' emotional responses.
ii. Extremely comfortable and robust. Robust in a way that does not exclude elegance, but in the sense that does not indicate fragility and transmit the impression that the pieces can be used without worrying too much about damaging them.
iii. Iconic designs that are able to timelessly arouse customers' emotions and desires, having some element that makes them distinct from others and recognizable as being Real's. Designs that are bold and embed with brand meanings.

All pieces will have standard sizes/ dimensions pre-defined in order to facilitate the process for customers who do not want or need to have the work of taking any measurements. Nevertheless, they will all be susceptible to customization.

9.2.1.3. Packaging

Another important aspect of the product matters regards the packaging. In the case of luxury furniture, there is not really a package where the products are wrapped in at stores, so they do not have a greater communication function beyond the moment when the customer receives the piece at home. Thus, for Real, packaging's main importance regards protection and transportation, not neglecting the communication impacts at the delivery moment. There are two kinds of packaging to be set in Real's case, one that is focused on transporting the pieces from Real to the delivery addresses while maintaining all their characteristics, and another one that besides adding to the pieces' safety, plays a communication role by embodying Real's identity. The latter might contain some features like a brand's fragrance, and/ or a ritual to open it.

Packaging matters depend on distributors to a great extent, so there is not much more that can be said at this point. Nevertheless, it is mandatory that all packages can either be returned to Real to be used again, recycled, or serve some purpose for the customer (like for instance serve as a cover for the pieces).

9.2.1.4. Products' ranges

Regarding products range, Real is to offer sofas, armchairs, chairs, benches, stools, bar stools, screens, and beds, once they are all interior design elements that are susceptible to being upholstered. Notwithstanding, some ranges as beds, screens, bar stools can be launched later in the company's activity, for in the beginning it might be better to focus efforts on the ranges that define upholstery the most, as sofas, armchairs, chairs, stools and benches. The lines for each range will ideally be the same, adapting the line's characteristics to each kind of piece in the most appropriate/ relevant way, unless it makes no sense to do so.

Some luxury brands adopt business models that establish hierarchical differences between product ranges and lines in order to create a pyramid of aura and money. The top is constituted by a restricted set of products that create the brand's dream and is only accessible to a few people, and by gradually diluting/cascading the dream until the bottom of the pyramid, there is an entry range (like ready-to-wear clothes, watches, perfumes, and cosmetics) which wide distribution and increased accessibility make them an entry door for the brand's admirers that cannot afford the top of the pyramid (Kapferer & Bastien, 2012). However, there are other business models where different ranges and respective lines are not hierarchically related in such way, but instead each one occupies a different specific place in the brand's universe.

As mentioned above, the idea for Real's case is to offer different ranges of upholstery pieces, with ideally transversal lines that are made to express Real's identity in different ways and satisfy different kinds of customers with different wishes throughout all ranges. Of course, there will be some lines that are more expensive than others due to, for instance, extra working hours needed to manufacture the pieces. For that reason, pieces belonging to the same line should be priced coherently across all ranges, but not with the purpose of providing entry products, simply to maintain the lines' aura.

9.2.1.5. Products' life cycle

Due to the efforts towards developing timeless and iconic pieces, speaking of products' life cycles in the luxury context is something that makes little sense. Real's pieces are set to ideally last forever, with the due reinterpretations whenever needed.

9.2.2. Price policy

Real does not aim towards satisfying a conspicuous consumption only. However, despite price being an aspect intrinsically linked to the latter, it also plays a role on the perceptions of most individuals. Luxury prices comprise the dream value that the brand creates, that is what justifies part of the higher prices for luxury products. Hence, a low price would most likely make customers perceive the product as having no dream value, or as having little, which is harmful considering hedonic customers look for the symbolic aspects of an offering. Summing up, if the prices of a luxury brand, like Real, are too low, part of the dream power will be lost. Still on this matter, luxury furniture prices are often not available in the companies' website. However, one believes that an indication of the price on the website can be useful to create an aura around the pieces and the people who own them, because by doing so a velvet rope, as Kapferer & Bastien (2012) mentioned, is created around the pieces, making them an object of desire that is only accessible to those who have the means to purchase them, propelling the latter's will to own them.

With this being said, the prices to be established for Real's pieces should take competitors' prices into consideration to understand from which point a price is considered luxury at the luxury furniture industry, so customers place them at a luxury level, where prices comprise a dream. From that point up, there is no risk of price immediately putting Real away from luxury, so production costs and range/ line management matters should decide Real's piece's prices, as should the dream value that is created over time. Dream value's role is vastly more significant for B2C customers, reason why in the beginning, when Real's customers are expected to be mostly B2B customers, prices cannot be too high above the industry's. However, with time, as communication efforts create a dream for final customers, prices can be higher than the industry's average, rising hand to hand with the brand's dream power.

It is also important to provide a discount to B2B customers, around 15 % of the sales volume, for as long as the proportion of B2C customers is inferior to the former. As for B2C discounts, it is something that might only happen in very big orders, and not in a monetary way, for doing so does not contribute to the dream creation at all.

In the case of the pieces mentioned in section 9.1.4.4, once those are to serve conspicuous customers as well, prices should be clearly amongst the highest on the market, or even be the highest.

Prices will vary according to customization options, for although the service of customization is included in the sell price, the latter will naturally vary according to the pieces' dimensions and materials used. Prices will also vary according to the delivery, for the latter cannot be included in the final price due to its big variability.

9.2.3. Distribution policy

In luxury, a selective and careful distribution is crucial in order to convey an experience to customers at all moments. Real aims to begin its activity with a strictly online worldwide distribution, meaning there will be only one intermediary responsible for the piece's delivery from Real to customers. This intermediary is set to be responsible not only for the delivery, but also for the assembly, meaning pieces will be ready to use. Only in the cases where customers ask to take care of this process and be responsible for the pieces from then on should it happen differently.

The goal is to open showrooms/ physical stores somewhere in middle/ long term, for doing so would strengthen the brand's presence and deliver a more meaningful experience to customers. Distribution logistics will be the same as in the online scenario, for pieces in physical stores will not be for sale, they will be there to allow customers to have a feeling of the materials and then eventually make an order at that moment.

9.2.4. Communication policy

The communication aspect of the marketing-mix consists of the group of variables/ tools that express a brand's message to individuals. These variables' effectiveness inevitably varies between the B2B and B2C contexts. On the B2B market, sales personnel, direct marketing, public relations, and digital communication are of upmost importance. Only specific publicity tools like industry magazines are effective, because they are more focused and personalized.

9.2.4.1. Sales personnel

In the luxury context, sales personnel are one of the three key subjects to a company's success (Kapferer & Bastien, 2012) given their direct contact with customers and their role ad brand representatives to the latter. This contact is the main point for the customer-brand relationship creation, which importance for a luxury brand has been revealed many times throughout this dissertation. Besides providing customers with all the necessary information and take care of the purchase moment and all it carries (before and after the purchase), sales personnel have an impact on how the brand is perceived, conceiving a great part of its credibility and customer's loyalty.

Therefore, efforts should be taken in order to guarantee that sales personnel understand Real's values, its dream, mission and vision, so they use that to guide their actions and properly express the brand's identity at all moments. Given the importance of sales personnel to convey Real's identity, these individuals should be recruited internally to the company, allowing greater alignment with the brand and consequently greater dream creation at all times.

9.2.4.2. Publicity

The main goal for publicity in luxury is to create and reinforce the brand's dream, therefore more related with the brand image than with the products themselves. Real's publicity will hardly be done through traditional media such as television or radio, because not only are these too expensive for the brand's first couple years of activity, but they also are too diluted and restricted, besides their selling connotation, which goes against most luxury principles. One only sees luxury brands publicizing their entry products on these channels, not their top ranges, and once Real is not to have a specific entry range, this kind of media will not be considered for the brand.

On the contrary, internet provides the channels for Real to tell its story and consequently create its myth, reason why videos to be posted on the brand's social media pages and channels will be the main publicity focus. This topic will be furthered developed on section 9.1.4.6. Furthermore, plastic arts' pieces created either by Real or in collaboration with plastic artists to be put in the main world capitals' streets, can be useful to attract individuals towards getting to know the brand in a seductive and harmless way.

Another channel for publicity which can be used without harming Real's luxury aura are industry magazines that present what is new in the furniture market and which large audiences can propel the brand's initial growth, especially through the B2B market. Continuing on the B2B context, industry fairs are a great way to start building a network of industry stakeholders and find customers. The luxury furniture industry is one where these events are of the most relevance for a large number of industry professionals are there, whether designers from ateliers, individual designers, decorators, and media, including magazines. With this being said, furniture firs will be one of the main communication focus for Real in the short-term, in order to create a network, word of mouth, and gain experience with customers that are often easier to deal with (as explained in section 8.2.1 paragraph *d)*, and section 8.2.2 paragraph *d)*).

9.2.4.3. Direct marketing

Direct marketing initiatives aim towards getting some kind of response from individuals by, for instance, emailing new products/ services. In a B2C context, this kind of tool may harm Real by making it seem like begging for attention or invading customers' personal space. Also, furniture pieces are not something that is bought at a rhythm like the fashion industry's, and even if they were, Real stands for upholstery pieces that will endure their function and desirability for as long as possible, reason why sending new products to customers could be quite contradictory.

On the other hand, looking to the B2B context, direct marketing can be used in order to let interior design/ architecture ateliers and individual industry professionals know about new pieces, which is something that contributes to their work, once the novelties might fit their future projects. Thus, Real's direct marketing in the B2B context will include:

i. Contacting architecture and interior design/ decoration ateliers presenting Real.
ii. Sending existing customers newsletters and catalogues with new additions to Real's offering.
iii. Creating and sending spontaneous proposals to projects regarding the construction of luxury hotels and apartments that will eventually need upholstery pieces.

Despite what was said above, some brands like Chanel do a new kind of direct marketing that consists of Instagram stories inviting individuals to follow the brand's page. On one's opinion this initiative is in the border line of the luxury context, and, if carefully done, can be used by Real as a direct marketing channel to open a door to the brand's universe when it is more established.

9.2.4.4. Public relations

Although undoubtedly important, the described public relations initiatives may be too expensive for Real's first years. Nevertheless, some public relations initiatives aiming towards strengthening Real's image, credibility, and notoriety, as well as to create engagement, experiences, and trust, are disclosed below:

i. Events to present highly exclusive lines that explore new upholstery techniques. The idea behind these events is to set Real as the leading creator, as the brand to follow, by exploring new ways of upholstering furniture and thus create pieces that are capable of arousing hedonistic and conspicuous customers. These events are to be held every 10 years, and invitations sent to a specific set of industry professionals and influential admirers. Pieces' price is to be the highest in Real's catalogue, and production will be tightly controlled to enhance the dream aura behind it.

ii. Thematic parties during industry events, as the *Salone del Mobile* in Milan or *Maison et Objet* in Paris, in order to create word of mouth and make an impact on the industry. Later on these thematic parties can be held independently from the industry's events, when Real has a more global presence.

iii. Events where an apartment/ house in one of the world's main capitals is rented and refurbished to be a portal to Real's universe and introduce a new product line, like it has always been there and only now is being revealed to the world. The exact location is kept hidden until the last day, although the town(s) is(are) revealed with some antecedence in order to allow time for individuals to arrange their trips. These events will last a week, and although most days will be reserved to guests and industry professionals, some will be free to the large public to visit.

All Real's public relations initiatives should be aimed towards seducing the brand's design target and associating the brand to it, by showing its identity and welcoming individuals into its universe. The idea to do so is to stimulate the strategic target to admire Real even more and wish to be closer to the brand by purchasing its pieces, or just by becoming an admirer.

9.2.4.5. Patronage

As mentioned in the literature review, contemporary forms of art are a great form of crating meaningful experiences to customers (Kapferer & Bastien, 2012). Hence, Real aims to develop close relationships with various artists that relate to the brand's values and make them guardians of the brand's universe, in the sense that their works of art, from music to plastic arts and painting, act as doors to the brand's universe. Some initiatives in this context might include:

i. Promoting art expositions about a certain topic that relates to Real.
ii. Supporting music conservatories and music students in their paths.
iii. Supporting painters and plastic artists.
iv. Supporting artists invited to perform as described in section 9.1.4.6.

Besides this, as a brand with strong roots in craftsmanship, Real also aims to support craftsmanship associations and schools throughout Portugal, as a way of contributing to the crafts' survival and attract manufacturers (current and future).

9.2.4.6. Digital communication

Nowadays, technology allows a great number of channels for brands to communicate with individuals, using both push and pull tools. These tools are useful to, among others, create a buzz, promote engagement, convert purchasing intentions into sales, and stimulate an idea. Real digital communication will be based on the following channels:

i. **Social media**
    a. Instagram, where the idea is not to create a product's catalogue or to give interior design tips, but to create content able to provide followers an escape from the day to day, being closer to Real's universe. Of course, pieces will still be posted and announced on Real's profile, but never in a way that resembles a catalogue.
    b. Facebook, where the same that was mentioned for Instagram applies.
    c. Twitter. where the same that was mentioned to Instagram applies.
    d. YouTube, where the idea is not to create videos that play a specific role on introducing individuals to Real. Three kinds of videos can be disclosed:
        i. New pieces' presentation.
        ii. Telling a part the brand's universe story (which includes the manufacture aspect).
        iii. Artistic performances presenting art as a way to escape into the brand's universe.
ii. **Website**, where the brand's pieces are displayed, as well as its story, vision, and other practical information. The website must also be able to work as an escape for individuals who visit it, representing Real's identity.
iii. **Email and e-newsletters** to inform on new launches, which will be mostly used in the B2B context, as mentioned in section 9.1.4.3, for these customers are the ones who may be continuously needing to purchase new pieces to complete their clients' projects. Emails might

be used in both B2B and B2C to, for instance, send invitations to events or other purposes not related to purchasing.

Coherence between all channels is key to create and establish Real's universe, hence all brand manifestations should express Real's identity, with the adequate changes depending on channels' specificities.

CHAPTER 10

Real's operational analysis

The following chapter is set to outline Real's operational paths and what pros and cons each option entails. This will be done by analyzing the differences between internalizing or outsourcing each activity necessary to manufacture Real's pieces, considering direct costs from the decision, its impact on co-creation, as well as logistics and quality control matters coming from the decision. By doing so, one hopes to lay out the majority of the elements that will be necessary to the financial analysis to be developed in the next chapter, where costs from different alternatives will be compared.

With this being said, the main outputs from this chapter are the layout of Real's operations, the understanding of what each activity entails, and the conclusions taken about which ones should constitute a priority to Real.

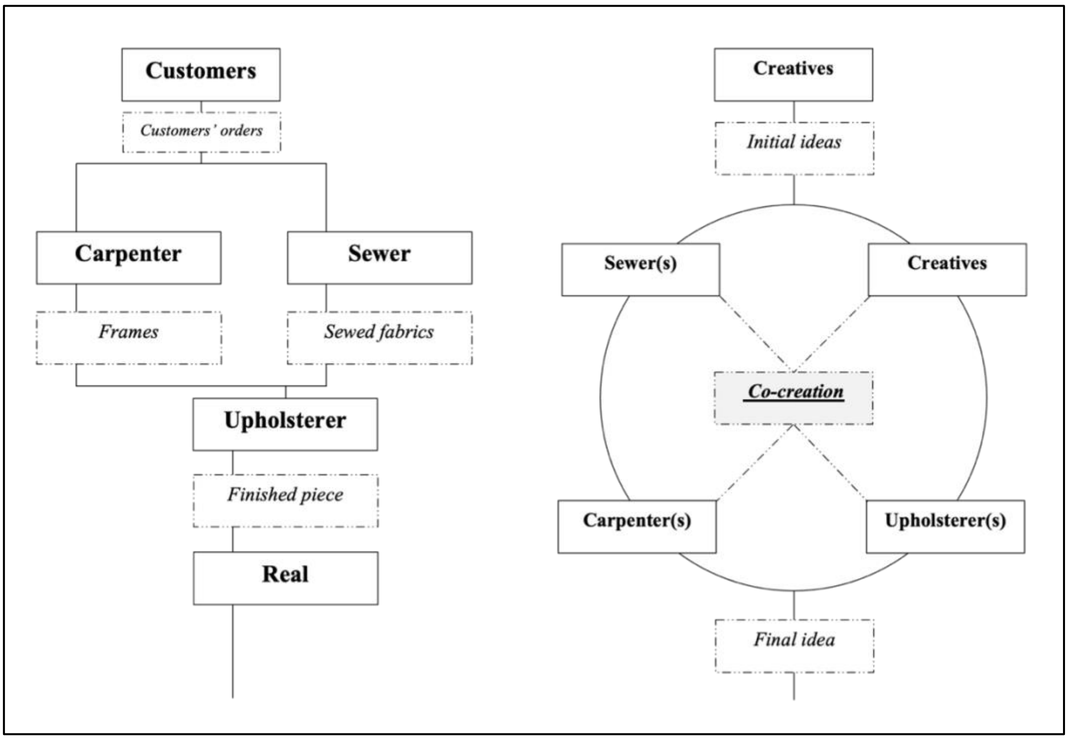
10.1. Grounding considerations

It was mentioned in section 8.3 that designers/ creatives and sales personnel are to be a part of Real's internal structure, and never sub-contracted/ outsourced. This decision has to do with the fact that they are both functions that have a direct contact with customers and consequently play an important role on how Real is perceived by them. Besides, designers/ creators are crucial to create pieces that make sense to Real's identity, and to make sure that every brand manifestation obeys to certain codes that convey Real's identity.

