



Lemon Jelly – The development from supplying Fashion Brands to an own Fashion Brand

Strategy Case Study – The Portuguese Fashion Industry

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Abstract

Title: Lemon Jelly – The development from supplying Fashion Brands to an own Fashion Brand

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The thesis, which is hereby presented in the form of a case study, aims to describe the path of a Portuguese company developing a fashion brand. The company that was chosen is Procalçado and its new fashion brand Lemon Jelly. The company is operating in the footwear industry for 43 years already, manufacturing shoe components to big global players. Procalçado was able to grow in the industry in a sustainable way and by making strategic decisions that led them to launch its own fashion brand. Supplying companies like Birkenstock, Gant or Gabor for many years helped to master the production processes and build up crucial know-how to become one of the biggest player in the footwear industry.

The dissertation is written in form of a case study. The first part of the case tells the story of Procalçado's development and how the company was finally creating its own fashion brand. The second part of the case talks more precisely about Lemon Jelly, the brand, its industrial environment and the advantages, which include numerous important resources and capabilities, which it has from its parent company Procalçado.

The second part of the work provides the theoretical background to analyze the presented case. It includes the main theories and explanations to create an understanding of how to approach the case.

From this follow the teaching notes. This part provides the instructor with a teaching plan and suggests assignment questions to enable application of the theory and creation of a discussion in class.

Finally the conclusions are summed up in the fourth part of the thesis. It contains general conclusions of the case, a personal opinion of the author and reveals the limitations of the case.

Table of Content

- I. Case Lemon Jelly by Procalçado..... 6
 - 1. The Footwear Industry 6
 - 2. Procalçado S.A 7
 - 2.1. History 7
 - 2.2. Innovation and customer orientation 9
 - 2.3. Brands..... 10
 - 3. The creation of Lemon Jelly 11
 - 3.1. The competition..... 12
 - 3.2. The customers..... 13
 - 3.3. Production technology..... 14
 - 3.4. Main challenges..... 16
 - 3.5. Outlook 17
- II. Theoretical Background 18
 - 1. Porter’s 5 Forces..... 18
 - 2. Shifting importance on the resource-based view..... 18
 - 3. The resources and capabilities of a firm..... 19
 - 3.1. Resources..... 19
 - 3.2. Capabilities..... 20
 - 3.3. Classification of Resources and Capabilities 20
 - 3.4. Porter’s Value Chain 21
 - 3.5. Advantages of industry clusters..... 21
 - 4. Vertical integration..... 22
 - 5. Threats of Sustainability..... 22
- III. Teaching Notes..... 24
 - 1. Introduction 24
 - 2. Synopsis 24
 - 3. Teaching objective 24
 - 4. Target audience 25
 - 5. Suggested assignment questions..... 25
 - 6. Case Analyses and Teaching Plan..... 26
- IV. Conclusions 37
 - 1. General Conclusions..... 37
 - 2. Personal Opinion 37
 - 3. Limitations 38
- V. References 39

List of Abbreviations

3D	Three- dimensional
CEO	Chief Executive Officer
CON	Contra
COTEC	Associação Empresarial para a Inovação
e.g.	For example
EDP	Energias de Portugal
Etc.	Etcetera
EVA	Ethylene vinyl acetate
GAPI	Innovation Design Awards for the Footwear Industry created out of a joint initiative of the Portuguese Footwear Technological Center (CTCP) and the National Institute of Industrial Property (INOPI)
GDP	Gross domestic product
HR	Human resources
Ltd	Limited
PU	Polyurethane
R&D	Research and development
S.A.	Sociedade Anónima
UK	United Kingdom
VRI	Valuable, rare, inimitable
VRIO	Valuable, rare, inimitable, organization

List of Tables

Table 1: Resources of Lemon Jelly	29
Table 2: Porter's Value Chain applied on Lemon Jelly	31
Table 3: Classification of the strategic importance of the main capabilities	32
Table 4: Balancing pros and cons of entering a new segment	36

I. Case Lemon Jelly by Procalçado

In the year 2012 Procalçado, a company that has been operating in the footwear industry successfully for many years already, launched a new brand to the market – Lemon Jelly. With this new brand it was able to shift from a company, that produces and manufactures shoe components for other fashion brands, to a company that now owns its own fashion brand. Targeting a new customer segment, even being experienced in the industry, Procalçado and in particular its new subsidiary Lemon Jelly needs to face new challenges.

1. The Footwear Industry

Over the last years the production of footwear has registered an important growth worldwide. In 2015 the industry was able to reach sales of 23 billion pairs.¹ Even though the Chinese market has still a leadership position in the industry producing around 60 % of total demand, Portugal could observe a rise of 0.8 per cent in net value in 2015, taking the 5th position of leather exporter on a global scale.²

On a European level the footwear sector is mainly concentrated on 3 countries: Italy, Spain and Portugal. The opportunities of the industry in Portugal are expected to grow, considering that the source of competitive advantage in the sector has been shifting over the years. Originally growth in the industry was based on the low cost of the work, on economies of scale and therefore on large production volumes. In the 1990s the spread know-how in production enabled even emergent producers to have a reasonable cost structure. Therefore the importance of knowing the customers of the industry and their needs rise and a shift to design and commercialization could be observed, as well. Above all quality became a key criterion to qualify in the Portuguese footwear industry, together with other winning criteria as flexibility, responsiveness to demand and Innovation.

The industry covers a variety of material including textile, plastic rubber and leather. As Portugal being one of the most important leather exporters one can assume that the Portuguese footwear industry is dominated by this material and also worldwide. Nevertheless considering footwear for special occasions, like for example snowboard boots, using leather does not seem to be the smartest solution. In this case plastic and other textiles seem to be more convenient.

¹ <http://www.portuguese footwear.com/en/news/64-footwear-exports-grew-in-2015>

² <http://www.worldstopexports.com/leather-shoes-exports-country/>

Strategy Case Study – Lemon Jelly by Procalçado S.A.

In the case of Procalçado S.A., a company that has been operating in the Portuguese footwear industry for over 40 years, it was rubber that recently gave the firm a new breakthrough with their new brand Lemon Jelly.

2. Procalçado S.A

Procalçado S.A is currently one of the largest European producers of footwear components and molded footwear. Being over 40 years in the industry, the company was able to establish a leadership position through distinct technological know-how and by having an outstanding customer service. Its success is based on the brands For Ever®, WOOCK® and Lemon Jelly. The brand Lemon Jelly is the company's latest brand creation and celebrates a big global recognition and success.

2.1. History

Procalçado S.A. started its operations in 1973 by developing and selling footwear soles through its first brand and also under its early name *For Ever*. José Pinto, who is the founder and recent CEO of the company, comes from São João da Madeira, an area in the north of Portugal, which is well known for its tradition in footwear. It was not a surprise that his career started in this industry. His ambitious personality made him grow fast in his career path. After working 6 months for the first company he got promoted from a machine driver of a rubber machine to be the chief of production line. And 6 months later he started working in the commercial area of the company. But that was not enough. After 3 years in this position, he decided to create his own company – *For Ever*. Already five years later For Ever became the Portuguese market leader in footwear components, in particular shoe soles, and could hold its position until today.

Development of production facilities

Only in 1984 the company started operating under the name '*Procalçado*', still having For Ever as a brand. At this time the company was operating only on a commercial scale. But commercial transactions went so good, that José Pinto felt the need to control the production in a better way and to add value to the products. Therefore he created his first own facilities for production in São João da Madeira and expanded from a purely commercial company that outsourced its production to fully integrated processes. He acquired another production unit and started selling his own products to the market under his brand For Ever. In this decade he

Strategy Case Study – Lemon Jelly by Procalçado S.A.

invested in the development of new technologies and in the growth of his production techniques continuously and could build up crucial know-how inside the company.

Going international

In the 90' it was time for Procalçado to go international. Portugal is a small market and injection footwear is a product that can be served in wide collections and in different styles. It made sense to look for bigger markets and to reach for bigger dimensions. For Ever was the first Portuguese brand participating in international trade shows and was able to access many important clients during this decade. The focus was set on targeting as many clients as possible to grow and to be present and recognized on an international scale. The company successfully created a great client pool and was able to build up relationships with important players in the industry and in different markets. Those relationships could have been maintained and developed until today and made Procalçado becoming one of the biggest producers of footwear components in Europe.

The production shift to Asia vs. diversification

In the beginning of 2000 there was a worldwide shift of production to Asia. Producers of many industries, including the footwear industry, saw the possibilities of lower wages and cost reductions in Asian markets. Procalçado had to decide either to follow this trend and go the step, which many other companies did, or to choose another direction in their strategy. The result was not going to produce in China, but rather to diversify its portfolio. Finally the company started to develop a new label. In 2005 'Wock', a new brand and product line on the concept of molded footwear was ready for the market. First, the brand, which is producing professional footwear, was launched in Portugal in 2007. As a reaction on the economy slowdown and the pressure, which came with it, this brand got more in the focus and got launched internationally in 2008. With Wock the company started for the first time not only selling shoe components, but 'ready-to-wear' shoes to the market. That was a strategic entrance with an own ready-to-wear product in the industry. As the entered segment of professional footwear is less influenced by fashion details than the fashion shoe segment, it allowed the company to build up know-how and to get ready for the next step - the creation of a fashion brand.

Membership in COTEC

In the same year of launching its new brand Wock, Procalçado became a member of COTEC Portugal³, a business association for innovation in Portugal. This association is an initiative of the former president of the Portuguese republic, Jorge Sampaio, and consists of Portuguese enterprises, whose value added in 2002 represented around 18% of national GDP. This nonprofit association has the mission to increase the competitiveness of companies located in Portugal through the development and diffusion of the Portuguese culture and stimulation of innovation.⁴ The participation in an association of innovation mostly enhanced the recognition of the company, especially on an international scale.

Continuous expansion of machinery and technology

Despite changing to line production, Procalçado was able to continuously improve its technological assets and manufacturing processes. In 2012 the company expanded its facilities again and acquired, amongst others, rubber injection equipment. Internalizing most of the production steps would help Procalçado to increase efficiency and flexibility, as well as to expand its competences and to have an enhanced quality control over all the steps of the production. Having these assets inside the company, one year later it enabled to launch the newest brand Lemon Jelly and the firm got granted with the GAPI⁵ award in the “revelation” category with it. This was not the only award the company received. Across the years Procalçado was getting awarded repeatedly for being an innovative footwear producer.

2.2. Innovation and customer orientation

“We always look what is going on in the world and what the market needs.”

Ricardo Oliveira, Marketing Manager Lemon Jelly

The list of awards, that Procalçado filled up over the years, shows that the company has the needed competences and is willing to meet the markets’ demand. In the category of “innovative materials and components” they managed to win, many years in a row, and also the GAPI⁶ award of technological innovation (2003, 2004, 2005, 2007, 2008 and 2011) was

³ Associação Empresarial para a Inovação

⁴ <http://www.cotecportugal.pt>

⁵ Innovation Design Awards for the Footwear Industry created out of a joint initiative of the Portuguese Footwear Technological Center (CTCP) and the National Institute of Industrial Property (INOPI)

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Strategy Case Study – Lemon Jelly by Procalçado S.A.

given to the company repeating. Always striving to improve manufacture and looking for qualitative raw material, the company was able to develop superior products.

Innovation has always had an impact on the efficiency of the company. When Procalçado changed, for instance to line production, the firm was able to increase its capacities and with that to lower respectively its costs per unit. Always trying to be updated on the newest technologies and demands of the clients helped to shape manufacturing and production in a very efficient way. As a result Procalçado was announced as "efficient company", achieving the Energy efficiency Award⁷ in 2011 together with other important companies in the Portuguese market, like EDP⁸.

José Pinto and his team provide a wide range of technological support through all the development processes to their clients. From the design service (designing, 3D print of models) to testing services of the components, the customer services supported by the technologies in house facilitates for the clients to define very clearly what they want.

Being aware of the importance of a superior customer service and new technology helped José Pinto to establish his company successfully in the industry.

2.3. Brands

Procalçado is operating in the market through its brands *For Ever*, *Wock* and *Lemon Jelly*. Even operating under the same structure, each brand has a very own specialization, being still related to each other.