From the previous paragraph, one can see that there will always be a group of individuals behind Real whose work needs to be fully aligned and integrated. Hence, a workspace for these individuals to be together while performing their tasks is extremely important. This space will also need to respond to the need to store some materials such as fabrics (whether purchased by Real or sent by customers), woods for the pieces' structures, and finished pieces that are ready to be packaged and delivered. Quality control is mandatory, and it is to be carried in this space as well. With this being said, a space like a small warehouse with a space for office work would be ideal. The exact size of this space and the facilities that it will need to support depend on the activities to be internally carried by Real, which will be disclosed below.

Figure 10.1

[3]*Real's main operational processes*



Source: Author's own elaboration

[3] Co-creation in this context does not include customers, it only regards products' development

10.2. Manufacture activities' analysis

In this section, all activities and respective intervenient regarding Real's main processes will be disclosed and explored in order to, for each activity, explicit the differences between keeping it internal or external. This exploration will be done according to:

i. Specific direct costs from the decision.
ii. Easiness to co-create.
iii. Control over outputs' quality.
iv. Logistics' concerns from the decision.

Carpenters are responsible for manufacturing the pieces' structure/ frame, which in Real's case will be made of wood, so carpentering is the best suited craft to do it. To make a wooden frame, there is some machinery that is needed to cut the wood into the desired sizes and forms, which in its turn require some one with the specific skills to work with them. Other than that, skills are of course necessary to assemble all parts together into the final form that will serve as basis for upholstery. Frames are an extremely relevant part of every piece, for they are the first layer to be done and will not only influence the achievement of the desired output, as they will also guarantee its endurance. With this being said, carpenters will be key participants in the co-creation process, they will be needed to spend some considerable time with the creative team in order to figure out the best way to put their ideas into practice, which would be much easier if this function was internal. Besides, keeping manufacture external would mean less control over the process and more transportation costs from the carpenter to Real, as well as to be dependent on the former lead time variations, adding complexity to the entire logistics' process. The control aspect can be fixed to a great extent if the frames are sent to Real afterwards, but that would mean more transportation costs if the upholstery is to be external as well, because it will be necessary to take the frame to the latter after quality is checked. Considering materials, unless some specific kind of wood that the carpenter doesn't always use is necessary, they are included in the frame unitary price, given that it is usually carpenters' responsibility to buy and store materials.
Summing up, the main remarks to carpentering are:

i. Costs:
    a. Internalizing carpentry requires acquiring and installing machinery, purchasing and storing materials, and paying salaries.
    b. Externalizing carpentry requires frames' transportation from carpenters to Real and paying a unitary price for each frame.
ii. Logistics:
    a. Internalizing carpentry requires managing more stocks and space to store the frames.
    b. Externalizing carpentry requires being dependent on third parties' lead times and workflow, besides the frames' transportation to Real.

iii. Co-creation:
    a. Internalizing carpentry facilitates information flow and timely feedbacks, as well as creating a clear sense of common goal between all stakeholders.
    b. Externalizing carpentry inevitably leads to less commitment to develop pieces along with creatives, once that is not the carpenters' only job/ focus. Besides, mistakes due to carpenters forgetting about specific details are more prone to happen, since that Real is certainly not their only customer.
iv. Control over the output:
    a. Internalizing carpentry enables controlling quality at all stages, from the materials being used to the processes and techniques.
    b. Externalizing carpentry reduces quality control to one moment at the end of the process when frames are done, which limits control only to what is visible.

Sewers are responsible to sew the fabrics into the shapes that will later be fitted into the pieces by upholsterers. The sewers are generally given the fabrics already cut by upholsterers, so they are only responsible for sewing them together. This function requires a sewing machine and its complementary materials such as needles and lines. There are many techniques regarding sewing, but it is usually a straightforward process to choose which one to use, because creatives often have an aesthetic idea of how they want it to be, so sewers contribute to pieces' development by applying a technique that meets those ideas and guarantees functionality/ endurance. If sewing is outsourced, fabrics' transportation from Real to sewers and vice versa will also be necessary, because sewers are not responsible for choosing nor ordering/ storing fabrics. Besides, control over the output would be limited to the moment where seams are sent to Real afterwards, but that would mean more transportation costs if the upholstery is to be external as well, because it will be necessary to take the seams to the latter after quality is checked.
Summing up, the main remarks to sewing are:

i. Costs:
    a. Internalizing sewing requires acquiring and installing sewing machines, purchasing and storing fabrics (and other materials), and paying salaries.
    b. Externalizing sewing requires fabrics' transportation from Real to sewers to Real and vice versa, purchasing and storing fabrics, and paying a unitary price for each order.
ii. Logistics:
    a. Once fabrics will always be purchased and stored by Real, internalizing sewing does not add any greater complexity.
    b. Externalizing sewing requires being dependent on third parties' lead times and workflow, besides the fabrics' transportation to Real and their consequent way back.

iii. Co-creation:

a. Internalizing sewing facilitates information flow and timely feedbacks, as well as creating a clear sense of common goal between all stakeholders.

b. Externalizing sewing inevitably leads to less commitment to develop pieces along with creatives, once that is not the carpenters' only job/ focus. Besides, mistakes due to carpenters forgetting about specific details are more prone to happen, since that Real is certainly not their only customer.

iv. Control over the output:

a. Internalizing sewing enables controlling quality at all stages, thus avoids some mistakes that will delay the entire process.

b. Externalizing sewing reduces quality control to one moment at the end of the process when seams are done, meaning that mistakes would probably cost the entire fabric that was used and cause delays. There are no greater aspects that are not visible in the final stage, opposed to the frames.

Upholsterers are the final intervenient in the entire process. They are responsible for, very simplistically, cutting foams into the desired sizes and forms, putting them on the wooden frames, and fitting the sewed fabrics. Upholsterers thus integrate all the elements needed to complete an upholstery piece. Their role is the one which involves more complexity due to all the different tasks that are required, and is also the one where quality control at each stage is more important, for details such as the number of straps and/ or strings used, the points where fabrics are stapled/ nailed to the frame, and the degree to which the fabrics are to be stretched can make a big difference in the pieces' overall performance and aesthetics. Besides, controlling these aspects only at the end of the process is either not possible or time consuming, for stretching fabrics again after a piece is finished requires undoing a lot of other steps.

Speaking of undoing, upholstery is the main activity for the reupholstery services, aside from the complementary sewing of new fabrics. Some specific tools are needed in an upholsterer work, like stapling pistols and compressors, but other tools are mostly manual and not too expensive. Being the junction point for the two previous activities, upholsterers have considerable knowledge about both carpentry and sewing, meaning they most often know how a frame needs to be like and what sewing techniques are better suited for the desired output presented by creatives. With this being said, upholsterers are of great help for the co-creation process, because not only do they provide inputs for the pieces' development that are specific to upholstery (which are a lot, considering foams typologies and thickness, types of nails and staples to used and how to be used, techniques to achieve the desired look), as they are also able to integrate other inputs and thus helping every effort to be coherent with the end goal. Once more, if upholstery is to be outsourced, transportation of both frames and sewed fabrics

to upholsterers and the consequent transport of the finished piece to Real in order to be packaged and set for delivery are necessary.
Summing up, the main remarks to upholstery are:

i. Costs:
   a. Internalizing upholstery requires acquiring and installing some machinery (stapling pistols, compressors, etc.) and tools (hammers, screwdrivers, etc.), purchasing and storing foams and other materials (nails, staples, ropes, straps, strings, etc.), and paying salaries.
   b. Externalizing upholstery requires sewed fabrics and frames' transportation from Real to upholsterers to Real and vice versa, and paying a unitary price for each order.
ii. Logistics:
   a. Internalizing upholstery requires managing more stocks and space to store the frames, sewed fabrics, foams and other upholstery specific materials,
   b. Externalizing upholstery requires being dependent on third parties' lead times and workflow, besides the sewed fabrics and frames' transportation to Real and their consequent way back.
iii. Co-creation:
   a. Internalizing upholstery facilitates information flow and timely feedbacks, creates a clear sense of common goal between all stakeholders, and enables better inputs' integration.
   b. Externalizing upholstery inevitably leads to less commitment to develop pieces along with creatives, once that is not the upholsterers' only job/ focus. Besides, mistakes due to upholsterers forgetting about specific details are more prone to happen, since that Real is certainly not their only customer.
iv. Control over the output:
   a. Internalizing upholstery enables controlling quality at all stages, thus avoids some mistakes that will delay the entire process. Besides, it helps detecting mistakes from the sewing and carpentry stages.
   b. Externalizing upholstery reduces quality control to one moment at the end of the process when everything is done, meaning that only visible mistakes would be detectable, and their fixing would cause enormous delays.

Based on what was disclosed above, one believes that upholstery is the priority activity to be internalized. The reason to do so regards upholstery's role as the integrator of both sewing and carpentry outputs, meaning that by keeping upholstery internal, Real would have more chances to detect mistakes coming from previous stages and to control quality at each upholstery stage. The latter is particularly useful given the diverse stages included in upholstering a piece, and the importance for the final output of some elements that are not visible once the piece is finished. Besides having an overall greater impact on the final output (through its role on co-creation and quality control), the manufacturing capacity and stocks that are needed to perform upholstery activities are easier to assemble and access. All this adds to the aura and dream aspects that are enhanced by keeping upholstery internal (see sections 6.1 and 8.3 for more details on this matter). Followed by upholstery comes sewing, due to its position in the manufacturing process. This is to avoid a scenario where upholstery and carpentry are internalized and then, because the sewing supplier had some delay, Real's upholstery activities would be moving on different paces, as if on the other hand, upholstery and sewing are first internalized, delays would still be possible due to carpentry suppliers, but from the moment pieces' structures were delivered, Real depends on itself only.

Notwithstanding, every intervenient, whether external or internal, must participate in each piece development, to create a greater sense of purpose and commitment, and to guarantee greater alignment. To avoid mistakes, a manual for each piece should be developed and delivered to each external manufacturer (internal as well, but that is not the point here), containing all the steps required from their activity to reach the desired output and other practical and useful information about it that counter distance effects.

CHAPTER 11

Project's economic and financial viability

The following chapter is set to assess the project's financial viability. Each section corresponds to a stage of this process, starting with a sales forecast that serves as the reference point for the incurred costs. A set of assumptions is disclosed in section 11.1, containing the regulatory elements needed for the proceeding calculations, as well as policies adopted for this project that are relevant for this purpose.

Three sales scenarios were forecasted, however only the realistic scenario was used in the next stages. Forecasts departing from the pessimistic and optimistic scenarios can be consulted in the appendixes' chapter.

It is of upmost importance to keep in mind that all the following data are only forecasts, useful to provide some guidance in the first stages of the project's implementation, but should not be interpreted as exact assured values.

11.1. Assumptions

Prior to starting the financial analysis, it is important to refer the main assumptions that condition and influence the obtained results:

- A life span of 10 years was set in order to go along with the strategic objectives defined in section 8.4, starting in 2022.
- Value added taxes follow IVA regulations, for it would not be feasible to calculate such taxes according to each country/ region own standards. Besides, IVA is applicable to the majority of Portuguese exports directed to European Union countries (Autoridade Tributária e Aduaneira, 2021a). IVA appliable to continental Portugal are as follows:
    - IVA reduced rate: 6 % (Autoridade Tributária e Aduaneira, 2021a)
    - IVA intermediary rate: 13 % (Autoridade Tributária e Aduaneira, 2021a)
    - IVA normal rate: 23 % (Autoridade Tributária e Aduaneira, 2021a)

  IVA is delivered quarterly.
- Receipts average deadline: 50 % of the clients' orders' value is promptly received, while the other 50 % are received when the order is completed and ready to dispatch, 2 months later (for the purpose of this analysis).
- Payments average deadline:
    - 1 month for ESS and government.
    - 50 % of the orders' value is promptly paid to goods' suppliers, while the other 50 % are paid upon delivery, 2 months later (for the purpose of this analysis).
- Companies' income tax follows IRC regulations, which sets a 21 % income tax rate (Autoridade Tributária e Aduaneira, 2021b).
- Inflation is forecasted according to official estimations for 2022, 2023 and 2024, respectively 0,7 %, 0,9 % and 1 %. From then on, an average constant rate of 0,87 % was calculated based on these 3 years (Banco de Portugal, 2021).
- Social charges relating to employees are 23,75 % (Segurança Social, 2021).
- Social security rate is set at 11 % (Segurança Social, 2021).
- Individuals' income taxes are retained at the source following a rate of 6,6 % (Autoridade Tributária e Aduaneira, 2021c; Autoridade Tributária e Aduaneira, 2021d). This rate was calculated assuming non-married employees, by, for every level of income comprising Real's salaries (see table 11.14), making an average of the rates appliable to individuals with different numbers of dependents. Then an average of those average rates was calculated (resulting in the 6,6 %).
- The calculated discount rate is 6,65 % (see section 11.9).
- Pieces are made to order, reason why there will be no considerable inventories.

- Pieces’ transportation/ delivery costs will not be considered in any stage, for these are to be paid by customers and are extremely variable, depending on the delivery country and pieces’ chosen.

11.2. Sales forecast

11.2.1. Forecasting pieces’ prices

In section 9.2.2, Real’s price policies were discussed. It was then mentioned that the industry’s prices are to serve as a reference point in order for Real not to lose part of the dream power associated with pieces’ price and manage it from there. Thus, a pricing benchmark study of four of the major Portuguese luxury furniture brands was conducted, aiming to calculate the average prices for the most relevant upholstery goods’ categories.

These categories include sofas, chaise longues, armchairs, chairs, bar and counter stools, and stools (see section 9.2.1.4 to understand the choice of these categories). Results are presented in table 11.1. These prices correspond to the standard pieces’ sizes, using brands’ standard fabrics, which means that customization regarding dimensions and fabrics was not taken into consideration, nor were the options for customers to send their own fabrics.

Table 11.1

[4]*Four most relevant Portuguese luxury furniture brands’ average pieces’ price by category*

Pieces' average price	
Category	Average price
Sofas	10 508,34 €
Chaise Longues	5 584,44 €
Armchairs	4 572,76 €
Chairs	2 636,87 €
Bar and Counter Stools	3 521,47 €
Stools	1 495,26 €

Source: Author’s own elaboration

11.2.2. Forecasting Real’s Sales

A sales forecast is based on historic/ past information about an industry’s consumption habits and/ or its companies’ sales. Both paths imply that past conditions will be verified in the future, which unlikability limits the method’s utility. Notwithstanding, it provides an approximation that might be useful in a first stance (Barros, 2014).

In this case, there was not enough data available about the Portuguese luxury furniture industry that allowed the estimation of its sales volume and growth rate. Available data, besides being incomplete, referred to the Portuguese furniture industry as a whole only, and although the latter is constituted by

[4] These prices do not include taxes nor pieces’ transportation cost.

high-quality brands in its majority, they are not entirely luxury companies, reason why one did not find this data much relevant for Real's case.

The following forecast departs from a magazine interview where one of the Portuguese luxury furniture brands (let's call it *C1*) mentioned its sales volume for that year and a correspondent average yearly sales growth rate (r_1) of 20 % in the last couple years. It is important to mention that this rate is an average rate for a limited group of years, meaning that not only there is the chance that the correspondent individual years' growth rates were different in reality, as there is the chance that previous to those years there was a different growth rhythm.

Other Portuguese luxury furniture brand (let's call it *C2*), mentioned, in an online interview, its annual sales for two different years, which coincided with the period for the *C1*'s given sales growth rate. Despite the above-mentioned limitations of assuming an average yearly growth rate, that was the most relevant possibility with the available information. Thus, one calculated the average growth rate for *C2*, by assuming:

- $S_{2j}*(1+r_2)^{k-j} = S_{2k}$ (11.1)
    - S_{2j} *is C2 sales volume at year j (known)*
    - S_{2k} *is C2 sales volume at year k (known)*
    - r_2 is *C2 average yearly sales growth rate* *(unknown)*
    - *k is the most recent year with known C1 sales (known)*
    - *j is the most distant year with known C1 sales (known)*
    - $k > j$
        - $r_2 = 35\ \%$

In order to get a sales growth rate to the whole Portuguese luxury furniture market as accurate as possible, an average rate (*r*) between r_2 and r_1 was calculated, reaching r = 27,5 %.