For Ever – Procalçado's first developed brand For Ever stands for quality shoe soles. The company is selling this brand specialized on the "most important part of a shoe"⁹ – the sole. Doing so, the company is cooperating closely with its clients, guaranteeing a quality product from the first draft, over the production until the quality control in their certificated testing facilities. The product of For Ever, being a shoe component, can be found all over the world. Its clients count as noted shoe brands like Hunter, Camel active, Armani Jeans, Ecco, Gabor, Aigle, Jallatte, Decathlon, Gant and many others.¹⁰

⁷ An Energy Efficiency Award developed by Premivalor Consulting in collaboration with ADENE (Agência para a Energia) and DGEG (Direção Geral de Energia e Geologia) with the objective to identify the most efficient companies in the portuguese market. With Procalçado also EDP, Bosh, Accenture or Nestlé Portugal got awarded in this year.

⁸ Energias de Portugal, one of the leading European energy supplier and the biggest in Portugal

⁹ www.forever.pt

¹⁰ www.forever.pt

Strategy Case Study – Lemon Jelly by Procalçado S.A.

Under the brand **Wock** the company developed a new product line of molded footwear, targeting a segment in the market which set a high value on quality – professionals in industries, who spend many hours standing. These industries include hospitals and other healthcare institutions, cosmetics / beauty companies, pharmaceutical industry, cleaning companies, hotel industry, food industry and catering industry. In those industries comfort is extremely important. Procalçado is able to deliver a comfortable and high quality product using 19 different raw materials, the know-how and innovative technology, collected over the years.¹¹

Lemon Jelly is the youngest brand of Procalçado. After delivering footwear components to other shoe brands for many years the company decided to create its own fashion shoe brand that stands for lifestyle and quality. Having already years of experience in the industry, it was about time to bring a fresh new product to the market. Therefore Procalçado built up a creative team to develop a shoe that stands literally for freshness – the yellow Lemon Jelly boot.

3. The creation of Lemon Jelly

When building the new brand in 2012 the creative team was constructing a new business model by focusing it around a formula for happiness, as defined in the brands philosophy:

“Picture an explosion of all the best feelings in life. Then imagine picking pieces of it and squeezing them into a concentrate of wonder. It will have friends, great escapes, summer outings, laughs, countryside smells, sea sprinkles, tight hugs, beach parties and glamorous city nights. That's Lemon Jelly!”¹²

Their customer should not only connect to the brand, but also connect the brand with feelings (“feels like a cuddle”¹³), with tastes (“taste like sweetest sweets”¹⁴) and noises (“sounds like laughter”¹⁵). A bunch of positivism in all the senses was being transferred by the team in a shoe.

The design team used a lot of colors to communicate this philosophy. As the brand’s name is Lemon Jelly, the representative boot is yellow. But the collection was expanded and goes with

¹¹ www.wockshoes.com

¹² www.lemonjellyshoes.com

¹³ www.lemonjellyshoes.com

¹⁴ www.lemonjellyshoes.com

¹⁵ www.lemonjellyshoes.com

Strategy Case Study – Lemon Jelly by Procalcado S.A.

a lot of different colors and sparkles. The traditional form of a rubber boot was kept, while added details make it more consistent with the brand's philosophy.

3.1. The competition

In the footwear industry you can find a big number of manufacturers and producers. In the special sector of manufacturer using rubber as the main material for their products the number of companies is getting smaller, even though it gets a big attention recently. On a global scale Lemon Jelly has a number of big and well established competitors operating in the segment of jelly shoes.

Hunter Boot Ltd is a British brand founded in 1856, which is well known for its iconic Original Boot. Having a rich history, the company is always working on new designs and trying to keep pioneers in protecting from wind and water. Even Queen Elisabeth II, the Queen of the United Kingdom, is a client of Hunter. In 2013 and with a new creative director (Alasdair Willis) in the team, Hunter split its brand category into Hunter Original and Hunter Field, following on the one side the traditional field and developing on the other side boots for more specific activities. The brand of Hunter is focused on traditional outdoor activities linked with rubber shoes, like fishing or horse-riding. Therefore it targets a very active target group producing high quality boots for women, men and children.¹⁶ This British company is considered to be a big competitor in terms of quality.

Melissa was founded in 1971 in São Paulo, Brazil and has become a global footwear brand and one of the largest footwear manufacturers, producing 176 million of pairs and launching 400 new models a year. Under its parent company Grendene, Melissa retails a wide collection of jelly shoes, bags, jewelry and fragrances. The company's success is based on its strategy that focuses on superior design, engaging in sustainable development and developing groundbreaking footwear technology. Its famous rubber shoes are made of 100% recycled plastic.¹⁷ Unlike Britain, where Hunter has its origin, Brazil is not well-known for wind and rain. Anyways the company was able to establish an important position on an international scale by mostly having creative designs.

In 1853 **Aigle** was the first company to use rubber as its core material for boot manufacture. The French company makes sure that in every step of the production high quality and high performance can be guaranteed and this is what the brand stands for. Their products are

¹⁶ <http://www.hunterboots.com/>

¹⁷ <http://melissasingapore.weebly.com/about-melissa-hearts.html>

Strategy Case Study – Lemon Jelly by Procalcado S.A.

mainly focused on activities like hunting and horse riding or fishing. Since 2008 and with a new head in the company, they initiated a rebranding strategy with a stronger fashion aspect, launching at least one new model a year, but still keeping the high quality in focus.¹⁸ Being in the business of rubber boots for over a century and considered to be the first company to innovate this kind of shoe, Aigle was able to sustain a leading position in the industry.¹⁹

As rubber shoes are considered to be a functional product, all of the mentioned companies are considered as big competitors for Lemon Jelly. Regardless the fact that they seem to be in the same channel, all of them, and also Lemon Jelly, were able to find their own position in the industry.

“We are well positioned and found our own space in the market!”

Ricardo Oliveira, Marketing Manager of Lemon Jelly

3.2. The customers

When the company decided to launch a new product under the brand Lemon Jelly the target group was defined in a very specific way:

“Our target group is an independent woman between 24 and 35 mostly. It is a woman, who is secure about her environment, confident and independent”.

Ricardo Oliveira, Marketing Manager Lemon Jelly

Lemon Jelly has a collection of rubber shoes for women and kids. It was created around a lifestyle, which independent women can identify with. The brand targets a generation between 24-35 years, which demands comfort, functionality and design. The in-house design team travels around the globe to the fashion hotspots, like London and Milan to get inspired by latest fashion trends. Additionally the company has an inspirational platform, where it includes the client’s ideas and wishes in the creation process of a new collection. The comfort and functionality is a factor that could always be respected through the experience they already have, gained with the other brands of the company For Ever and Wock. All those criteria are leading to the fact that Lemon Jelly’s target group is willing to pay a higher price for its collection.

A collection for men does not exist yet (late 2016). At the moment the company is concentrating on the present projects to provide a professional and outstanding product for the

¹⁸ <http://www.thebrander.com/article.php?o=824>

¹⁹ <https://frenchfootwear.com/>

Strategy Case Study – Lemon Jelly by Procalçado S.A.

two segments. And step by step they will optimize their presence in the markets and maybe work out a completely new collection to target men, as well.

3.3. Production technology

In the past decade Portugal's shoe production has enlarged faster than in other European countries like Italy. Higher labor cost in those countries forced manufacturer to outsource many production activities and concentrate on merely finishing the products in their country. On the contrary Portuguese manufacturer reached for enhancing their production activities.

When it came to the question where to manufacture the Lemon Jelly boots the answer was easy. Having so much experience in manufacture rubber shoes and shoe components, the production was placed in the company's facilities in São João de Madeira. All the technology, which was available in the company, made it comparable easier to organize the manufacture processes of the new product line. If Procalçado was not manufacturing rubber shoe components before creating its new brand, the company would have suffered in several ways. First, the development of the processes and the procurement of machinery would have implied high initial costs. Second, to master the production practices, additional investment in R&D would have been needed. And finally all the development procedures need time. Being new in this industry involves a learning process of 2-3 years. Most of entering companies don't have the capacities to overcome those first years.

Material and the supplier

Having already experience in manufacturing rubber to produce shoe components and shoes it seemed likely to choose rubber for their new product, too. The processing of this material has been done by this company for many decades already. Machineries for manufacture were already assets of the company. The production processes of the soles have been brought into perfection through the numerous years of delivering this complement to other big brands, like even one of their competitors Hunter.

Rubber is a commodity, a basic good that is usually only used for production of other goods. A commodity is being traded on an 'exchange market'. It can be imagined like a stock market, a physical or mostly virtual place, where all the producers are selling their commodities and the buyers can reach for the lowest prices. The quality between the materials offered in those exchange markets does not vary significantly. Producers don't differentiate a lot, as there are strict regulations in the commodity market for companies, who want to trade its goods. Therefore Procalçado can orient on the recent 'stock price' of the rubber to

Strategy Case Study – Lemon Jelly by Procalçado S.A.

negotiate with its suppliers. In number they have several hundred of suppliers and if those are not willing to adjust prices, it is easy to find another. As a result the raw material, which is being used for the production of the boots, is coming from different places all over the world, but mainly from Asia.

Production technology (Technology and R&D)

“Hold the latest state-of-the-art technology is essential to meet all the needs that come to us.

We invest in machinery and advanced industrial methods to be able to take the best advantage of any material. To leverage the technology, we have experienced and updated professionals. The result is the maximum speed, accuracy and versatility.”²⁰

There are different methods of casting raw material, like rubber, and bring them into the wished form: Rubber Compression Molding, Thermoplastic Injection Molding, EVA Injection Molding, Rubber Injection Molding and PU Casting are the ones Procalçado is using. To produce the Lemon Jelly boots the company use Injection Molding, an injection method which has been brought to perfection over the years in the industry.

Besides the injection, Lemon Jelly was able to integrate most of the production process into the company. 95% of it is being done by the company itself. For the most part the company could make usage of already existing production and manufacture lines, some others have been involved and mastered during the development. As for instance, they used to outsource the procedure of gluing accessories and other decoration on top of the shoes. Now they internalized this practice, too. This gives them more flexibility. But also it gives them the possibility to widen their techniques and create know-how in a new area, for example which glue fits to which material, for the company.

Production facilities and location

The north of Portugal is well known for manufacturing and generating products in the footwear sector. Procalçado’s headquarter is located in Pedroso, a city close to the industrial area around Porto and surrounded by many other companies operating in this industry. Additionally it has its production facilities in São João da Madeira, one of the most important shoe industry clusters of Portugal.

²⁰ www.forever.pt

Strategy Case Study – Lemon Jelly by Procalçado S.A.

The fact that Procalçado decided not to shift their production to Asia in the early years, as many other shoe producer from other parts of the world did, is a big advantage for them now. Shoes produced in Portugal are having a good recognition worldwide. This reputation is even growing. The tradition of footwear production in Portugal and the big presence of craftsmen, needed for qualitative work, is a big advantage when it comes to the origin of a shoe.

Being able to locate the production of the boots for the new brand in its own facilities was another advantage in terms of employees. The company has a big pool of experienced employees in house, which supported the creation of the brand in every step, for example prototyping specialists, who assisted the first phases of the development.

3.4. Main challenges

Even though the development of Procalçado's newest brand had a very good entry to the market, there are some aspects that the company still wants and needs to work on.

Dynamic environment

The environment of each company is very dynamic. Many factors have to be put into consideration when growing a new brand, especially in the fashion industry. The lifecycles of the products are getting smaller and the responding-time to new trends has to be faster. Time plays a big role. Therefore being updated in case of technology and customer needs is crucial to survive in this industry. In the technological part Procalçado has experienced employees, who make sure they don't miss out on latest development. For the product development, design and marketing of Lemon Jelly the company hired new professionals, as it was not familiar with the procedure in the fashion sector of rubber shoes.

Sustainability

Another big topic for the managers is sustainability and green production. As the company uses rubber and not leather the shoes are considered to be 'vegan'. But the raw material rubber is a non-renewable material. The company is already investing in the development of renewable sources that can be used for production (late 2016).