Besides *C1* and *C2*, one more Portuguese luxury furniture brand (let's call it *C3*) referred its sales volume for one specific year on a television program. It is important to mention that all *C1*, *C2*, and *C3* are part of the brands that better represent the Portuguese luxury furniture industry. Taking *r* as the average annual sales growth rate for the Portuguese luxury furniture industry for the last years since *C1*, *C2* and *C3* were born, one was able to estimate these companies' sales volume in their first year of activity, following:

- $S_{ia} = S_{io}*r\wedge^{a-o}$ (11.2)
    - *i* refers to the company identification. i=1, 2, 3
    - *a* is the most distant year with known company's sales volume (known)
    - *o* is the year when the company was born (known)
    - *Sia* is the company's sales volume at year *a* (known).
    - *Sio* is the company's sales volume at year *o* (unknown)
    - $a > o$

- S_{1o} = 334 720,07 €
- S_{2o} = 129 153,50 €
- S_{3o} = 544 129, 31 €

These values were used as a basis to forecast Real's sales volume at its first year of activity (2022), by calculating their mean. An average first year's sales volume of 336 000,96 € was reached. To be cautious, one assumed this value includes VAT, corresponding to sales of 273 171,51 €. The suitability of this value to Real has to do with the fact that these companies adopted, in their first years, the same main communication channels as Real is to adopt, namely the presence in industry tradeshows and magazines, as well as contacting design ateliers directly.

In order to understand how realistic this value was to Real, prices from table 11.1 were taken into account. Once there was no way of knowing the percentage of sales corresponding to each piece category, an all-encompassing piece, named "hybrid" was considered, corresponding in all matters to an average of the pieces from table 11.1.

Table 11.2

Achieving hybrid's price

Pieces' average price	
Category	Average price
Sofas	10 508,34 €
Chaise Longues	5 584,44 €
Armchairs	4 572,76 €
Chairs	2 636,87 €
Bar and Counter Stools	3 521,47 €
Stools	1 495,26 €
Hybrid	4 719,86 €

Source: Author's own elaboration

Table 11.3

Achieving hybrid's lead time when recurring to outsourcing

Pieces' production time estimation (weeks)			
Category	Carpentry	Sewing	Upholstery
Sofas	2,00	1,00	2,00
Chaise Longues	1,40	0,70	1,40
Armchairs	1,00	0,50	1,00
Chairs	0,50	0,25	0,50
Bar and Counter Stools	0,50	0,25	0,50
Stools	0,50	0,25	0,50
Hybrid	0,98	0,49	0,98

Source: Author's own elaboration

Table 11.4

[5]*Achieving hybrid's maximum generated income when recurring to outsourcing*

Maximum income generated by 1 upholsterer for each piece category	
Category	Value
Sofas	273 216,95 €
Chaise Longues	207 422,22 €
Armchairs	237 783,50 €
Chairs	274 234,96 €
Bar and Counter Stools	366 232,97 €
Stools	155 506,67 €
Hybrid	249 592,51 €

Source: Author's own elaboration

Real will outsource every part of the manufacturing process in the first year, therefore the suitability of considering the scenarios from tables 11.3 and 11.4, which assume manufacture is outsourced. Based on table 11.4, a realistic sales volume of 195 121,95 € was set for 2022. However, once it is not impossible, the 273 171,51 € will be taken as Real's first year optimistic sales volume. A pessimistic perspective will also be considered, with a decrease of 25 % from the realistic forecasts.

Regarding sales evolution throughout the years, growth rates for the different successive years were estimated according to Real's strategic objectives and the respective measures to be taken to achieve them:

- **Year 2023**, estimated 30 % sales growth due to presence in industry tradeshows and magazines.
- **Year 2024**, estimated 30 % sales growth due to networking from the presence in industry tradeshows and magazines.
- **Year 2025**, estimated 25 % sales growth due to passage of the initial exponential effect on sales from the presence in industry tradeshows and magazines.
- **Year 2026**, estimated 22,5 % sales growth due to decrease of the initial exponential effect on sales from the presence in industry tradeshows and magazines.
- **Year 2027**, estimated 30 % sales growth due to strong investment in dream building communication.
- **Year 2028**, estimated 35 % sales growth due to greater reach from strong investment in dream building communication.
- **Year 2029**, estimated 35 % sales growth due to greater reach from strong investment in dream building communication.
- **Year 2030**, estimated 40 % sales growth due to investment in a global presence.
- **Year 2031**, estimated 40 % sales growth due to greater reach from the investment in a global presence.

[5] Results from tables 11.2 and 11.3, considering there are 52 weeks in one year

- **Year 2032**, estimated 35 % sales growth due to the decrease of the initial exponential effect on sales from the investment in a global presence.

The accuracy of these rates would always be uncertain, even more in this case, once Real's strategic objectives and respective measures are, in their majority, new to this industry.

Table 11.5

[6]*Real's sales forecast.*

Sales Forecast (Without VAT)			
Year/ Scenary	Realistic	Pessimistic	Optimistic
2022	195 121,95 €	146 341,46 €	273 171,51 €
2023	253 658,54 €	190 243,90 €	355 122,96 €
2024	329 756,10 €	247 317,07 €	461 659,85 €
2025	412 195,12 €	309 146,34 €	577 074,82 €
2026	504 939,02 €	378 704,27 €	706 916,65 €
2027	656 420,73 €	492 315,55 €	918 991,64 €
2028	886 167,99 €	664 625,99 €	1 240 638,72 €
2029	1 196 326,78 €	897 245,09 €	1 674 862,27 €
2030	1 674 857,50 €	1 256 143,12 €	2 344 807,18 €
2031	2 344 800,50 €	1 758 600,37 €	3 282 730,05 €
2032	3 165 480,67 €	2 374 110,50 €	4 431 685,57 €

Source: Author's own elaboration

11.3. Cost of goods sold, and materials consumed

Pieces will be made to order, so stocks are not expected to exist beyond the cases where pieces are manufactured to be exhibited on tradeshows or other specific contexts. With this being said, the majority of production costs will vary according to orders placed and consequent manufacture and sales volume. Hence, fixed costs will not be incorporated in assessing the costs of goods sold and materials consumed (CGSMC). On the other hand, once variations in Real's production and sales volume will cause revenues and costs to vary accordingly, it is possible to calculate and use a margin relating sales volume and production costs (Franco, Vistas de Oliveira & Morais *et al.*, 2015). This will be the method to forecast Real's costs of goods sold and materials consumed.

In the first step towards estimating a cost margin, prices disclosed in section 11.2.1 were ordered from the lowest to the highest in each piece category, and data were divided into quartiles. The division into quartiles enables a clearer interpretation of the data by being aware of the different price points that exist for each category.

To arrive at the cost margins, it was first necessary to estimate the costs to manufacture the pieces, which was done by recurring to an upholsterer with more than 40 years of experience across all kinds of upholstery pieces. Pieces from different price points were selected in each category, in order to take

[6] Values do not consider inflation effects, nor taxes and transportation costs.

into account an encompassing sample that considered different pieces' characteristics. The upholsterer was given images of the pieces (taken from brands' catalogues), as well as information about materials used (also taken from brands' catalogues). The detailed budget provided by the upholsterer includes all stages of manufacture, which are disclosed in section 10. Once that was done, the average cost margin for each pieces' category was calculated, as well as the overall average cost margin across all categories. Prices from the budgets did not include taxes.

Table 11.6

Average category cost margins of the four most relevant Portuguese luxury furniture brands.

Pieces categories' average cost margin	
Category	Average cost margin
Sofas	25,25%
Chaise Longues	22,47%
Armchairs	33,11%
Chairs	53,15%
Bar and Counter Stools	39,44%
Stools	41,16%
Overall	**35,77%**

Source: Author's own elaboration

Table 11.7

Disassembling the costs for each cost typology

Cost typologies' average margin of the cost	
Cost typology	Average cost margin
Extras	4,93%
Materials	30,93%
Carpentry	25,33%
Sewing	5,58%
Upholstery	33,22%
Overall	**100,00%**

Source: Author's own elaboration

Considering the margin set in table 11.6, the cost of goods corresponding to a sales volume of 195 121,95 € would be 69 788,30 €. The team of personnel needed to satisfy such sales volume would be constituted by 1 upholsterer, 1 sewer, and 1 carpenter (see tables 11.10 and 11.11), which, based on the Portuguese national salaries, would earn a 850 € salary each (Ministério do Trabalho, Solidariedade e Segurança Social, 2021). The 2022 personnel costs for such a team are given by making *850*3*14*1,2375* = 44 178,75 €. Thus, from the first year one can see the increased benefits for internalizing production, reason why a plan to do so, departing from section 10.2, is established as follows:

- In 2023, start hiring upholsterers as needed for the expected sales volume.
- In 2026, start hiring sewers as needed for the expected sales volume.
- In 2029, start hiring carpenters as needed for the expected sales volume.

With this plan, there is enough time for each activity to settle in.

The methodology that was followed to calculate the costs of goods sold and materials consumed for each year consists of subtracting, from the CGSMC if 100 % outsourced, the costs corresponding to the human labor involved in each activity for that year's sales volume. The percentages of the cost typologies that correspond to materials only are disclosed in table 11.8. CGSMC is hence calculated in table 11.9, with a row indicating how calculations were done. Data from table 11.7 were also used for this purpose, once it was necessary to know how much of the total CGSMC corresponded to each activity.

Table 11.8

Activities' percentage of the cost corresponding to materials (excluding human labor)

Activities' average margin of the cost corresponding to materials only	
Activity	Average cost margin
Carpentry	40,00%
Sewing	15,00%
Upholstery	30,00%

Source: Author's own elaboration

Table 11.9

Calculating the costs of goods sold and materials consumed for each year, according to the internalization plans.

Costs of goods sold and materials consumed forecast								
Year/ Scenary	100% Outsourced	Minus Upholstery Outsourcing Costs	Minus Sewing Outsourcing Costs	Minus Carpentry Outsourcing Costs	Upholstery Incorporated Materials Cost	Sewing Incorporated Materials Cost	Carpentry Incorporated Materials Cost	CGSMC
2022	69 788,30 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	69 788,30 €
2023	90 724,79 €	30 143,05 €	0,00 €	0,00 €	9 042,92 €	0,00 €	0,00 €	69 624,65 €
2024	117 942,22 €	39 185,97 €	0,00 €	0,00 €	11 755,79 €	0,00 €	0,00 €	90 512,05 €
2025	147 427,78 €	48 982,46 €	0,00 €	0,00 €	14 694,74 €	0,00 €	0,00 €	113 140,06 €
2026	180 599,03 €	60 003,51 €	10 075,35 €	0,00 €	18 001,05 €	1 511,30 €	0,00 €	130 032,53 €
2027	234 778,74 €	78 004,57 €	13 097,95 €	0,00 €	23 401,37 €	1 964,69 €	0,00 €	169 042,28 €
2028	316 951,30 €	105 306,16 €	17 682,24 €	0,00 €	31 591,85 €	2 652,34 €	0,00 €	228 207,08 €
2029	427 884,25 €	142 163,32 €	23 871,02 €	108 396,92 €	42 649,00 €	3 580,65 €	43 358,77 €	243 041,41 €
2030	599 037,96 €	199 028,65 €	33 419,43 €	151 755,69 €	59 708,59 €	5 012,91 €	60 702,27 €	340 257,97 €
2031	838 653,14 €	278 640,11 €	46 787,20 €	212 457,96 €	83 592,03 €	7 018,08 €	84 983,18 €	476 361,16 €
2032	1 132 181,74 €	376 164,15 €	63 162,72 €	286 818,25 €	112 849,24 €	9 474,41 €	114 727,30 €	643 087,57 €
	+	-	-	-	+	+	+	=

Source: Author’s own elaboration

11.4. Personnel Expenditures

The main functions to be carried are the following:

- Upholstery
- Sewing
- Carpentry
- Design
- Sales
- Financial Manager
- Logistics Manager
- Founder/ CEO

The first thing that was done to calculate personnel expenditures for each year was to estimate how many people are needed for each year, depending on the sales volume forecasted for that year. To do so, the same reasoning as in the end of section 11.2 was followed, but this time considering internal production, for the goal is to calculate personnel expenditures.

Table 11.10

Achieving hybrid's lead time when internalized

Pieces' production time estimation (weeks)			
Category	Carpentry	Sewing	Upholstery
Sofas	1,00	0,50	1,00
Chaise Longues	0,70	0,35	0,70
Armchairs	0,50	0,25	0,50
Chairs	0,25	0,13	0,25
Bar and Counter Stools	0,25	0,13	0,25
Stools	0,25	0,13	0,25
Hybrid	0,49	0,25	0,49

Source: Author's own elaboration

Table 11.11

[7]Achieving hybrid's maximum generated income when internalized

Maximum income generated by each piece category	
Category	Value
Sofas	546 433,89 €
Chaise Longues	414 844,44 €
Armchairs	475 567,01 €
Chairs	548 469,92 €
Bar and Counter Stools	732 465,94 €
Stools	311 013,33 €
Hybrid	499 185,02 €

Source: Author's own elaboration

By dividing the forecasted sales volume for each year by the maximum income generated by one upholsterer regarding hybrids, one was able to obtain the number of upholsterers, sewers, and carpenters needed for each year, once the corresponding activity is internalized accordingly to the order established in sections 10.2 and 11.3.

Table 11.12

Number of upholsterers, sewers and carpenters needed for each year

Number of upholsterers/ carpenters needed for this sales' level			
Year/ Function	Uoholsterers	Sewers	Carpenters
2022	0	0	0
2023	1	0	1
2024	1	0	1
2025	1	0	1
2026	1	1	1
2027	1	1	1
2028	2	1	2
2029	2	1	2
2030	3	2	3
2031	5	2	5
2032	6	3	6

Source: Author's own elaboration

As for designers, these will be hired in groups of two, starting in 2022, then 2025 and 2029, giving time for the first group to create the brand's roots and to become ready to pass the message to others. The last group, in 2029, marks the beginning of the company's exploration and development of new upholstery concepts.

[7] As a consequence of the lead times from table 11.10 and the prices from table 11.2

Table 11.13

Number of salespeople to hire

Sales people to hire		
Year/ Number & Reason	Number	Region Focus
2022	1	**Global**
2023	1	**America/ Oceania/ /Asia**
2024		
2025		
2026	1	**Europe/ UK; Asia/ Middle East; North America/ Oceania**
2027		
2028	1	**Europe/ UK; Asia; Middle East; North America/ Oceania**
2029	3	**Europe; UK; Asia; Middle East; North America; South America; Oceania**
2030		
2031	3	
2032		

Source: Author's own elaboration

The main principle behind the hiring of salespeople is to be prepared to embrace the company's global expansion throughout the years, having a sales team with members specialized in each world region. As for management, the plan is to hire a financial manager in 2024 to keep things tightly under control from early on, and a logistics manager in 2026 to prepare the logistics behind a strong worldwide internalization.

Remunerations were set according to regulations by Ministério do Trabalho, Solidariedade e Segurança Social (2021). The different functions' remunerations are presented in table 11.14, as well as their respective annual growth rate.

Table 11.14

Remunerations and respective yearly growth rate by function

Functions's remunerations (without social security)		
Function/ Remuneration	Base salary	Annual salary Increases
Upholsterer	850,00 €	5,00%
Sewer	850,00 €	5,00%
Carpenter	850,00 €	5,00%
Designer	950,00 €	5,00%
Sales	900,00 €	5,00%
Logistics Maganager	950,00 €	5,00%
Financial Manager	950,00 €	5,00%
Founder	950,00 €	5,00%

Source: Author’s own elaboration

Table 11.15

Personnel Expenditures for each year

Personnel Expenditures											
Rubric/ Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Salaries	39 200,00 €	78 960,00 €	96 208,00 €	127 618,40 €	171 799,32 €	180 389,29 €	213 908,75 €	312 804,19 €	364 144,40 €	467 751,62 €	526 839,20 €
Social Charges	9 310,00 €	18 753,00 €	22 849,40 €	30 309,37 €	40 802,34 €	42 842,46 €	50 803,33 €	74 290,99 €	86 484,29 €	111 091,01 €	125 124,31 €
Total	**48 510,00 €**	**97 713,00 €**	**119 057,40 €**	**157 927,77 €**	**212 601,66 €**	**223 231,74 €**	**264 712,08 €**	**387 095,18 €**	**450 628,69 €**	**578 842,63 €**	**651 963,51 €**

Source: Author’s own elaboration

Table 11.16

Retentions to deliver

Retentions to deliver											
Rubric/ Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Company Year's Social Charges	8 645,00 €	17 413,50 €	21 217,30 €	28 144,42 €	37 887,89 €	39 782,28 €	47 174,52 €	68 984,49 €	80 306,84 €	103 155,94 €	116 186,86 €
Next Year's Company Social Charges	665,00 €	1 339,50 €	1 632,10 €	2 164,96 €	2 914,45 €	3 060,18 €	3 628,81 €	5 306,50 €	6 177,45 €	7 935,07 €	8 937,45 €
Personnel Year's Social Security to Retain	4 004,00 €	8 065,20 €	9 826,96 €	13 035,31 €	17 548,07 €	18 425,48 €	21 849,25 €	31 950,71 €	37 194,75 €	47 777,49 €	53 812,86 €
Personnel Next Year's Social Security to Retain	308,00 €	620,40 €	755,92 €	1 002,72 €	1 349,85 €	1 417,34 €	1 680,71 €	2 457,75 €	2 861,13 €	3 675,19 €	4 139,45 €
Personnel Year's Income Tax (IRS) to Retain	2 402,40 €	4 839,12 €	5 896,18 €	7 821,18 €	10 528,84 €	11 055,29 €	13 109,55 €	19 170,43 €	22 316,85 €	28 666,49 €	32 287,72 €
Personnel Next Year's Income Tax (IRS) to Retain	184,80 €	372,24 €	453,55 €	601,63 €	809,91 €	850,41 €	1 008,43 €	1 474,65 €	1 716,68 €	2 205,11 €	2 483,67 €
Yealy Total Costs	**16 209,20 €**	**32 649,96 €**	**39 782,01 €**	**52 770,21 €**	**71 039,02 €**	**74 590,97 €**	**88 451,27 €**	**129 344,53 €**	**150 573,71 €**	**193 415,29 €**	**217 848,01 €**

Source: Author's own elaboration

The values calculated in table 11.16 are to be delivered within one month to governmental authorities, therefore the usefulness of this element.

11.5. External suppliers and services

This cost typology is mostly constituted by the office and facilities' space rent, which will be the scenario considered for this purpose, disregarding purchasing a facility in the upcoming years. Facilities will be located in Loures, where the average square meter renting price for this kind of facility is 5 €. The space required for each year depends on warehousing needs, as well as the space each of the functions disclosed in section 11.4 needs to perform their activity. All other categories contain the usual elements of this kind of costs. See appendixes C, D and E to see the detailed space needs.

Table 11.17

External suppliers and services for each year, considering inflation

External Supplies and Services (With inflation)										
Year/ Rubric	Rent	Office Supplies	Electricity	Water	Accounting	Tellecomunications	Website Creation	Website Maintenan	Design Software	**Total**
2022	2 054,28 €	856,69 €	748,57 €	399,00 €	163,74 €	50,35 €	1 007,00 €	362,52 €	1 719,27 €	**7 361,41 €**
2023	4 023,36 €	1 080,43 €	1 132,88 €	603,85 €	165,20 €	65,02 €	0,00 €	365,76 €	1 734,63 €	**9 171,14 €**
2024	4 801,68 €	1 309,28 €	1 334,71 €	711,42 €	166,83 €	65,66 €	0,00 €	369,36 €	1 751,71 €	**10 510,65 €**
2025	6 146,12 €	1 760,50 €	1 730,60 €	922,44 €	0,00 €	103,47 €	0,00 €	372,49 €	3 533,12 €	**14 568,76 €**
2026	8 201,12 €	2 219,13 €	2 326,87 €	1 240,27 €	0,00 €	118,95 €	0,00 €	375,62 €	3 562,83 €	**18 044,80 €**
2027	8 522,01 €	2 237,64 €	2 346,28 €	1 250,61 €	0,00 €	119,94 €	0,00 €	378,76 €	3 592,54 €	**18 447,76 €**
2028	10 820,16 €	2 481,75 €	2 759,96 €	1 471,11 €	0,00 €	135,78 €	0,00 €	381,89 €	3 622,24 €	**21 672,90 €**
2029	17 069,22 €	3 639,43 €	4 173,89 €	2 224,76 €	0,00 €	220,32 €	0,00 €	385,02 €	5 477,93 €	**33 190,57 €**
2030	21 218,98 €	3 669,04 €	4 808,96 €	2 563,27 €	0,00 €	222,11 €	0,00 €	388,15 €	5 522,49 €	**38 392,99 €**
2031	29 411,51 €	4 392,14 €	6 261,70 €	3 337,60 €	0,00 €	269,55 €	0,00 €	391,28 €	5 567,05 €	**49 630,84 €**
2032	34 182,72 €	4 427,29 €	6 922,64 €	3 689,90 €	0,00 €	271,71 €	0,00 €	394,42 €	5 611,61 €	**55 500,29 €**

Source: Author's own elaboration

Once these rubrics are subjected to different VAT rates, their taxes were calculated on a special table, as presented in table 11.18. The VAT rate considered for each category is disclosed in the table's first column.

Table 11.18

VAT values for each ESS category

	ESS VAT											
	Rubric/ Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	ESS	**1 550,44 €**	**1 893,42 €**	**2 163,04 €**	**3 020,94 €**	**3 706,77 €**	**3 795,75 €**	**4 458,68 €**	**6 838,23 €**	**7 913,74 €**	**10 221,53 €**	**11 445,52 €**
23%	Rent	*472,48 €*	*925,37 €*	*1 104,39 €*	*1 413,61 €*	*1 886,26 €*	*1 960,06 €*	*2 488,64 €*	*3 925,92 €*	*4 880,36 €*	*6 764,65 €*	*7 862,03 €*
23%	Office Supplies	*197,04 €*	*248,50 €*	*301,13 €*	*404,92 €*	*510,40 €*	*514,66 €*	*570,80 €*	*837,07 €*	*843,88 €*	*1 010,19 €*	*1 018,28 €*
13%	Electricity	*97,31 €*	*147,28 €*	*173,51 €*	*224,98 €*	*302,49 €*	*305,02 €*	*358,79 €*	*542,61 €*	*625,17 €*	*814,02 €*	*899,94 €*
6%	Water	*23,94 €*	*36,23 €*	*42,69 €*	*55,35 €*	*74,42 €*	*75,04 €*	*88,27 €*	*133,49 €*	*153,80 €*	*200,26 €*	*221,39 €*
23%	Accounting	*37,66 €*	*38,00 €*	*38,37 €*	*0,00 €*	*0,00 €*	*0,00 €*	*0,00 €*	*0,00 €*	*0,00 €*	*0,00 €*	*0,00 €*
23%	Tellecomunications	*11,58 €*	*14,96 €*	*15,10 €*	*23,80 €*	*27,36 €*	*27,59 €*	*31,23 €*	*50,67 €*	*51,09 €*	*62,00 €*	*62,49 €*
23%	Software (Design)	*395,43 €*	*398,97 €*	*402,89 €*	*812,62 €*	*819,45 €*	*826,28 €*	*833,12 €*	*1 259,92 €*	*1 270,17 €*	*1 280,42 €*	*1 290,67 €*
23%	Website Creation	*231,61 €*	*0,00 €*	*0,00 €*	*0,00 €*	*0,00 €*	*0,00 €*	*0,00 €*	*0,00 €*	*0,00 €*	*0,00 €*	*0,00 €*
23%	Website Maintenance	*83,38 €*	*84,12 €*	*84,95 €*	*85,67 €*	*86,39 €*	*87,11 €*	*87,83 €*	*88,55 €*	*89,27 €*	*90,00 €*	*90,72 €*

Source: Author’s own elaboration

11.6. Marketing expenditures

As disclosed in the previous chapters, the main marketing initiatives for this project concern the presence in industry trade shows and magazines, as well as other dream creating channels. As for tradeshows, one preferred not to count with the presence on these events during the first year, once a selection process is required for each one of them and as a new company it might be harder to be selected with very few proves given. Besides, pieces' development may take more time than expected, delaying the entire process. Thus, in the first year, marketing initiatives accounted for in this analysis concern contacting industry magazines and ateliers, which are free of mensurable costs.

Table 11.19

Marketing expenditures detailed

Marketing Expenditures			
Year/ Rubric	Trade Shows	Others	**Total**
2022	0,00 €	0,00 €	**0,00 €**
2023	21 100,15 €	0,00 €	**21 100,15 €**
2024	27 430,15 €	0,00 €	**27 430,15 €**
2025	27 430,15 €	6 857,60 €	**34 287,75 €**
2026	41 145,23 €	9 421,27 €	**50 566,50 €**
2027	48 174,27 €	17 562,18 €	**65 736,45 €**
2028	48 174,27 €	40 569,93 €	**88 744,20 €**
2029	48 174,27 €	136 668,58 €	**184 842,85 €**
2030	48 174,27 €	210 605,73 €	**258 780,00 €**
2031	48 174,27 €	314 117,68 €	**362 291,95 €**
2032	48 174,27 €	440 919,93 €	**489 094,20 €**

Source: Author's own elaboration

Included in the "others" category are, for instance, budgets for promotional videos.

11.7. Assets

The assets disclosed below are the essentials for each function to be able to be performed, reason why some elements are directly related to designers and salespeople (office related assets), and others to upholstery (as the stapling pistol and the compressor), sewing (sewing machine) and carpentry (wood cutting machine). Therefore, investments in these categories vary accordingly to the workforce numbers. Every asset is depreciated according to the specific official rates regulated (Ministério das Finanças e da Administração Pública, 2009).

Table 11.20

[8]*Yearly investment in assets*

Detailed Assets												
Year/ Rubric	Tables	Chairs	Computers	Upholstery Stand	Compressor	Stapling Pistol	Upholstery Diverse	Sewing Stand	Sewing Machine	Carpenter Stand	Wood Cutting Machine	**Total**
2022	800,00 €	560,00 €	6 000,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	**7 360,00 €**
2023	200,00 €	140,00 €	1 500,00 €	150,00 €	100,00 €	70,00 €	150,00 €	0,00 €	0,00 €	0,00 €	0,00 €	**2 310,00 €**
2024	200,00 €	140,00 €	1 500,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	**1 840,00 €**
2025	400,00 €	280,00 €	3 000,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	**3 680,00 €**
2026	400,00 €	280,00 €	3 000,00 €	0,00 €	0,00 €	0,00 €	0,00 €	100,00 €	900,00 €	0,00 €	0,00 €	**4 680,00 €**
2027	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	**0,00 €**
2028	200,00 €	140,00 €	1 500,00 €	150,00 €	100,00 €	70,00 €	150,00 €	0,00 €	0,00 €	0,00 €	10 000,00 €	**12 310,00 €**
2029	1 000,00 €	700,00 €	7 500,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	300,00 €	0,00 €	**9 500,00 €**
2030	0,00 €	0,00 €	0,00 €	150,00 €	100,00 €	70,00 €	150,00 €	100,00 €	900,00 €	150,00 €	0,00 €	**1 620,00 €**
2031	600,00 €	420,00 €	4 500,00 €	300,00 €	200,00 €	140,00 €	300,00 €	0,00 €	0,00 €	300,00 €	0,00 €	**6 760,00 €**
2032	0,00 €	0,00 €	0,00 €	150,00 €	100,00 €	70,00 €	150,00 €	100,00 €	900,00 €	150,00 €	0,00 €	**1 620,00 €**

Source: Author's own elaboration

Once investments are dispersed throughout the project's life span, depreciation varies considerably throughout the ten years for assets arrive at a null residual value on different paces. The rates for the different assets' categories are in table 11.21.

[8] Values include VAT

Table 11.21

Assets' depreciation rates

Assets' Depreciation Rates											
Rate/ Rubric	Tables	Chairs	Computers	Upholstery Stand	Compressor	Stapling Pistol	Upholstery Diverse	Sewing Stand	Sewing Machine	Carpenter Stand	Wood Cutting Machine
Rate	*20,00%*	*20,00%*	*33,33%*	*12,50%*	*25,00%*	*12,50%*	*12,50%*	*12,50%*	*12,50%*	*12,50%*	*12,50%*

Source: Author's own elaboration

Table 11.22

Assets' depreciation

Assets' Depreciation											
Assets/ Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Tables	160,00 €	200,00 €	240,00 €	320,00 €	400,00 €	240,00 €	240,00 €	400,00 €	320,00 €	360,00 €	360,00 €
Chairs	112,00 €	140,00 €	168,00 €	224,00 €	280,00 €	168,00 €	168,00 €	280,00 €	224,00 €	252,00 €	252,00 €
Computers	1 999,80 €	2 499,75 €	2 999,70 €	1 999,80 €	2 499,75 €	1 999,80 €	1 499,85 €	2 999,70 €	2 999,70 €	3 999,60 €	1 499,85 €
Upholstery Stand	0,00 €	12,50 €	25,00 €	37,50 €	50,00 €	62,50 €	87,50 €	112,50 €	150,00 €	200,00 €	262,50 €
Compressor	0,00 €	25,00 €	25,00 €	25,00 €	25,00 €	0,00 €	25,00 €	25,00 €	50,00 €	100,00 €	100,00 €
Stapling Pistol	0,00 €	8,75 €	8,75 €	8,75 €	8,75 €	8,75 €	17,50 €	17,50 €	26,25 €	35,00 €	43,75 €
Upholstery Diverse	0,00 €	18,75 €	18,75 €	18,75 €	18,75 €	18,75 €	37,50 €	37,50 €	56,25 €	75,00 €	93,75 €
Sewing Stand	0,00 €	0,00 €	0,00 €	0,00 €	12,50 €	12,50 €	12,50 €	12,50 €	25,00 €	25,00 €	37,50 €
Sewing Machine	0,00 €	0,00 €	0,00 €	0,00 €	112,50 €	112,50 €	112,50 €	112,50 €	225,00 €	225,00 €	337,50 €
Carpenter Stand	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	37,50 €	56,25 €	93,75 €	112,50 €
Wood Cutting Machine	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	1 250,00 €	1 250,00 €	1 250,00 €	1 250,00 €	1 250,00 €
Total	**2 495,80 €**	**3 184,75 €**	**3 821,20 €**	**3 081,80 €**	**3 967,25 €**	**2 958,80 €**	**3 786,35 €**	**5 844,70 €**	**5 830,45 €**	**7 119,35 €**	**4 853,35 €**

Source: Author's own elaboration

11.8. Provisional financial statements

At this stage, all the necessary elements to proceed with the project's provisional financial statements are gathered. The latter are disclosed in the next three tables.

Table 11.23

Project's provisional Income Statement

Previsional Income Statement											
Rubric/ Year	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
Sales	195 121,95 €	253 658,54 €	329 756,10 €	412 195,12 €	504 939,02 €	656 420,73 €	886 167,99 €	1 196 326,78 €	1 674 857,50 €	2 344 800,50 €	3 165 480,67 €
Total Operating Revenue	195 121,95 €	253 658,54 €	329 756,10 €	412 195,12 €	504 939,02 €	656 420,73 €	886 167,99 €	1 196 326,78 €	1 674 857,50 €	2 344 800,50 €	3 165 480,67 €
CGSMC	69 788,30 €	69 624,65 €	90 512,05 €	113 140,06 €	130 032,53 €	169 042,28 €	228 207,08 €	243 041,41 €	340 257,97 €	476 361,16 €	643 087,57 €
ESS	7 361,41 €	9 171,14 €	10 510,65 €	14 568,76 €	18 044,80 €	18 447,76 €	21 672,90 €	33 190,57 €	38 392,99 €	49 630,84 €	55 500,29 €
Personnel Expenditures	48 510,00 €	97 713,00 €	119 057,40 €	157 927,77 €	212 601,66 €	223 231,74 €	264 712,08 €	387 095,18 €	450 628,69 €	578 842,63 €	651 963,51 €
Depreciations	2 495,80 €	3 184,75 €	3 821,20 €	3 081,80 €	3 967,25 €	2 958,80 €	3 786,35 €	5 844,70 €	5 830,45 €	7 119,35 €	4 853,35 €
Other Expenditures (Marketing)	0,00 €	21 100,15 €	27 430,15 €	34 287,75 €	50 566,50 €	65 736,45 €	88 744,20 €	184 842,85 €	258 780,00 €	362 291,95 €	489 094,20 €
Total Operating Costs	128 155,51 €	200 793,70 €	251 331,45 €	323 006,13 €	415 212,73 €	479 417,04 €	607 122,61 €	854 014,71 €	1 093 890,11 €	1 474 245,92 €	1 844 498,91 €
EBIT	66 966,44 €	52 864,84 €	78 424,65 €	89 188,99 €	89 726,29 €	177 003,69 €	279 045,38 €	342 312,08 €	580 967,39 €	870 554,57 €	1 320 981,76 €
Interest Income											
Interest Expenses											
EBT	66 966,44 €	52 864,84 €	78 424,65 €	89 188,99 €	89 726,29 €	177 003,69 €	279 045,38 €	342 312,08 €	580 967,39 €	870 554,57 €	1 320 981,76 €
Income Tax	14 062,95 €	11 101,62 €	16 469,18 €	18 729,69 €	18 842,52 €	37 170,78 €	58 599,53 €	71 885,54 €	122 003,15 €	182 816,46 €	277 406,17 €
Net Income	52 903,49 €	41 763,22 €	61 955,47 €	70 459,30 €	70 883,77 €	139 832,92 €	220 445,85 €	270 426,54 €	458 964,24 €	687 738,11 €	1 043 575,59 €