“The new generation is taking these issues in consideration. They want to see that brands engage in this field”

Ricardo Oliveira, Marketing Manager Lemon Jelly

Strategy Case Study – Lemon Jelly by Procalçado S.A.

Nevertheless the society has to be ready for such a shift. A change towards renewable material would mean higher prices resulting from higher costs. Even though the clients want the companies to engage in this field, it is not sure if they will be willing to pay the price that goes with such changes. Procalçado is very concerned about this topic and is already investing in this area.

3.5. Outlook

After the first step towards the fashion sector of the industry, Procalçado was able to establish a good position with its new brand Lemon Jelly within the markets. After only 4 years Lemon Jelly boots are available in 25 markets (Germany and France are the biggest), having different point of sales as well as online presence.

Even though the fashion sector in the Portuguese footwear industry experiences recently a positive growth, especially compared to other European countries, there are still some difficulties to be managed by the Lemon Jelly management team. Considering the fashion aspect in the development of the products, as well as a new target group, the company has to build up new management teams and create know-how in this area. At the same time it gives them the opportunity for new target groups and diversifying their portfolio.

Now Procalçado needs to deal with new features of the industry, like faster responding time to customer demands, shorter lifecycles of products and a more demanding customer base. To overcome all these issues, does Lemon Jelly have a right positioning in the market? Should it try to expand the product range by adding a collection for men or focusing on activities (fishing, horse-riding), like some of its competitors do?

II. Theoretical Background

The following chapter will provide theoretical background, in order to understand how companies are able to develop a competitive advantage and the advantages of a resource-based view. Additionally it will deliver theory on what needs to be considered to sustain that competitive advantage. Doing that, important literature on the topic is going to be included and discussed.

1. Porter's 5 Forces

In 1979, a Harvard Business Review article “How Competitive Forces Shape Strategy”, written by Michael Porter, reformed strategic thinking. Often managers tend to manifest their competition only on the other players of the industry. That makes them neglect other forces that shape and influence the state of the competition. Michael Porter explains the importance of including all essential factors to define a company's competitive environment: the threat of new entrants, the bargaining power of customers, the bargaining power of supplier, the threat of substitutes and the rivalry among existing players in the market. To be successful in this environment a company needs to find a secure position against those forces or even have impact on them in its favor.

Porter's (1979) framework enables the evaluation of a company's competitive environment and the determination whether the industry, in which it is operating, is profitable and attractive. The five forces have the same effect on each company of an industry. Consequently, responding to the forces effectively, or even using them to achieve an advantage depends on each company and its positioning.

2. Shifting importance on the resource-based view

According to Grant (2016) there are two approaches on creating a strategy for a company. It can be based on an external view, means the strategy is based on external factors like the company's environment and the industry it is competing in. On the other hand the strategy can be focused on the internal environment of a firm, in particular the resources and capabilities of the firm. Concentrating rather on the latter (the interface between firm and strategy) results as a consequence of two assumptions:

- 1) The environment of a firm is very dynamic and as a result unstable,
- 2) The source of profitability depends more on the competitive advantage of a company than on the industry attractiveness.

Strategy Case Study – Lemon Jelly by Procalcado S.A.

In 1991 a study about “ How much does industry matter, really?” by McGahan and Porter (1991) confirms that the industry effect on profit contains around 18.7%, while the firm effect has an influence of around 36% on a firms profit. This study highlights the importance of a company’s internal resources and capabilities.

Recently the resource-based view has been extended by a new theory – *Dynamic Capabilities*, which highlights the importance of the ‘organization’ of resources, rather than just owning them (Teece, Pisano and Shuen, 1997). This new approach is still in an evolving phase, enjoying attention from several scholars, who compare the two concepts of the resource based view and dynamic capabilities (Barreto, 2010).

3. The resources and capabilities of a firm

First one need to distinguish between what a resource and what a capability of a firm is. A resource can be defined as everything a firm has, in particular its assets. A capability, on the other hand, is what the firm can do with those assets. Therefore it is not enough to have important resources, but more about having a mixture of resources, which work together and form an organizational capability. Creating those capabilities within an organization, using the right resources of a firm, makes it possible to create a competitive advantage. (Grant, 2016)

3.1. Resources

There are 3 main types of resources: tangible, intangible, and human resources.

Tangible resources of a company can be identified easily. They include all the financial resources and physical assets of a firm. As they are stated in the financial report they are also easy to evaluate. However, the importance lies in identifying their potential on how they can be used to generate additional value and a competitive advantage. To do so, Grant (2016) engages to ask two questions: “*What opportunities exist for economizing on their use?*” and “*What are the possibilities for employing existing assets more profitably?*”

Intangible resources are harder to identify as they are not stated in a financial report or a balance sheet. Even though they mostly seem to be undervalued or even unvalued, there are studies that confirm that intangible resources are more valuable for a company than tangible resources. The example of the *brand* itself being an intangible resource of a company illustrates that this assumption is reasonable. This so called ‘reputational asset’ is hard to put in number, but surely acts as a valuable resource to the firm. Furthermore *technology* or

Strategy Case Study – Lemon Jelly by Procalcado S.A.

intellectual property can be identified as intangible resources and serves the same way as the *brand*. (Grant, 2016)

Human Resources do not appear, like intangible resources, in a balance sheet. Nevertheless, as intangible resources, they are crucial for the performance of a company. Human resources involve everything an employee of the company can offer. This can be a special kind of expertise or any kind of effort the employee puts in the firm. (Grant, 2016)

3.2. Capabilities

The capabilities of a firm arise through the interaction of its resources. Unlike the resources of a firm determine ‘what a company has’, the capabilities relate to ‘what a company does’ with them. (Grant, 1991)

An example out of the fashion industry is Zara responding quickly to the market as a result of an efficient supply chain and a competent design team in house. Using human resources together with technological resources, the company is able to have an outstanding performance in case of fast responding to trends.

3.3. Classification of Resources and Capabilities

A company has a competitive advantage, if it is able to choose a strategy that is creating value and cannot be implemented by another competitor or possible entrant of the industry. Barney (1991) identifies four requirements, which have to meet the resources and capabilities of a firm in order to achieve a competitive advantage. According to him a resource or capability has a strategic importance, if it is valuable, rare, inimitable and without substitutability. (Barney, 1991)

Later this methodology was transferred into the VRIO framework, which replaces the last requirement ‘Substitutability’ by ‘Organization’. This changed characteristic included the ability of the company to organize its valuable, rare and costly to imitate resources in a way that it can profit of its potential (McWilliams et al, 2002).

Another framework to evaluate the potential of resources and capabilities is being provided by Grant, who suggests, similar to Barney, four characteristics: durability, transparency, transferability and the ability to replicate. Those characteristics together with the evaluation of ‘appropriability’ are being used to determine, if a resource or capability is sustainable and has a strategic importance on the profits of a firm. (Grant, 1991)

Strategy Case Study – Lemon Jelly by Procalcado S.A.

In a case study developed by Cardeal and António (2012), the authors show that capabilities, which are classified as valuable, rare and inimitable, are the most important requirements for a company to achieve a competitive advantage. Additionally the authors proved that such a capability doesn't necessarily has to be based on resources that are classified in the same way, as valuable, rare, inimitable and additionally organized together with other resources to form a capability (VRIO). This research illustrates that complexity plays a big role, too. If a company can develop capabilities with a high grade of complexity involving diverse resources, the capability created will be harder to imitate by competitors and assures a competitive advantage for a longer period. (Cardeal & António, 2012)

3.4. Porter's Value Chain

The 'Value Chain' framework of Michael Porter (1985) helps to analyze the activities of a company, which allow creating value and receiving a competitive advantage. It gives an overview of the resources and capabilities of the firm. The organization of the activities determines the costs and therefore the profits of a firm. The model is divided into primary and supportive activities. The primary activities include:

- 1) Inbound Logistics (activities related to receiving raw material, e.g. storing, schedule)
- 2) Operations (activities regarding transformation of input into final product)
- 3) Outbound Logistics (activities to get finished product to the customer, e.g. Distribution)
- 4) Marketing and Sales (activities influencing customer to buy products, e.g. advertising)
- 5) After-Sale Service (services offered by the firm after the purchase, e.g. repair)

The supportive or so-called secondary activities include:

- 1) Infrastructure (the general structures of the firm, e.g. finance, workforce)
- 2) Human Resource Management (activities associated with the employees, e.g. recruiting)
- 3) Technology Development (research and development process to improve performance)
- 4) Procurement (procurement assets and raw material)

3.5. Advantages of industry clusters

“A cluster is a critical mass of companies in a particular field in a particular location, whether it is a country, a state or region, or even a city” (Porter, 1998).

According to Porter's definition it includes a group of firms operating in the same industry or in related /supportive industries (e.g. firms producing complementary/ supplementary goods,

Strategy Case Study – Lemon Jelly by Procalcado S.A.

specialized infrastructure providers, specialized institutions or universities) in a specific region. Moreover it is common that such a region has an association, which connects the members of a cluster. The literature provides evidences that there is a connection between a company's geographical location (being in a cluster) and its productivity. On the one hand there is a positive impact on the productivity, as the cluster provides easier access to specialized input, information and complements. On the other hand, it facilitates the transfer of know-how and cooperation among cluster members. This leads to increased innovation and business formation and drives the players of the industry in that specific region. (Porter, 1998)

4. Vertical integration

Vertical integration is the process of including activities in the operations of a company, so that the company becomes its own supplier or customer of that activity. Vertical integration is often favored as it captures additional margins of the production chain. Also the company gains more control and gets less dependent on third parties. At the same time it implicates high investments in the development of those activities. As a new task is being included in the company's operations, different to its existing core activities, it might be more profitable to buy or outsource this part then to include and make it on your own. (Johnson et al, 2013)

Stuckey and White (1993) published an article on how to evaluate, if vertical integration makes sense or not. As this strategy is always connected with high risks and investments, the authors suggest four reasons to approve vertical integration:

- 1) No reliability within the market and high risks: this reason refers mostly to uncertainties, imperfect contracts and opportunistic behavior,
- 2) Higher market power of firms in nearby stages of the industry chain,
- 3) Possibility of creating or exploiting market power,
- 4) Development of a young or declining market.

5. Threats of Sustainability

After a company achieves a competitive advantage in the industry it operates, it is important to sustain the position. As companies operate in dynamic environments, there are threats which can appear over time and threaten the current position. Ghemawat (1991) proposes four main threats that companies should take into consideration to sustain their position: imitation, hold-up, slack and substitution.

Strategy Case Study – Lemon Jelly by Procalcado S.A.

Imitation appears, when the supply of a product increases. That means if a competitor start producing the same product and selling it with the same strategy.

Hold-up comes up, when the bargaining power of customer, supplier or firms providing complements and increases dependencies.

Slack is a phenomenon, which occurs inside the company, if the efficiency of a firm decreases, for example due to growth or disorganization.

Substitution arises with decrease in the demand due to a new product that meets the needs of the customers in a better way.

III. Teaching Notes

This chapter provides support to the instructor, needed to work with the case. Additionally it includes suggestions on potential assignment questions together with possible solutions and guidance on analyzing and discussing the topic.

1. Introduction

The presented case serves as a mean to connect the theory presented in a Strategic Management class and the application in praxis. It is supposed to be used in class discussions, in order to generate solutions for the questions, which are suggested in the fifth paragraph of this chapter.

The teaching notes are created to be used by the teacher of the class, in order to provide guidelines on answering the assigned questions. As class discussion might follow different paths and subjective interpretation can lead to different conclusions, the suggested teaching notes only work as general recommendations.

This case was generated in 2016, so the fact, that there might be different developments and additional information appearing during the time, has to be considered.

2. Synopsis

The case talks about Procalçado, a company in the north of Portugal, which created a new brand in their portfolio, Lemon Jelly. The company was operating in the footwear industry for already 43 years, first providing high quality shoe components to the industry and later with their first own brand, selling professional footwear to the market. After many years of experience, the company made the next step and developed a fashion brand, rubber shoes with a big emphasis on the quality, comfort, functionality and brand recognition behind the shoes. It shows how the corporation could use its experience and other important resources and capabilities to enter the fashion sector successfully. Additionally the case describes how the company could position itself in the very competitive environment of fashion.