Source: Author's own elaboration

Table 11.24

Project's provisional Cash Budget

Previsional Cash Budget											
Rubric/ Year	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
Year's Initial Amount	0,00 €	86 250,07 €	125 064,93 €	192 096,85 €	262 255,57 €	329 670,36 €	485 129,29 €	710 629,38 €	975 355,52 €	1 469 007,95 €	2 191 555,96 €
Operating Cash											
Operating receipts											
Sales	178 861,79 €	232 520,33 €	302 276,42 €	377 845,53 €	462 860,77 €	601 719,00 €	812 320,66 €	1 096 632,88 €	1 535 286,04 €	2 149 400,45 €	2 901 690,61 €
Sales' VAT	41 138,21 €	53 479,67 €	69 523,58 €	86 904,47 €	106 457,98 €	138 395,37 €	186 833,75 €	252 225,56 €	353 115,79 €	494 362,10 €	667 388,84 €
Past year											
Past Year's Sales		16 260,16 €	21 138,21 €	27 479,67 €	34 349,59 €	42 078,25 €	54 701,73 €	73 847,33 €	99 693,90 €	139 571,46 €	195 400,04 €
Past Year Sales' VAT		3 739,84 €	4 861,79 €	6 320,33 €	7 900,41 €	9 678,00 €	12 581,40 €	16 984,89 €	22 929,60 €	32 101,44 €	44 942,01 €
Total Operating Receipts	220 000,00 €	306 000,00 €	397 800,00 €	498 550,00 €	611 568,75 €	791 870,63 €	1 066 437,53 €	1 439 690,67 €	2 011 025,32 €	2 815 435,45 €	3 809 421,51 €
Operating payments											
Initial Investment's VAT	6 900,00 €										
Goods' purchases	63 972,61 €	63 822,60 €	82 969,38 €	103 711,72 €	119 196,48 €	154 955,43 €	209 189,83 €	222 787,96 €	311 903,14 €	436 664,40 €	589 496,94 €
Goods' purchases VAT	14 713,70 €	14 679,20 €	19 082,96 €	23 853,70 €	27 415,19 €	35 639,75 €	48 113,66 €	51 241,23 €	71 737,72 €	100 432,81 €	135 584,30 €
ESS	6 747,96 €	8 406,88 €	9 634,76 €	13 354,69 €	16 541,07 €	16 910,45 €	19 866,82 €	30 424,68 €	35 193,58 €	45 494,93 €	50 875,26 €
ESS VAT	1 421,23 €	1 735,64 €	1 982,78 €	2 769,19 €	3 397,87 €	3 479,44 €	4 087,12 €	6 268,38 €	7 254,26 €	9 369,74 €	10 491,73 €
Personnel	32 300,80 €	65 063,04 €	79 275,39 €	105 157,56 €	141 562,64 €	148 640,77 €	176 260,81 €	257 750,65 €	300 054,98 €	385 427,33 €	434 115,50 €
Retentions to deliver	15 051,40 €	30 317,82 €	36 940,44 €	49 000,91 €	65 964,80 €	69 263,04 €	82 133,32 €	120 105,64 €	139 818,44 €	179 599,92 €	202 287,44 €
Others (Marketing)	0,00 €	21 100,15 €	27 430,15 €	34 287,75 €	50 566,50 €	65 736,45 €	88 744,20 €	184 842,85 €	258 780,00 €	362 291,95 €	489 094,20 €
Others' VAT	0,00 €	4 853,03 €	6 308,93 €	7 886,18 €	11 630,30 €	15 119,38 €	20 411,17 €	42 513,86 €	59 519,40 €	83 327,15 €	112 491,67 €
VAT to deliver	15 282,23 €	26 686,01 €	34 915,62 €	43 406,66 €	53 168,57 €	69 886,43 €	94 845,87 €	127 427,66 €	179 643,57 €	252 144,27 €	342 159,93 €
Past year											
Past Year's Goods' purchases		5 815,69 €	5 802,05 €	7 542,67 €	9 428,34 €	10 836,04 €	14 086,86 €	19 017,26 €	20 253,45 €	28 354,83 €	39 696,76 €
Past Year's Goods' purchases VAT		1 337,61 €	1 334,47 €	1 734,81 €	2 168,52 €	2 492,29 €	3 239,98 €	4 373,97 €	4 658,29 €	6 521,61 €	9 130,26 €
Past Year's ESS		613,45 €	764,26 €	875,89 €	1 214,06 €	1 503,73 €	1 537,31 €	1 806,07 €	2 765,88 €	3 199,42 €	4 135,90 €
Past Year's ESS VAT		129,20 €	157,79 €	180,25 €	251,74 €	308,90 €	316,31 €	371,56 €	569,85 €	659,48 €	851,79 €
Past Year's retentions to deliver		1 157,80 €	2 332,14 €	2 841,57 €	3 769,30 €	5 074,22 €	5 327,93 €	6 317,95 €	9 238,90 €	10 755,26 €	13 815,38 €
Past Year's Income Tax		14 062,95 €	11 101,62 €	16 469,18 €	18 729,69 €	18 842,52 €	37 170,78 €	58 599,53 €	71 885,54 €	122 003,15 €	182 816,46 €
Past Year's VAT to deliver		5 094,08 €	8 895,34 €	11 638,54 €	14 468,89 €	17 722,86 €	23 295,48 €	31 615,29 €	42 475,89 €	59 881,19 €	84 048,09 €
Total Operating Payments	156 389,93 €	264 875,15 €	328 928,07 €	424 711,28 €	539 473,96 €	636 411,70 €	828 627,43 €	1 165 464,53 €	1 515 752,89 €	2 086 127,44 €	2 701 091,60 €
Operating Cash Result	63 610,07 €	41 124,85 €	68 871,93 €	73 838,72 €	72 094,79 €	155 458,92 €	237 810,10 €	274 226,13 €	495 272,43 €	729 308,01 €	1 108 329,91 €
Financing Cash											
Financing receipts											
Social Equity	30 000,00 €										
Total Financing Receipts	30 000,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €
Financing Costs											
Capital costs											
Total Financing Costs	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €
Financing Cash Result	30 000,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €

Investing Cash											
Investing payments											
Assets' Acquisition	7 360,00 €	2 310,00 €	1 840,00 €	3 680,00 €	4 680,00 €	0,00 €	12 310,00 €	9 500,00 €	1 620,00 €	6 760,00 €	1 620,00 €
Investing Cash Result	-7 360,00 €	-2 310,00 €	-1 840,00 €	-3 680,00 €	-4 680,00 €	0,00 €	-12 310,00 €	-9 500,00 €	-1 620,00 €	-6 760,00 €	-1 620,00 €
Global Cash Result	86 250,07 €	125 064,93 €	192 096,85 €	262 255,57 €	329 670,36 €	485 129,29 €	710 629,38 €	975 355,52 €	1 469 007,95 €	2 191 555,96 €	3 298 265,87 €

Source: Author’s own elaboration

Table 11.25

Project's provisional Balance Sheet

Previsional Balance Sheet											
Rubric/ Year	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
Assets											
Non-current Assets											
Fixed Tangible Assets	7 360,00 €	9 670,00 €	11 510,00 €	15 190,00 €	19 870,00 €	19 870,00 €	32 180,00 €	41 680,00 €	43 300,00 €	50 060,00 €	51 680,00 €
Fixed Intangible Assets											
Depreciations	2 495,80 €	3 184,75 €	3 821,20 €	3 081,80 €	3 967,25 €	2 958,80 €	3 786,35 €	5 844,70 €	5 830,45 €	7 119,35 €	4 853,35 €
Accumulated Depreciations		5 680,55 €	9 501,75 €	12 583,55 €	16 550,80 €	19 509,60 €	23 295,95 €	29 140,65 €	34 971,10 €	42 090,45 €	46 943,80 €
Total Non-current Assets	4 864,20 €	3 989,45 €	2 008,25 €	2 606,45 €	3 319,20 €	360,40 €	8 884,05 €	12 539,35 €	8 328,90 €	7 969,55 €	4 736,20 €
Current Assets											
Clients' Debts	20 000,00 €	26 000,00 €	33 800,00 €	42 250,00 €	51 756,25 €	67 283,13 €	90 832,22 €	122 623,50 €	171 672,89 €	240 342,05 €	324 461,77 €
Cash	86 250,07 €	125 064,93 €	192 096,85 €	262 255,57 €	329 670,36 €	485 129,29 €	710 629,38 €	975 355,52 €	1 469 007,95 €	2 191 555,96 €	3 298 265,87 €
Total Current Assets	106 250,07 €	151 064,93 €	225 896,85 €	304 505,57 €	381 426,61 €	552 412,41 €	801 461,60 €	1 097 979,01 €	1 640 680,84 €	2 431 898,01 €	3 622 727,64 €
Total Assets	111 114,27 €	155 054,38 €	227 905,10 €	307 112,02 €	384 745,81 €	552 772,81 €	810 345,65 €	1 110 518,36 €	1 649 009,74 €	2 439 867,56 €	3 627 463,84 €
Equity and Debt											
Equity											
Social Equity	30 000,00 €	30 000,00 €	30 000,00 €	30 000,00 €	30 000,00 €	30 000,00 €	30 000,00 €	30 000,00 €	30 000,00 €	30 000,00 €	30 000,00 €
Net Income After Tax	52 903,49 €	41 763,22 €	61 955,47 €	70 459,30 €	70 883,77 €	139 832,92 €	220 445,85 €	270 426,54 €	458 964,24 €	687 738,11 €	1 043 575,59 €
Carried Results		52 903,49 €	94 666,71 €	156 622,19 €	227 081,49 €	297 965,26 €	437 798,17 €	658 244,02 €	928 670,56 €	1 387 634,80 €	2 075 372,92 €
Total Equity	82 903,49 €	124 666,71 €	186 622,19 €	257 081,49 €	327 965,26 €	467 798,17 €	688 244,02 €	958 670,56 €	1 417 634,80 €	2 105 372,92 €	3 148 948,50 €
Debt											
Suppliers' Debts	7 895,95 €	8 058,57 €	10 333,63 €	13 062,66 €	15 140,96 €	19 180,46 €	25 568,86 €	28 247,48 €	38 735,34 €	53 814,72 €	71 495,29 €
Government	20 314,83 €	22 329,09 €	30 949,29 €	36 967,88 €	41 639,59 €	65 794,18 €	96 532,77 €	123 600,32 €	192 639,61 €	280 679,93 €	407 020,05 €
Total Debt	28 210,78 €	30 387,67 €	41 282,91 €	50 030,54 €	56 780,56 €	84 974,64 €	122 101,62 €	151 847,80 €	231 374,94 €	334 494,65 €	478 515,34 €
Total Equity and Debt	111 114,27 €	155 054,38 €	227 905,10 €	307 112,03 €	384 745,81 €	552 772,81 €	810 345,65 €	1 110 518,36 €	1 649 009,75 €	2 439 867,56 €	3 627 463,85 €

Source: Author's own elaboration

Table 11.26

Cash Flows' map

Cash Flows' Map											
Rubric/ Year	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
Depreciation	2 495,80 €	3 184,75 €	3 821,20 €	3 081,80 €	3 967,25 €	2 958,80 €	3 786,35 €	5 844,70 €	5 830,45 €	7 119,35 €	4 853,35 €
EBIT	66 966,44 €	52 864,84 €	78 424,65 €	89 188,99 €	89 726,29 €	177 003,69 €	279 045,38 €	342 312,08 €	580 967,39 €	870 554,57 €	1 320 981,76 €
Income Tax	14 062,95 €	11 101,62 €	16 469,18 €	18 729,69 €	18 842,52 €	37 170,78 €	58 599,53 €	71 885,54 €	122 003,15 €	182 816,46 €	277 406,17 €
NOPLAT	52 903,49 €	41 763,22 €	61 955,47 €	70 459,30 €	70 883,77 €	139 832,92 €	220 445,85 €	270 426,54 €	458 964,24 €	687 738,11 €	1 043 575,59 €
Operational Cash Flows	55 399,29 €	44 947,97 €	65 776,67 €	73 541,10 €	74 851,02 €	142 791,72 €	224 232,20 €	276 271,24 €	464 794,69 €	694 857,46 €	1 048 428,94 €
Working Capital	-8 210,78 €	-4 387,67 €	-7 482,91 €	-7 780,54 €	-5 024,31 €	-17 691,51 €	-31 269,41 €	-29 224,30 €	-59 702,05 €	-94 152,59 €	-154 053,57 €
Exploration Needs	*20 000,00 €*	*26 000,00 €*	*33 800,00 €*	*42 250,00 €*	*51 756,25 €*	*67 283,13 €*	*90 832,22 €*	*122 623,50 €*	*171 672,89 €*	*240 342,05 €*	*324 461,77 €*
Exploration Resources	*28 210,78 €*	*30 387,67 €*	*41 282,91 €*	*50 030,54 €*	*56 780,56 €*	*84 974,64 €*	*122 101,62 €*	*151 847,80 €*	*231 374,94 €*	*334 494,65 €*	*478 515,34 €*
Working Capital Variation	-8 210,78 €	3 823,12 €	-3 095,25 €	-297,63 €	2 756,23 €	-12 667,21 €	-13 577,89 €	2 045,10 €	-30 477,75 €	-34 450,54 €	-59 900,98 €
Residual Working Capital											-154 053,57 €
CAPEX	7 360,00 €	2 310,00 €	1 840,00 €	3 680,00 €	4 680,00 €	0,00 €	12 310,00 €	9 500,00 €	1 620,00 €	6 760,00 €	1 620,00 €
CAPEX Divestment											994,60 €
Period Cash Flow	56 250,07 €	38 814,86 €	67 031,92 €	70 158,73 €	67 414,79 €	155 458,92 €	225 500,09 €	264 726,14 €	493 652,44 €	722 548,01 €	953 650,95 €
Discounted Period Cash Flow	56 250,07 €	36 395,30 €	58 935,40 €	57 839,37 €	52 112,79 €	112 681,36 €	153 260,57 €	168 704,94 €	294 984,75 €	404 848,25 €	501 028,34 €

Source: Author's own elaboration

The cash flows 'map was developed in order to serve as a basis for the financial indicators, which take on a different perspective from the cash budget on table 11.24 due to the former's focus on investment needs and resources, including, for instance, depreciation., revealing the true value of the company's assets at each moment.

11.9. Project's viability evaluation

This is the section that all the previous ones lead into, assessing the project's overall viability. The last step needed in order to proceed is the calculation of the rate to which cash-flows will be discounted. The rate was calculated using the CAPM model (Shapiro, 2009), which is usually referred to as being limited in its application by the fact that it assumes the projects are financed by equity only. In this case, once there will be no external financing sources, its usefulness is even greater.

The model says:

- $r = r_f + [E(r_M) - r_f] * \beta_u$ (11.3)
    - r_f = 0,4 %
    - $E(rM) - rf$ = *default spread + equity risk premium= 1,95 % + 6,85 %*= 8,8 %
    - β_u = 0,71
        - *r = 6, 65 %*

All values were taken from Damodaran (2021a & 2021b) and Pordata (2021c).

Table 11.27

Project's Financial Ratios

Financial Ratios											
Ratio/ Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Return on Invested (ROI)	223,22%	165,23%	229,84%	245,09%	231,20%	427,66%	632,17%	727,16%	1157,20%	1625,92%	2313,39%
Return on Equity (ROE)	63,81%	33,50%	33,20%	27,41%	21,61%	29,89%	32,03%	28,21%	32,38%	32,67%	33,14%
Return on Assets (ROA)	60,27%	34,09%	34,41%	29,04%	23,32%	32,02%	34,44%	30,82%	35,23%	35,68%	36,42%
Sales' Profitability	27,11%	16,46%	18,79%	17,09%	14,04%	21,30%	24,88%	22,60%	27,40%	29,33%	32,97%
Financial Autonomy	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%
Global Liquidity	376,63%	497,13%	547,19%	608,64%	671,76%	650,09%	656,39%	723,08%	709,10%	727,04%	757,08%

Source: Author's own elaboration

A brief explanation of the elements behind each ratio is presented as follows:

- ROI discloses the relationship between the project's yearly EBIT discounted to the first year of activity with the initial investment.
    - 2025 ROI means that the value of the 2025 operating result in 2022, is 231, 20 % greater that the initial investment. The latter means that in 3 years, at present values, the project generates a return corresponding to 231, 20 % of the initial investment.
- ROE relates the project's yearly Net Income with the Equity value registered on the balance sheet in that year.
    - 2025 ROE means that the 2025's Net Income is 27,41 % greater than the Equity value registered in 2025. The latter means that in 3 years, every 100 € invested will be generating a net profit of 27,41 €.
- ROA relates the project's yearly EBIT with the Assets' value registered on the balance sheet in that year.
    - 2025 ROA means that the 2025's operating results is 29,04 % greater than the Assets' value registered in 2025. The latter means that in 3 years, every 100 € of investment in Assets will be generating 29,04 €.
- Sales' Profitability concerns each year Net Income with its corresponding sales volume.
    - 2025 Sales' Profitability means that the 2025's sales volume is 17,09 % greater than the 2025 Net Income. The latter means that in 3 years, every euro in sales will generate 17,09 € in profit.
- Financial autonomy relates the project's financing sources, which, in this case, is only internal, hence the 100 %.
    - 2025's Financial Autonomy means that the project is entirely funded by internal sources.
- Global liquidity relates the current Assets and current Debt values registered on the balance sheet for each year.
    - 2025's Global Liquidity means that it will be possible to pay every short-term debt, for there will be a 608,64 % liquidity. The latter means that in 3 years, short-term payment obligations will be covered by 608,64 %.