3. Teaching objective

The case of Lemon Jelly gives the opportunity to discuss theoretical subjects and methods presented during the lectures. The real-life case of Lemon Jelly gives students the chance to apply their theoretical knowledge by using strategic frameworks and theories to answer the

Strategy Case Study – Lemon Jelly by Procalcado S.A.

assigned questions. To answer the questions relevant information was being included in the case. The main teaching objectives of discussing the present case are the following:

1. Differentiating between a resource-based view and an external view to build a competitive advantage.
2. Understanding the competitive environment of a company and its importance
3. The importance of resources and capabilities within a company to enter a business
4. The importance of technology within a company to sustain in the Industry
5. Creating the ability to design a value chain including resources and capabilities and a company's activities to explain how to achieve a competitive advantage
6. The evaluation, if a competitive advantage is sustainable and the threats a company is facing regarding the sustainability

4. Target audience

This case is suitable for undergraduate or postgraduate students in the area of Business and Economics. The case is designed to be discussed in a class with a strategic content. To analyze the case, students and participants of the class have to understand what a strategy is and its importance in a company. After discussing this case study they will deepen their knowledge about resources and capabilities of a company, which a firm uses to create a competitive advantage. Moreover they will learn how to classify those and how to sustain a competitive advantage.

5. Suggested assignment questions

The relevant theory should be taught in a class session before the case discussion. Having the relevant theoretical knowledge the students should be able to apply it on the case of Lemon Jelly. The following assignment questions are generated to support the students to structure and analyze the data in the case as well as going beyond and stimulate critical thinking.

Question 1: *Describe the industry environment of rubber fashion shoes.*

Question 2: *In which of Procalcado's / Lemon Jelly's principal functions and activities do its main competitive advantages lie? Identify the distinctive resources and capabilities in each of these functions and activities.*

Question 3: *How do you classify the strategic importance of the resources and capabilities of the firm?*

Strategy Case Study – Lemon Jelly by Procalcado S.A.

Question 4: What challenges does Lemon Jelly currently face? What measures does it need to take to sustain its recent performance and defend against competitive (and other) threats?

Question 5: Should Lemon Jelly enter the segment of Jelly boots focusing on activities, like one of its biggest competitors Hunter does?

6. Case Analyses and Teaching Plan

The analysis of the case is based on the theory of competitive advantage and the value chain (resources and capabilities). The relevant theory has been provided in the previous chapter.

Question 1: Describe the industry environment of rubber fashion shoes.

The goal of this question is to identify the industry, in which Lemon Jelly is operating and which is influencing the company.

To answer this question, students should make usage of the ‘Porter’s five Forces’ framework by Michael Porter. At the end the students should be able to evaluate each force from low to high. This Analysis enables to understand the environment of Lemon Jelly better.

First the students need to define industry boundaries, in order to understand which industry to analyze. Setting industry boundaries is difficult, but also crucial for the analysis of the environment.

The industry of Lemon Jelly is already stated in the question to facilitate the exploration – the rubber fashion shoes. It narrows the whole footwear industry to the specific business of shoes made out of rubber and excludes players, which supply the market with shoes made out of other material, for instance leather.

- **Bargaining power of suppliers**

There are two main suppliers in this industry. The first one is the supplier of the raw material for the production of the shoes. As **rubber is a commodity** and traded over an exchange market, the companies of this industry have high bargaining power over their suppliers. Prices for the raw materials can be kept as low as possible and in case the present supplier does not adapt to the current exchange prices, companies can switch easily to one of the numerous competitors. The other supply comes from shoe components. Companies which outsource production partly or even fully depend on supplier of shoe components. Another supplier for rubber fashion shoes to mention is the supplier of accessories, like shoe buckles and other

Strategy Case Study – Lemon Jelly by Procalcado S.A.

decorations. Similarly as with rubber the supply of those features does not depend on one big player. Firms can switch simply to a different provider and adjust their collection. Considering rubber as a commodity, the power of shoe components manufacturers and the numerous provider of shoe accessories, the bargaining power of supplier can be seen as **medium**.

- **Threat of substitutes**

The rubber fashion shoe industry is facing numerous substitutes nowadays. Two main criteria, which have to be considered in order to define substitutes for a rubber fashion shoe, are functionality and fashion style. In the sense of functionality there are different alternatives for the classic rubber boot in the markets, as there are for instance leather shoes with a rubber sole, achieving the same functionality. Moreover there is rubber footwear in the market, which doesn't have the traditional form of a boot but rather a sneaker. The footwear industry in general offers a wide range of waterproof shoes out of different material, for instance leather which have to be considered as a substitute. In sense of style the offer is even bigger. As a result the threat of substitutes can be considered as **high**.

- **Bargaining power of customers**

There are numerous players, who have wide product lines. Just to name some of Lemon Jelly's competitors: Hunter, Melissa and Colors of California, who are operating in the fashion rubber boot industry. Additionally, as already stated in the analysis of the substitutes, the footwear industry offers a large number of alternatives and choices. It is important that the companies operating in this industry offer a high brand value to attract customers and meets the customer's demand better than its competitors. The switch of a customer to another brand depends on several aspects, like price and brand value, information that is easily accessible, due to the online presence of the firms. As alternative suppliers are therefore easy to find switching is common in this industry. As a result the bargaining power of the customers can be defined as **high**.

- **Threat of new entrants**

There are different aspects to be included when assessing the threat of new Entrants in the fashion rubber shoe industry. First, high capital requirements make it hard for new companies to afford **initial investments** in machinery and technology. Also the case says, that to create general know-how a company has not only to invest financially but also in terms of time.

Strategy Case Study – Lemon Jelly by Procalçado S.A.

Generating knowledge and master production and manufacturing is a process that takes in average two to three years. Not being able to provide the capacity to overcome the first years make new Entrants fail, when entering the market. On the other hand, if a company is able to overcome initial issues (for example by outsourcing the production process) or already having some experience in the field, it can find a position in the market, as there are no specific regulations for this product. At least at the moment it is easy and not costly to buy rubber or other non-renewable material for production. This might be changing, as Sustainability is evolving and investments are being made in the development of more efficient material. Therefore the threat of new entrants is **medium to high**.