Table 11.28

Project's Financial Indicators

Financial Indicators	
Indicator/ Value	**Value**
Net Present Value (NPV)	1 897 041,14 €
Discounted Paybak Period (DPP)	1
Profitability Index	37,71

Source: Author's own elaboration

A brief explanation of the elements behind each indicator is presented as follows:

- NPV consists on the sum of each year's discounted Cash Flow (discounted to the first year).
    - This means that investors will get remunerated at a 6,65 % annual rate and get a surplus of 1 897 041,14 €, at present values.
- DPP tells how many years it takes for the accumulated values of the discounted Cash Flows to equal the project's initial investment.
    - This means that it takes only 1 year for the project to recover the initial investment, while meeting the minimum return expectations at a rate of 6,65 %.
- Profitability Index relates the project's NPV with its initial investment.
    - This means that, at present values, investors will get 37,71 € for each euro invested, including the minimum return rate of 6,65 %.

All indicators show that the project is viable, considering the assumptions and forecasts made on the previous sections of chapter 11. The same is true when considering both pessimistic and optimistic scenarios.

CHAPTER 12

Conclusion

12.1. Theoretical conclusions

This dissertation begun with the objectives disclosed in section 1.2 in mind, ranging from a theoretical standpoint to an investigational and further practical one. Throughout the last decade, authors have carried research in many different fields around the luxury context, almost every time hinting the emergence of a new kind of not only customers, but also brands. This new luxury context combines aspects from traditional luxury, by nature highly driven by social and financial dimensions, with others more related to an individual dimension that concerns pieces' origins, soul, carried meanings, and the experience provided.

A new kind of luxury that is able to provide customers with a meaningful customer-brand relationship not limited to the purchase moment is demanded, and managerial tools as design thinking, value cocreation and brand identity are key for brands to thrive on this environment. Brand identity has always been a vital aspect in luxury, and it still has a great impact on the way the value created by luxury brands is perceived. A brand identity in the new luxury context needs to have enough depth for customers to create a relationship with, simulating a mythicized human identity that by itself makes individuals either fall in love with the brand or not being attracted to it. Value co-creation is a construct that cannot be detached from a context where customers want to be more active in creating value, where customers want to feel they own something that is special, something that was made to their own measure and not industrialized, for the former gives the piece a sense of soul and a clear origin which are much valued in this context. Design thinking reveals to be useful considering its capability to facilitate the creation of an experience, which is essential in the new luxury context, by combining rational and subjective thinking and exploring solutions that otherwise would probably not be thought of.

Nevertheless, most authors emphasize the fact that to this day, aspects from traditional luxury such as selective distribution, rarity, and price, are still important for the perceptions customers create of luxury brands. What is asked from companies is that they are able to combine both worlds in the same offering, taking the best out of each one.

12.2. Investigational conclusions

From the developed research study it was possible to conclude that although the new luxury concept is present in many companies' activity, some traditional luxury and premium aspects still play a relevant role in some others. A few luxury brands admitted being formal and traditional regarding their brand identity, communication strategy and overall service, stating that part of their customers exclusively looked for something unique that nobody else owned, or at least was owned by only a few people. Most times, these customers were driven by a will to flaunt prosperity, to make a statement of their status, and saw the purchase of these products as an opportunity to do so, attributing value in terms of price.

Despite companies emphasizing on each luxury dimension differently, it was clear that a focus on the individual dimension was common to all. Most brands developed a deep brand identity that enabled customers to forge a strong bond with the brand, an admiration for its values and what it stands for, represented in both products' aesthetics and service. This identity was aimed towards creating a brand universe, an experience where customers could fully immerse into the brand. Some customers intended to make a different kind of statement, based on knowledge about the products, their unique materials and manufacturing. The financial dimension did not have much importance for the latter, and even the social dimension is more a kind of wanting to own a hidden secret that only a few have heard of.

It is also important to mention that quality and attention to details (both relating to products and service) were taken as the foundation for everything else, thus delivering a product that meets all customers' expectations is extremely important. To do so, companies were open, in different degrees, to their customers' inputs, whether by offering customization options, producing customers' own designs, or helping them creating their projects, as well as to their suppliers/ partners, once the close relationship with the latter enabled companies to be more flexible and deliver better results.

None of the companies showed a preoccupation with rarity for the impact its lack could have on the financial and social driven customers' perceptions. Although most of them had a clear selective distribution, that aspect came as a consequence of the brand identity, and of course helped enhancing the products' perceived exclusivity, as much as the fact that each product was made to order, customizable (some even through a bespoke service), and handmade in Portugal, a country with a strong heritage in furniture craftsmanship.

12.3. Practical conclusions

The main conclusions to withdraw from the developed project regard its financial viability, which is disclosed on section 11.9. Besides that, conclusions can also be withdrawn regarding the company's activity, namely the decision to internalize or to outsource manufacture. From the analysis that was developed throughout chapter eleven, one was able to conclude that internalization is in most cases the best option, once for the sales volume forecasted for the project, outsourcing was considerably more costly than internalization. It is a matter of calculating the maximum sales volume each manufacturer can produce given the company's prices, and to hire manufacturers from there, considering the company's sales forecast.

12.4. Limitations

Regarding the project's theoretical base, limitations arrive from the fact that none of the mentioned authors studied luxury furniture in particular, nor considered cultural differences to a great extent. It is true that there are similar aspects between different luxury industries, hence the reference to these authors, but it is important to keep these two points in mind.

Secondly, limitations for the developed research study are mostly related to the fact that customers viewpoints were not considered once the interviews were only made to luxury furniture professionals. Adding to this, these professionals were all workers at luxury Portuguese furniture brands, which, although are highly representative of the global luxury furniture market, are not the only ones.

At last, it is important to understand that the analysis made in chapter eleven is only a forecast, no value is exact and thus should not be taken as such. Plus, there was little financial information about the luxury furniture industry.

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Appendixes

Appendix A

Research Study Invitation Letter

Lisboa, 2 de Março de 2021

A entrevista para o qual a/o convido a participar, faz parte de um Trabalho de Projeto em Gestão desenvolvido no âmbito da minha Tese do 2º ano do **Mestrado em Gestão**, da **ISCTE Business School**.

O **trabalho** consiste no desenvolvimento de um projeto empresarial na área de estofos e design de interiores, a atuar no contexto do "Novo Luxo", que é o foco deste projeto.

Este documento visa explicar os moldes da entrevista e o objetivo do trabalho, bem como o papel que se pretende possa vir a desempenhar no mesmo.

O **objetivo** da entrevista passa por perceber de que forma as empresas dos Setores do Mobiliário de Luxo, e Mobiliário Premium, atuam, num contexto que tem sofrido alterações significativas nas últimas duas décadas. Tais alterações levaram a que um novo conceito de Luxo se tenha desenvolvido, o "Novo Luxo", que combina aspetos característicos do Luxo tradicional com outros associados ao Premium.

Assim sendo, entrevistando agentes dos Setores do Mobiliário de Luxo, e Mobiliário Premium, espera-se vir a perceber **em que medida o "Novo Luxo"**, nas suas várias dimensões, está **presente** na atividade das empresas, e de que forma é **visto** pelas mesmas.

A **entrevista** será conduzida num formato **semiestruturado**, pelo que os seus tópicos estão previamente definidos, deixando, no entanto, abertura suficiente para perceber os **pontos de vista** específicos de cada participante sobre as várias dimensões do conceito de "Novo Luxo". A **duração estimada** para a entrevista é de cerca de 1 hora e 15 minutos, e, com o seu acordo prévio, o áudio será **gravado**, para que o tratamento dos dados possa ser mais exato, e para que a condução da entrevista não seja prejudicada pela preocupação excessiva em anotar o que for sendo dito, correndo o risco de desviar a atenção da entrevista a decorrer.

A informação dada por si ao longo da entrevista será usada para efeitos de investigação neste trabalho. Serão tomados todos os cuidados no tratamento e uso da informação para que não seja possível a sua identificação em nenhum momento/ ponto do trabalho. Cada entrevista será codificada, tal como a sua identidade, para assegurar a **anonimidade**. A entrevista e a respetiva transcrição serão devidamente guardadas num local seguro.

Poderá, a qualquer momento, pedir a gravação da sua entrevista. Para além disso, se em algum momento quiser parar a entrevista, ou preferir não responder a uma pergunta, pode fazê-lo sem qualquer problema.

Atentamente, Nuno Lourenço Simões

Source: Author's own elaboration

Appendix B

Interview Guide

Guião para entrevista

Projeto para a Tese do Mestrado em Gestão da ISCTE Business School,

Nuno Simões

Tópico 1: Conhecimento Geral

- Qual é a sua **história na empresa**? (Há quanto tempo lá está, funções desempenhadas, etc.)
- O que fazia **anteriormente**? (Se for caso disso)
- Tem algum tipo de **formação** em alguma das áreas da empresa? (formação não necessariamente académica, apenas o que permitiu aprender as bases para a sua função)

- Quais foram as razões que impulsionaram a **criação da empresa**? O que pretendiam **alcançar**? E quais foram os **valores** pelos quais se regeram? (quem a criou, qual a atividade que começaram por desenvolver e de que forma, etc.)
- **O que mudou** desde então? Diria que as razões que vos movem, os valores por que se regem, são os mesmos? Que **progressos** têm feito para alcançar a vossa visão inicial?
- Como têm evoluído as **vendas** da empresa? (países para que exportam, categorias de produtos, etc.)

Tópico 2: Dimensões do Conceito de "Luxo"

- Como descreveria os vossos **clientes**?
- O que **mais valorizam e procuram**? (Procuram aspetos de uma dimensão mais emocional, social, individual, etc.)
- Que **esforços a empresa faz nesse sentido**? (para ir de encontro às dimensões mais valorizadas pelos clientes)

(pergunta de ligação)

- Quais as razões para **vos escolherem a vocês** e não a outra empresa do setor? O que vos **diferencia**?

Tópico 3: Identidade de Marca

- A identidade da marca ajuda de alguma forma essa escolha a acontecer? Isto é, sentem que que têm uma **missão e valores suficientemente vincados** para os clientes se sentirem atraídos? (quer por se identificarem quer por os admirarem e verem a marca como um meio para se aproximarem destes valores)

- Quais são os **valores centrais** da vossa identidade?
- De que forma **os comunicam**? (Como é que os vossos clientes experienciam/ se deparam com os vossos valores?)

Tópico 4: Relação Marca-Cliente

- Quais são os **pontos/momentos de contacto** entre a marca e os clientes? (onde é que podem comprar, falar com a empresa, serviços pré e pós-venda, etc.)
- Como é feito esse contacto? Tentam **criar algum tipo de experiência** para o cliente nos diversos momentos/ pontos de interação? (experiência que expresse alguma vertente da identidade da marca. Experiência como uma combinação de produto, serviço, espaço, etc.)

- Que **impacto** acha que essas experiências/ contactos têm **na perceção que os clientes** criam da marca? Já que são coisas que "não podem ser compradas" (a nível de exclusividade, excelência, etc.)

- A nível de **exclusividade** (sendo esta tão importante no contexto do luxo), quais os **esforços** que fazem **para a manter**, **ou criar**, num mundo em que cada vez mais gente consegue ter o poder de compra para adquirir bens de luxo/ superiores? (portanto, as marcas não podem contar tanto com escassez/ raridade física. Não se pretende dizer que não existe pobreza, apenas que, apesar disso, existe um maior número de pessoas com um nível de riqueza mais elevado)

- Como é a vossa **relação com o cliente**? (O cliente volta a comprar, entra em contacto convosco quando surge alguma dúvida sobre o produto, refere a marca a conhecidos, vai-vos acompanhando, mesmo sem comprar, identifica-se com a identidade da marca, cria afeto, sente que a relação com a marca lhe traz algum tipo de benefício emocional etc.)

Tópico 5: Cocriação de Valor

- Qual o **papel dos clientes na criação de valor**? (São elementos ativos ou passivos? Na medida em que podem de alguma forma influenciar a criação do produto e/ ou da experiência, personalizar o produto, moldar certos aspetos da identidade da marca, etc.)

- Mantêm uma **relação com outras empresas** (fornecedores, empresas complementares etc.) para trocar informações (possíveis fontes de oportunidades) e arranjar soluções para problemas?

(pergunta de ligação)

- Diria que a **relação que têm com os vossos *stakeholders*** (desde clientes, fornecedores, e outras empresas complementares) e o papel dos mesmos na criação de valor, contribui para o vosso bom **desempenho competitivo**? (por terem mais informação sobre oportunidades etc.)

Tópico 6: Estratégia Organizacional

- Que recursos/ capacidades são fontes de **vantagem competitiva neste momento**?

- Que **capacidades** consideram essenciais para, **ao longo do tempo**, a empresa garantir que consegue deter e explorar os **recursos base de uma vantagem competitiva sustentável**? (como por exemplo as capacidades de integrar informação de diversas fontes, reconhecer oportunidades, reconfigurar recursos e capacidades para as aproveitar, e/ou inovar)

- **Como descreve os processos de criação de novas soluções** na empresa? (processos de integração de recursos ou sua reconfiguração, e/ou inovação, criando um novo produto/ serviço)
- Que **princípios** vos guiam quando criam novas soluções? (tolerância ao erro, experimentação, procura de alternativas, foco na experiência/ produto, etc.)
- Quais são **as fases** por que geralmente passa esse processo?

Source: Author's own elaboration

Appendix C

Functions' space needs

Functions space needs	
Function	Space (m2)
Upholsterer	20
Sewer	10
Carpenter	20
Designer	10
Sales	10
Logistics Maganager	10
Financial Manager	10

Source: Author's own elaboration

Appendix D

Warehousing space needs

Warehousing needs	
Function	Space (m2)
Hybrid	5

Source: Author's own elaboration

Appendix E

Real's rent value

Space requirements (No VAT)											
Function/ Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Upholsterer	0	20	20	20	20	20	40	40	60	100	120
Sewer	0	0	0	0	10	10	10	10	20	20	30
Carpenter	0	0	0	0	0	0	0	40	60	100	120
Designer	20	20	20	40	40	40	40	60	60	60	60
Sales	10	20	20	20	30	30	40	70	70	100	100
Logistics Maganager	0	0	0	0	10	10	10	10	10	10	10
Financial Manager	0	0	10	10	10	10	10	10	10	10	10
Warehouse	4	6	8	9	11	15	20	26	38	51	70
Total	**34**	**66**	**78**	**99**	**131**	**135**	**170**	**266**	**328**	**451**	**520**
Rent	**2 040,00 €**	**3 960,00 €**	**4 680,00 €**	**5 940,00 €**	**7 860,00 €**	**8 100,00 €**	**10 200,00 €**	**15 960,00 €**	**19 680,00 €**	**27 060,00 €**	**31 200,00 €**

Source: Author's own elaboration

Appendix F

Pessimistic Provisional Income Statement

Pessimistic previsional Income Statement											
Rubric/ Year	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
Sales	146 341,46 €	190 243,90 €	247 317,07 €	309 146,34 €	378 704,27 €	492 315,55 €	664 625,99 €	897 245,09 €	1 256 143,12 €	1 758 600,37 €	2 374 110,50 €
Total Operating Revenue	146 341,46 €	190 243,90 €	247 317,07 €	309 146,34 €	378 704,27 €	492 315,55 €	664 625,99 €	897 245,09 €	1 256 143,12 €	1 758 600,37 €	2 374 110,50 €
CGSMC	52 341,22 €	52 218,49 €	67 884,04 €	84 855,04 €	97 524,39 €	126 781,71 €	171 155,31 €	182 281,06 €	255 193,48 €	357 270,87 €	482 315,68 €
ESS	7 361,41 €	7 540,57 €	8 802,46 €	14 382,51 €	16 996,29 €	17 264,26 €	19 779,48 €	32 805,55 €	36 791,98 €	45 620,40 €	50 159,57 €
Personnel Expenditures	48 510,00 €	82 986,75 €	103 594,84 €	156 418,33 €	196 290,50 €	206 105,02 €	246 729,02 €	382 939,22 €	431 538,68 €	544 071,87 €	600 727,96 €
Depreciations	2 495,80 €	3 119,75 €	3 743,70 €	3 056,80 €	3 817,25 €	2 833,80 €	3 721,35 €	5 807,20 €	5 667,95 €	7 038,10 €	4 672,10 €
Other Expenditures (Marketing)	0,00 €	15 825,11 €	20 572,61 €	25 715,81 €	37 924,88 €	49 302,34 €	66 558,15 €	138 632,14 €	194 085,00 €	271 718,96 €	366 820,65 €
Total Operating Costs	110 708,44 €	161 690,67 €	204 597,65 €	284 428,50 €	352 553,31 €	402 287,13 €	507 943,31 €	742 465,16 €	923 277,09 €	1 225 720,20 €	1 504 695,96 €
EBIT	35 633,03 €	28 553,23 €	42 719,42 €	24 717,85 €	26 150,96 €	90 028,42 €	156 682,68 €	154 779,93 €	332 866,03 €	532 880,17 €	869 414,54 €
Interest Income											
Interest Expenses											
EBT	35 633,03 €	28 553,23 €	42 719,42 €	24 717,85 €	26 150,96 €	90 028,42 €	156 682,68 €	154 779,93 €	332 866,03 €	532 880,17 €	869 414,54 €
Income Tax	7 482,94 €	5 996,18 €	8 971,08 €	5 190,75 €	5 491,70 €	18 905,97 €	32 903,36 €	32 503,78 €	69 901,87 €	111 904,84 €	182 577,05 €
Net Income	28 150,09 €	22 557,05 €	33 748,34 €	19 527,10 €	20 659,26 €	71 122,45 €	123 779,32 €	122 276,14 €	262 964,17 €	420 975,34 €	686 837,49 €

Source: Author's own elaboration

Appendix G

Pessimistic provisional cash budget

Pessimistic previsional Cash Budget											
Rubric/ Year	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
Year's Initial Amount	0,00 €	56 326,66 €	78 347,77 €	115 393,39 €	129 263,08 €	148 180,58 €	231 347,84 €	354 352,39 €	461 843,02 €	752 548,46 €	1 196 066,64 €
Operating Cash											
Operating receipts											
Sales	134 146,34 €	174 390,24 €	226 707,32 €	283 384,15 €	347 145,58 €	451 289,25 €	609 240,49 €	822 474,66 €	1 151 464,53 €	1 612 050,34 €	2 176 267,96 €
Sales' VAT	30 853,66 €	40 109,76 €	52 142,68 €	65 178,35 €	79 843,48 €	103 796,53 €	140 125,31 €	189 169,17 €	264 836,84 €	370 771,58 €	500 541,63 €
Past year											
Past Year's Sales		12 195,12 €	15 853,66 €	20 609,76 €	25 762,20 €	31 558,69 €	41 026,30 €	55 385,50 €	74 770,42 €	104 678,59 €	146 550,03 €
Past Year Sales' VAT		2 804,88 €	3 646,34 €	4 740,24 €	5 925,30 €	7 258,50 €	9 436,05 €	12 738,66 €	17 197,20 €	24 076,08 €	33 706,51 €
Total Operating Receipts	165 000,00 €	229 500,00 €	298 350,00 €	373 912,50 €	458 676,56 €	593 902,97 €	799 828,15 €	1 079 768,00 €	1 508 268,99 €	2 111 576,59 €	2 857 066,13 €
Operating payments											
Initial Investment's VAT	6 900,00 €										
Goods' purchases	47 979,46 €	47 866,95 €	62 227,03 €	77 783,79 €	89 397,36 €	116 216,57 €	156 892,37 €	167 090,97 €	233 927,36 €	327 498,30 €	442 122,70 €
Goods' purchases VAT	11 035,27 €	11 009,40 €	14 312,22 €	17 890,27 €	20 561,39 €	26 729,81 €	36 085,24 €	38 430,92 €	53 803,29 €	75 324,61 €	101 688,22 €
ESS	6 747,96 €	6 912,19 €	8 068,93 €	13 183,97 €	15 579,93 €	15 825,57 €	18 131,19 €	30 071,75 €	33 725,98 €	41 818,70 €	45 979,61 €
ESS VAT	1 421,23 €	1 424,85 €	1 655,96 €	2 729,93 €	3 210,69 €	3 264,08 €	3 722,38 €	6 187,20 €	6 951,72 €	8 594,79 €	9 472,45 €
Personnel	32 300,80 €	55 257,44 €	68 979,51 €	104 152,49 €	130 701,71 €	137 236,80 €	164 286,64 €	254 983,37 €	287 343,74 €	362 274,92 €	399 999,87 €
Retentions to deliver	15 051,40 €	25 748,65 €	32 142,80 €	48 532,57 €	60 903,87 €	63 949,06 €	76 553,64 €	118 816,15 €	133 895,31 €	168 811,45 €	186 390,37 €
Others (Marketing)	0,00 €	15 825,11 €	20 572,61 €	25 715,81 €	37 924,88 €	49 302,34 €	66 558,15 €	138 632,14 €	194 085,00 €	271 718,96 €	366 820,65 €
Others' VAT	0,00 €	3 639,78 €	4 731,70 €	5 914,64 €	8 722,72 €	11 339,54 €	15 308,37 €	31 885,39 €	44 639,55 €	62 495,36 €	84 368,75 €
VAT to deliver	9 877,21 €	19 913,77 €	26 048,55 €	32 020,70 €	39 334,56 €	51 879,32 €	70 596,83 €	94 354,99 €	133 496,38 €	187 825,71 €	255 307,86 €
Past year											
Past Year's Goods' purchases		4 361,77 €	4 351,54 €	5 657,00 €	7 071,25 €	8 127,03 €	10 565,14 €	14 262,94 €	15 190,09 €	21 266,12 €	29 772,57 €
Past Year's Goods' purchases VAT		1 003,21 €	1 000,85 €	1 301,11 €	1 626,39 €	1 869,22 €	2 429,98 €	3 280,48 €	3 493,72 €	4 891,21 €	6 847,69 €
Past Year's ESS		613,45 €	628,38 €	733,54 €	1 198,54 €	1 416,36 €	1 438,69 €	1 648,29 €	2 733,80 €	3 066,00 €	3 801,70 €
Past Year's ESS VAT		129,20 €	129,53 €	150,54 €	248,18 €	291,88 €	296,73 €	338,40 €	562,47 €	631,97 €	781,34 €
Past Year's retentions to deliver		1 157,80 €	1 980,67 €	2 472,52 €	3 733,27 €	4 684,91 €	4 919,16 €	5 888,74 €	9 139,70 €	10 299,64 €	12 985,50 €
Past Year's Income Tax		7 482,94 €	5 996,18 €	8 971,08 €	5 190,75 €	5 491,70 €	18 905,97 €	32 903,36 €	32 503,78 €	69 901,87 €	111 904,84 €
Past Year's VAT to deliver		3 292,40 €	6 637,92 €	8 682,85 €	10 673,57 €	13 111,52 €	17 293,11 €	23 532,28 €	31 451,66 €	44 498,79 €	62 608,57 €
Total Operating Payments	131 313,34 €	205 638,89 €	259 464,38 €	355 892,80 €	436 079,06 €	510 735,71 €	663 983,59 €	962 307,38 €	1 216 943,55 €	1 660 918,41 €	2 120 852,70 €
Operating Cash Result	33 686,66 €	23 861,11 €	38 885,62 €	18 019,70 €	22 597,50 €	83 167,25 €	135 844,56 €	117 460,62 €	291 325,44 €	450 658,18 €	736 213,43 €

Financing Cash											
Financing receipts											
Social Equity	30 000,00 €										
Total Financing Receipts	30 000,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €
Financing Costs											
Capital costs											
Total Financing Costs	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €
Financing Cash Result	30 000,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €
Investing Cash											
Investing payments											
Assets' Acquisition	7 360,00 €	1 840,00 €	1 840,00 €	4 150,00 €	3 680,00 €	0,00 €	12 840,00 €	9 970,00 €	620,00 €	7 140,00 €	620,00 €
Investing Cash Result	-7 360,00 €	-1 840,00 €	-1 840,00 €	-4 150,00 €	-3 680,00 €	0,00 €	-12 840,00 €	-9 970,00 €	-620,00 €	-7 140,00 €	-620,00 €
Global Cash Result	56 326,66 €	78 347,77 €	115 393,39 €	129 263,08 €	148 180,58 €	231 347,84 €	354 352,39 €	461 843,02 €	752 548,46 €	1 196 066,64 €	1 931 660,06 €

Source: Author’s own elaboration

Appendix H

Pessimistic provisional Balance Sheet

Pessimistic previsional Balance Sheet											
Rubric/ Year	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
Assets											
Non-current Assets											
Fixed Tangible Assets	7 360,00 €	9 200,00 €	11 040,00 €	15 190,00 €	18 870,00 €	18 870,00 €	31 710,00 €	41 680,00 €	42 300,00 €	49 440,00 €	50 060,00 €
Fixed Intangible Assets											
Depreciations	2 495,80 €	3 119,75 €	3 743,70 €	3 056,80 €	3 817,25 €	2 833,80 €	3 721,35 €	5 807,20 €	5 667,95 €	7 038,10 €	4 672,10 €
Accumulated Depreciations		5 615,55 €	9 359,25 €	12 416,05 €	16 233,30 €	19 067,10 €	22 788,45 €	28 595,65 €	34 263,60 €	41 301,70 €	45 973,80 €
Total Non-current Assets	4 864,20 €	3 584,45 €	1 680,75 €	2 773,95 €	2 636,70 €	-197,10 €	8 921,55 €	13 084,35 €	8 036,40 €	8 138,30 €	4 086,20 €
Current Assets											
Clients' Debts	15 000,00 €	19 500,00 €	25 350,00 €	31 687,50 €	38 817,19 €	50 462,34 €	68 124,16 €	91 967,62 €	128 754,67 €	180 256,54 €	243 346,33 €
Cash	56 326,66 €	78 347,77 €	115 393,39 €	129 263,08 €	148 180,58 €	231 347,84 €	354 352,39 €	461 843,02 €	752 548,46 €	1 196 066,64 €	1 931 660,06 €
Total Current Assets	71 326,66 €	97 847,77 €	140 743,39 €	160 950,58 €	186 997,77 €	281 810,18 €	422 476,56 €	553 810,64 €	881 303,13 €	1 376 323,17 €	2 175 006,39 €
Total Assets	76 190,86 €	101 432,22 €	142 424,14 €	163 724,53 €	189 634,47 €	281 613,08 €	431 398,11 €	566 894,99 €	889 339,53 €	1 384 461,47 €	2 179 092,59 €
Equity and Debt											
Equity											
Social Equity	30 000,00 €	30 000,00 €	30 000,00 €	30 000,00 €	30 000,00 €	30 000,00 €	30 000,00 €	30 000,00 €	30 000,00 €	30 000,00 €	30 000,00 €
Net Income After Tax	28 150,09 €	22 557,05 €	33 748,34 €	19 527,10 €	20 659,26 €	71 122,45 €	123 779,32 €	122 276,14 €	262 964,17 €	420 975,34 €	686 837,49 €
Carried Results		28 150,09 €	50 707,15 €	84 455,49 €	103 982,59 €	124 641,85 €	195 764,30 €	319 543,62 €	441 819,76 €	704 783,92 €	1 125 759,26 €
Total Equity	58 150,09 €	80 707,15 €	114 455,49 €	133 982,59 €	154 641,85 €	225 764,30 €	349 543,62 €	471 819,76 €	734 783,92 €	1 155 759,26 €	1 842 596,75 €
Debt											
Suppliers' Debts	6 107,63 €	6 110,31 €	7 842,19 €	10 144,36 €	11 704,49 €	14 730,55 €	19 530,11 €	21 980,08 €	29 855,30 €	41 203,31 €	54 478,45 €
Government	11 933,14 €	14 614,77 €	20 126,45 €	19 597,59 €	23 288,13 €	41 118,23 €	62 324,38 €	73 095,15 €	124 700,30 €	187 498,90 €	282 017,39 €
Total Debt	18 040,77 €	20 725,07 €	27 968,64 €	29 741,95 €	34 992,62 €	55 848,78 €	81 854,49 €	95 075,23 €	154 555,60 €	228 702,21 €	336 495,85 €
Total Equity and Debt	76 190,86 €	101 432,22 €	142 424,13 €	163 724,54 €	189 634,47 €	281 613,08 €	431 398,11 €	566 894,99 €	889 339,53 €	1 384 461,47 €	2 179 092,59 €

Source: Author’s own elaboration

Appendix I

Pessimistic cash flows' map

Pessimistic Cash Flows' Map											
Rubric/ Year	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
Depreciation	2 495,80 €	3 119,75 €	3 743,70 €	3 056,80 €	3 817,25 €	2 833,80 €	3 721,35 €	5 807,20 €	5 667,95 €	7 038,10 €	4 672,10 €
EBIT	35 633,03 €	28 553,23 €	42 719,42 €	24 717,85 €	26 150,96 €	90 028,42 €	156 682,68 €	154 779,93 €	332 866,03 €	532 880,17 €	869 414,54 €
Income Tax	7 482,94 €	5 996,18 €	8 971,08 €	5 190,75 €	5 491,70 €	18 905,97 €	32 903,36 €	32 503,78 €	69 901,87 €	111 904,84 €	182 577,05 €
NOPLAT	28 150,09 €	22 557,05 €	33 748,34 €	19 527,10 €	20 659,26 €	71 122,45 €	123 779,32 €	122 276,14 €	262 964,17 €	420 975,34 €	686 837,49 €
Operational Cash Flows	30 645,89 €	25 676,80 €	37 492,04 €	22 583,90 €	24 476,51 €	73 956,25 €	127 500,67 €	128 083,34 €	268 632,12 €	428 013,44 €	691 509,59 €
Working Capital	-3 040,77 €	-1 225,07 €	-2 618,64 €	1 945,55 €	3 824,56 €	-5 386,44 €	-13 730,32 €	-3 107,61 €	-25 800,93 €	-48 445,67 €	-93 149,52 €
Exploration Needs	*15 000,00 €*	*19 500,00 €*	*25 350,00 €*	*31 687,50 €*	*38 817,19 €*	*50 462,34 €*	*68 124,16 €*	*91 967,62 €*	*128 754,67 €*	*180 256,54 €*	*243 346,33 €*
Exploration Resources	*18 040,77 €*	*20 725,07 €*	*27 968,64 €*	*29 741,95 €*	*34 992,62 €*	*55 848,78 €*	*81 854,49 €*	*95 075,23 €*	*154 555,60 €*	*228 702,21 €*	*336 495,85 €*
Working Capital Variation	-3 040,77 €	1 815,70 €	-1 393,57 €	4 564,20 €	1 879,01 €	-9 211,00 €	-8 343,89 €	10 622,72 €	-22 693,33 €	-22 644,74 €	-44 703,85 €
Residual Working Capital											-93 149,52 €
CAPEX	7 360,00 €	1 840,00 €	1 840,00 €	4 150,00 €	3 680,00 €	0,00 €	12 840,00 €	9 970,00 €	620,00 €	7 140,00 €	620,00 €
CAPEX Divestment											858,10 €
Period Cash Flow	26 326,66 €	22 021,11 €	37 045,61 €	13 869,70 €	18 917,50 €	83 167,25 €	123 004,55 €	107 490,63 €	290 705,44 €	443 518,18 €	643 302,01 €
Discounted Period Cash Flow	26 326,66 €	20 648,40 €	32 571,02 €	11 434,28 €	14 623,55 €	60 282,16 €	83 599,73 €	68 501,74 €	173 712,65 €	248 506,06 €	337 977,48 €

Source: Author's own elaboration

Appendix J

Pessimistic financial ratios

Pessimistic financial Ratios											
Ratio/ Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Return on Invested (ROI)	118,78%	89,24%	125,20%	67,93%	67,38%	217,52%	354,96%	328,79%	663,02%	995,25%	1522,57%
Return on Equity (ROE)	48,41%	27,95%	29,49%	14,57%	13,36%	31,50%	35,41%	25,92%	35,79%	36,42%	37,28%
Return on Assets (ROA)	46,77%	28,15%	29,99%	15,10%	13,79%	31,97%	36,32%	27,30%	37,43%	38,49%	39,90%
Sales' Profitability	19,24%	11,86%	13,65%	6,32%	5,46%	14,45%	18,62%	13,63%	20,93%	23,94%	28,93%
Financial Autonomy	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%
Global Liquidity	395,36%	472,12%	503,22%	541,16%	534,39%	504,60%	516,13%	582,50%	570,22%	601,80%	646,37%

Source: Author’s own elaboration

Appendix K

Pessimistic financial indicators

Pessimistic financial Indicators	
Indicator/ Value	Value
Net Present Value (NPV)	1 078 183,73 €
Discounted Paybak Period (DPP)	2
Profitability Index	22,54

Source: Author’s own elaboration

Appendix L

Optimistic Provisional Income Statement

Optimistic previsional Income Statement											
Rubric/ Year	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
Sales	273 171,51 €	355 122,96 €	461 659,85 €	577 074,82 €	706 916,65 €	918 991,64 €	1 240 638,72 €	1 674 862,27 €	2 344 807,18 €	3 282 730,05 €	4 431 685,57 €
Total Operating Revenue	273 171,51 €	355 122,96 €	461 659,85 €	577 074,82 €	706 916,65 €	918 991,64 €	1 240 638,72 €	1 674 862,27 €	2 344 807,18 €	3 282 730,05 €	4 431 685,57 €
CGSMC	97 703,90 €	97 474,79 €	126 717,23 €	158 396,53 €	182 046,05 €	236 659,87 €	319 490,83 €	340 258,94 €	476 362,52 €	666 907,53 €	900 325,16 €
ESS	7 482,25 €	9 293,06 €	10 633,77 €	14 817,08 €	18 357,82 €	20 325,66 €	22 182,08 €	38 083,20 €	45 638,05 €	58 483,08 €	68 071,51 €
Personnel Expenditures	48 510,00 €	97 713,00 €	119 057,40 €	157 927,77 €	212 601,66 €	237 957,99 €	265 448,39 €	432 047,06 €	512 554,41 €	658 590,88 €	765 151,68 €
Depreciations	2 495,80 €	3 184,75 €	3 821,20 €	3 081,80 €	3 967,25 €	3 023,80 €	3 798,85 €	6 065,95 €	6 022,95 €	7 436,85 €	5 304,60 €
Other Expenditures (Marketing)	0,00 €	29 540,29 €	38 402,32 €	48 002,99 €	70 793,30 €	92 031,29 €	124 242,23 €	258 780,73 €	362 293,03 €	507 210,18 €	684 733,79 €
Total Operating Costs	156 191,95 €	237 205,90 €	298 631,92 €	382 226,17 €	487 766,09 €	589 998,61 €	735 162,38 €	1 075 235,88 €	1 402 870,97 €	1 898 628,52 €	2 423 586,74 €
EBIT	116 979,56 €	117 917,06 €	163 027,94 €	194 848,64 €	219 150,56 €	328 993,03 €	505 476,34 €	599 626,39 €	941 936,21 €	1 384 101,54 €	2 008 098,83 €
Interest Income											
Interest Expenses											
EBT	116 979,56 €	117 917,06 €	163 027,94 €	194 848,64 €	219 150,56 €	328 993,03 €	505 476,34 €	599 626,39 €	941 936,21 €	1 384 101,54 €	2 008 098,83 €
Income Tax	24 565,71 €	24 762,58 €	34 235,87 €	40 918,21 €	46 021,62 €	69 088,54 €	106 150,03 €	125 921,54 €	197 806,60 €	290 661,32 €	421 700,75 €
Net Income	92 413,85 €	93 154,48 €	128 792,07 €	153 930,43 €	173 128,95 €	259 904,50 €	399 326,31 €	473 704,85 €	744 129,61 €	1 093 440,21 €	1 586 398,08 €

Source: Author’s own elaboration

Appendix M

Optimistic provisional cash budget

Optimistic previsional Cash Budget											
Rubric/ Year	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
Year's Initial Amount	0,00 €	134 012,60 €	225 835,05 €	362 669,97 €	519 492,95 €	692 406,64 €	970 325,49 €	1 386 819,88 €	1 853 656,39 €	2 646 767,34 €	3 794 890,68 €
Operating Cash											
Operating receipts											
Sales	250 407,22 €	325 529,38 €	423 188,20 €	528 985,25 €	648 006,93 €	842 409,01 €	1 137 252,16 €	1 535 290,42 €	2 149 406,58 €	3 009 169,21 €	4 062 378,44 €
Sales' VAT	57 593,66 €	74 871,76 €	97 333,29 €	121 666,61 €	149 041,59 €	193 754,07 €	261 568,00 €	353 116,80 €	494 363,51 €	692 108,92 €	934 347,04 €
Past year											
Past Year's Sales		22 764,29 €	29 593,58 €	38 471,65 €	48 089,57 €	58 909,72 €	76 582,64 €	103 386,56 €	139 571,86 €	195 400,60 €	273 560,84 €
Past Year Sales' VAT		5 235,79 €	6 806,52 €	8 848,48 €	11 060,60 €	13 549,24 €	17 614,01 €	23 778,91 €	32 101,53 €	44 942,14 €	62 918,99 €
Total Operating Receipts	308 000,88 €	428 401,22 €	556 921,59 €	697 971,99 €	856 198,69 €	1 108 622,04 €	1 493 016,80 €	2 015 572,68 €	2 815 443,48 €	3 941 620,87 €	5 333 205,31 €
Operating payments											
Initial Investment's VAT	6 900,00 €										
Goods' purchases	89 561,90 €	89 351,89 €	116 157,46 €	145 196,82 €	166 875,55 €	216 938,22 €	292 866,59 €	311 904,03 €	436 665,64 €	611 331,90 €	825 298,07 €
Goods' purchases VAT	20 599,24 €	20 550,93 €	26 716,22 €	33 395,27 €	38 381,38 €	49 895,79 €	67 359,32 €	71 737,93 €	100 433,10 €	140 606,34 €	189 818,56 €
ESS	6 858,73 €	8 518,64 €	9 747,62 €	13 582,33 €	16 828,00 €	18 631,85 €	20 333,57 €	34 909,60 €	41 834,88 €	53 609,49 €	62 398,88 €
ESS VAT	1 446,71 €	1 761,34 €	2 008,74 €	2 821,55 €	3 463,87 €	3 841,20 €	4 194,48 €	7 195,72 €	8 641,71 €	11 059,62 €	12 893,13 €
Personnel	32 300,80 €	65 063,04 €	79 275,39 €	105 157,56 €	141 562,64 €	158 446,37 €	176 751,09 €	287 682,24 €	341 288,76 €	438 528,39 €	509 482,81 €
Retentions to deliver	15 051,40 €	30 317,82 €	36 940,44 €	49 000,91 €	65 964,80 €	73 832,22 €	82 361,78 €	134 053,04 €	159 032,40 €	204 343,74 €	237 406,80 €
Others (Marketing)	0,00 €	29 540,29 €	38 402,32 €	48 002,99 €	70 793,30 €	92 031,29 €	124 242,23 €	258 780,73 €	362 293,03 €	507 210,18 €	684 733,79 €
Others' VAT	0,00 €	6 794,27 €	8 832,53 €	11 040,69 €	16 282,46 €	21 167,20 €	28 575,71 €	59 519,57 €	83 327,40 €	116 658,34 €	157 488,77 €
VAT to deliver	23 909,49 €	37 907,52 €	49 509,68 €	61 632,96 €	75 494,26 €	98 684,03 €	134 034,38 €	179 691,99 €	252 740,67 €	354 686,85 €	480 494,17 €
Past year											
Past Year's Goods' purchases		8 141,99 €	8 122,90 €	10 559,77 €	13 199,71 €	15 170,50 €	19 721,66 €	26 624,24 €	28 354,91 €	39 696,88 €	55 575,63 €
Past Year's Goods' purchases VAT		1 872,66 €	1 868,27 €	2 428,75 €	3 035,93 €	3 489,22 €	4 535,98 €	6 123,57 €	6 521,63 €	9 130,28 €	12 782,39 €
Past Year's ESS		623,52 €	774,42 €	886,15 €	1 234,76 €	1 529,82 €	1 693,80 €	1 848,51 €	3 173,60 €	3 803,17 €	4 873,59 €
Past Year's ESS VAT		131,52 €	160,12 €	182,61 €	256,50 €	314,90 €	349,20 €	381,32 €	654,16 €	785,61 €	1 005,42 €
Past Year's retentions to deliver		1 157,80 €	2 332,14 €	2 841,57 €	3 769,30 €	5 074,22 €	5 679,40 €	6 335,52 €	10 311,77 €	12 233,26 €	15 718,75 €
Past Year's Income Tax		24 565,71 €	24 762,58 €	34 235,87 €	40 918,21 €	46 021,62 €	69 088,54 €	106 150,03 €	125 921,54 €	197 806,60 €	290 661,32 €
Past Year's VAT to deliver		7 969,83 €	12 635,84 €	16 503,23 €	20 544,32 €	25 164,75 €	32 894,68 €	44 678,13 €	59 897,33 €	84 246,89 €	118 228,95 €
Total Operating Payments	196 628,28 €	334 268,77 €	418 246,67 €	537 469,01 €	678 605,00 €	830 233,19 €	1 064 682,41 €	1 537 616,16 €	2 021 092,53 €	2 785 737,54 €	3 658 861,03 €
Operating Cash Result	111 372,60 €	94 132,45 €	138 674,92 €	160 502,98 €	177 593,69 €	278 388,85 €	428 334,39 €	477 956,52 €	794 350,95 €	1 155 883,33 €	1 674 344,28 €

Financing Cash											
Financing receipts											
Social Equity	30 000,00 €										
Total Financing Receipts	30 000,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €
Financing Costs											
Capital costs											
Total Financing Costs	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €
Financing Cash Result	30 000,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €
Investing Cash											
Investing payments											
Assets' Acquisition	7 360,00 €	2 310,00 €	1 840,00 €	3 680,00 €	4 680,00 €	470,00 €	11 840,00 €	11 120,00 €	1 240,00 €	7 760,00 €	2 240,00 €
Investing Cash Result	-7 360,00 €	-2 310,00 €	-1 840,00 €	-3 680,00 €	-4 680,00 €	-470,00 €	-11 840,00 €	-11 120,00 €	-1 240,00 €	-7 760,00 €	-2 240,00 €
Global Cash Result	134 012,60 €	225 835,05 €	362 669,97 €	519 492,95 €	692 406,64 €	970 325,49 €	1 386 819,88 €	1 853 656,39 €	2 646 767,34 €	3 794 890,68 €	5 466 994,96 €

Source: Author’s own elaboration

Appendix N

Optimistic provisional Balance Sheet

Optimistic previsional Balance Sheet											
Rubric/ Year	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
Assets											
Non-current Assets											
Fixed Tangible Assets	7 360,00 €	9 670,00 €	11 510,00 €	15 190,00 €	19 870,00 €	20 340,00 €	32 180,00 €	43 300,00 €	44 540,00 €	52 300,00 €	54 540,00 €
Fixed Intangible Assets											
Depreciations	2 495,80 €	3 184,75 €	3 821,20 €	3 081,80 €	3 967,25 €	3 023,80 €	3 798,85 €	6 065,95 €	6 022,95 €	7 436,85 €	5 304,60 €
Accumulated Depreciations		5 680,55 €	9 501,75 €	12 583,55 €	16 550,80 €	19 574,60 €	23 373,45 €	29 439,40 €	35 462,35 €	42 899,20 €	48 203,80 €
Total Non-current Assets	4 864,20 €	3 989,45 €	2 008,25 €	2 606,45 €	3 319,20 €	765,40 €	8 806,55 €	13 860,60 €	9 077,65 €	9 400,80 €	6 336,20 €
Current Assets											
Clients' Debts	28 000,08 €	36 400,10 €	47 320,13 €	59 150,17 €	72 458,96 €	94 196,64 €	127 165,47 €	171 673,38 €	240 342,74 €	336 479,83 €	454 247,77 €
Cash	134 012,60 €	225 835,05 €	362 669,97 €	519 492,95 €	692 406,64 €	970 325,49 €	1 386 819,88 €	1 853 656,39 €	2 646 767,34 €	3 794 890,68 €	5 466 994,96 €
Total Current Assets	162 012,68 €	262 235,15 €	409 990,10 €	578 643,12 €	764 865,60 €	1 064 522,13 €	1 513 985,35 €	2 025 329,78 €	2 887 110,08 €	4 131 370,51 €	5 921 242,73 €
Total Assets	166 876,88 €	266 224,60 €	411 998,35 €	581 249,57 €	768 184,80 €	1 065 287,53 €	1 522 791,90 €	2 039 190,38 €	2 896 187,73 €	4 140 771,31 €	5 927 578,93 €
Equity and Debt											
Equity											
Social Equity	30 000,00 €	30 000,00 €	30 000,00 €	30 000,00 €	30 000,00 €	30 000,00 €	30 000,00 €	30 000,00 €	30 000,00 €	30 000,00 €	30 000,00 €
Net Income After Tax	92 413,85 €	93 154,48 €	128 792,07 €	153 930,43 €	173 128,95 €	259 904,50 €	399 326,31 €	473 704,85 €	744 129,61 €	1 093 440,21 €	1 586 398,08 €
Carried Results		92 413,85 €	185 568,34 €	314 360,41 €	468 290,83 €	641 419,78 €	901 324,27 €	1 300 650,58 €	1 774 355,43 €	2 518 485,04 €	3 611 925,25 €
Total Equity	122 413,85 €	215 568,34 €	344 360,41 €	498 290,83 €	671 419,78 €	931 324,27 €	1 330 650,58 €	1 804 355,43 €	2 548 485,04 €	3 641 925,25 €	5 228 323,33 €
Debt											
Suppliers' Debts	10 769,69 €	10 925,71 €	14 057,28 €	17 726,91 €	20 504,44 €	26 300,64 €	34 977,63 €	38 704,30 €	53 415,94 €	74 237,03 €	99 128,06 €
Government	33 693,34 €	39 730,56 €	53 580,67 €	65 231,83 €	76 260,59 €	107 662,62 €	157 163,68 €	196 130,64 €	294 286,75 €	424 609,02 €	600 127,54 €
Total Debt	44 463,03 €	50 656,27 €	67 637,94 €	82 958,74 €	96 765,02 €	133 963,26 €	192 141,31 €	234 834,94 €	347 702,69 €	498 846,05 €	699 255,60 €
Total Equity and Debt	166 876,88 €	266 224,61 €	411 998,35 €	581 249,57 €	768 184,80 €	1 065 287,53 €	1 522 791,89 €	2 039 190,37 €	2 896 187,73 €	4 140 771,30 €	5 927 578,92 €

Source: Author’s own elaboration

Appendix O

Optimistic cash flows' map

Optimistic Cash Flows' Map											
Rubric/ Year	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
Depreciation	2 495,80 €	3 184,75 €	3 821,20 €	3 081,80 €	3 967,25 €	3 023,80 €	3 798,85 €	6 065,95 €	6 022,95 €	7 436,85 €	5 304,60 €
EBIT	116 979,56 €	117 917,06 €	163 027,94 €	194 848,64 €	219 150,56 €	328 993,03 €	505 476,34 €	599 626,39 €	941 936,21 €	1 384 101,54 €	2 008 098,83 €
Income Tax	24 565,71 €	24 762,58 €	34 235,87 €	40 918,21 €	46 021,62 €	69 088,54 €	106 150,03 €	125 921,54 €	197 806,60 €	290 661,32 €	421 700,75 €
NOPLAT	92 413,85 €	93 154,48 €	128 792,07 €	153 930,43 €	173 128,95 €	259 904,50 €	399 326,31 €	473 704,85 €	744 129,61 €	1 093 440,21 €	1 586 398,08 €
Operational Cash Flows	94 909,65 €	96 339,23 €	132 613,27 €	157 012,23 €	177 096,20 €	262 928,30 €	403 125,16 €	479 770,80 €	750 152,56 €	1 100 877,06 €	1 591 702,68 €
Working Capital	-16 462,95 €	-14 256,17 €	-20 317,81 €	-23 808,57 €	-24 306,07 €	-39 766,61 €	-64 975,84 €	-63 161,56 €	-107 359,96 €	-162 366,22 €	-245 007,83 €
Exploration Needs	*28 000,08 €*	*36 400,10 €*	*47 320,13 €*	*59 150,17 €*	*72 458,96 €*	*94 196,64 €*	*127 165,47 €*	*171 673,38 €*	*240 342,74 €*	*336 479,83 €*	*454 247,77 €*
Exploration Resources	*44 463,03 €*	*50 656,27 €*	*67 637,94 €*	*82 958,74 €*	*96 765,02 €*	*133 963,26 €*	*192 141,31 €*	*234 834,94 €*	*347 702,69 €*	*498 846,05 €*	*699 255,60 €*
Working Capital Variation	-16 462,95 €	2 206,78 €	-6 061,64 €	-3 490,76 €	-497,49 €	-15 460,55 €	-25 209,23 €	1 814,28 €	-44 198,40 €	-55 006,26 €	-82 641,60 €
Residual Working Capital											-245 007,83 €
CAPEX	7 360,00 €	2 310,00 €	1 840,00 €	3 680,00 €	4 680,00 €	470,00 €	11 840,00 €	11 120,00 €	1 240,00 €	7 760,00 €	2 240,00 €
CAPEX Divestment											1 330,60 €
Period Cash Flow	104 012,60 €	91 822,45 €	136 834,91 €	156 822,99 €	172 913,69 €	277 918,84 €	416 494,39 €	466 836,52 €	793 110,95 €	1 148 123,33 €	1 428 427,06 €
Discounted Period Cash Flow	104 012,60 €	86 098,62 €	120 307,16 €	129 286,03 €	133 665,25 €	201 444,04 €	283 069,36 €	297 506,06 €	473 927,84 €	643 300,82 €	750 465,81 €

Source: Author's own elaboration

Appendix P

Optimistic financial ratios

Optimistic financial Ratios											
Ratio/ Year	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
Return on Invested (ROI)	389,93%	368,56%	477,79%	535,45%	564,69%	794,88%	1145,15%	1273,77%	1876,20%	2585,07%	3516,71%
Return on Equity (ROE)	75,49%	43,21%	37,40%	30,89%	25,79%	27,91%	30,01%	26,25%	29,20%	30,02%	30,34%
Return on Assets (ROA)	70,10%	44,29%	39,57%	33,52%	28,53%	30,88%	33,19%	29,41%	32,52%	33,43%	33,88%
Sales' Profitability	33,83%	26,23%	27,90%	26,67%	24,49%	28,28%	32,19%	28,28%	31,74%	33,31%	35,80%
Financial Autonomy	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%
Global Liquidity	364,38%	517,68%	606,15%	697,51%	790,44%	794,64%	787,95%	862,45%	830,34%	828,19%	846,79%

Source: Author's own elaboration

Appendix Q

Optimistic financial indicators

Optimistic financial Indicators	
Indicator/ Value	**Value**
Net Present Value (NPV)	3 223 083,58 €
Discounted Paybak Period (DPP)	1
Profitability Index	60,10

Source: Author’s own elaboration