- **Rivalry among competitors**

There are several companies, who focused their activities on rubber shoes in the footwear industry. The case names some of them: Hunter, which concentrates its brand on outdoor activities, Aigle, which offers its shoes even with a little heel and focuses on a more fashionable usage or Melissa, which provides a shoe for young and active girls and among those there is Lemon Jelly, which is targeting independent urban women. Besides these companies there are several other rubber boot suppliers, which for instance focus less on quality and offer low cost products to the market. The footwear industry, and with it also the rubber boot industry, is experiencing a growth continuously. Even though, it is said that all of the players are able to find their position in the market. In case of rivalry, it seems that the industry is balanced at this point. Competitors have diverse approaches to the market and follow different strategies, trying to win the demanding customers. Hence the rivalry among existing competitors can be resolved as **medium**.

In summary the footwear industry, especially in the sector of rubber shoes, doesn't have a high level of attractiveness. Medium bargaining power of suppliers, as well as medium entry barriers could make new competitors entering the industry. Nevertheless the high bargaining power of customers and high initial investments for integrated processes might be aspects, which harm new competitors.

Question 2: In which of Procalçado's / Lemon Jelly's principal functions and activities do its main competitive advantages lie? Identify the distinctive resources and capabilities in each of these functions and activities.

The goal of this question is to build a list of resources and capabilities, which can then be appraised in terms of their importance and relative strength.

Strategy Case Study – Lemon Jelly by Procalcado S.A.

When answering this question, students should be aware of the different types of resources: tangible, intangible and human resources. According to those types one can divide the question.

Resources in the firm		
Tangible	Intangible	Human Resources
Financial resources	Location	Craftsman
Machinery and manufacturing equipment	Portuguese tradition in Footwear	Experienced Employees (Prototyping specialists...)
Vehicles and Distribution networks	Connection through its other brands	José Pinto
IT equipment for designing process	Brand Development	Company Culture
	Quality reputation	

Table 1: Resources of Lemon Jelly

Tangible resources

Procalcado's tangible resources in the time of the creation of Lemon Jelly are various. As the company was already working in the industry, it could make use of the already existing assets. Over the years the company accumulated specific machinery and manufacturing equipment. In the footwear sector of the fashion industry those physical assets are crucial. Having those assets already in the company, the collection of the new brand Lemon Jelly could be produced in house and not outsourced. Having production facilities located in the north of Portugal made it easy to find a place for the operations and the vehicles and distribution networks facilitated processes additionally. Furthermore the financial resources, also to the fact that the company has been operating successfully for many years, helped to invest in the growth of the brand. In the first stage of the design process the IT equipment, which was used to develop the products for its clients of shoe components, was an advantage for Lemon Jelly, too.

Strategy Case Study – Lemon Jelly by Procalçado S.A.

Intangible resources

Being located in the north of Portugal gives a big advantage to the company. On the one hand, as Procalçado has not shifted their production to Asia, the fact that their shoes are ‘Made in Portugal’ gives the brand a big advantage. On the other hand, the location in the north, which is a cluster of companies operating in the Footwear sector, is a factor that influences and drives the company in its operations and its reputation. Over the years the company was able to build up a connection in this sector in many ways, on a national scale and also, exporting its products to over 50 countries, abroad. This was used to develop an outstanding brand from point zero. With the new brand Lemon Jelly the company was able to position itself very well in the market. It stands for a lifestyle and quality and the recognition is continuously increasing.

Human resources

Human resources are one of the most important and at the same time easiest assets to manage. First the company’s CEO José Pinto is a man, who has been working in this industry from the beginning of his career and was able to build up a good reputation. Besides him, Lemon Jelly has access to a big pool of other experienced employees from Procalçado. The prototyping specialist in-house enabled, for example, to simplify and master the development of the new product. The company’s culture allows the people to engage in many steps of the development and as a result they have motivated worker. Also Portugal is known to have many craftsmen in this industry and many of them belong to Procalçado and now to Lemon Jelly as well.

Capabilities

The capabilities of the firm are based on the combination and interrelation of its resources. In the case of Lemon Jelly there are a few capabilities to be named:

Development of high quality products: The availability of latest technology as well as a design team and other craftsmen of the industry aided the company to have an outstanding performance in creating products of high quality. The interaction of the employees enabled to generate this capability.

Excellent client services and understanding of customer demand: The fact that Procalçado was and is always involved in the whole process of the development for its clients operating in the footwear industry, the company was able to master its services. That is a big advantage

Strategy Case Study – Lemon Jelly by Procalçado S.A.

also for the new brand Lemon Jelly. It can be used to anticipate quality demand of the industry and Lemon Jelly can profit from existing relationships to other players.

Producing with low costs: Integrated processes of the company avoid transaction costs from contracts with third parties. As the firm internalized 95% of the production of Lemon Jelly, it can avoid paying supplier margins. Also the usage of rubber for its products gives Procalçado and its brand a cost advantage, as it is cheaper compared to other fabrics and purchased on exchange markets. Finally the possibility of a high capacity production, which includes also the production for its other brands and competitors, like for example Hunter, decreases the costs additionally.

Porter’s Value Chain

Finally the students can sum their finding in the framework of ‘Porter’s Value Chain’. By doing so, an overview of the key features of the company to reach profitability can be done as followed.

Support Activities	Infrastructure Vertical integrated, In House production 95%, ~500 employees, CEO and founder José Pinto				
	HR Workforce taken from Procalçado, Market specialists, Portuguese Craftsmen				
	Technology and R&D Latest technology in House, continuous research on new materials and its handling				
	Procurement Purchasing rubber on exchange markets				
	Inbound Logistics Only inbound raw material for production, no components	Operations Fully integrated, design, testing and manufacturing	Outbound Logistics Distribution network used from parent company	Marketing and Sales No information in the case	After Sales No information in the case
Primary Activities					

Table 2: Porter's Value Chain applied on Lemon Jelly

One can see that the main key success factors lie in the vertical integrated processes (operations), the availability of latest technology (Technology and R&D) and finally the availability of experienced employees and craftsmen in the location (HR).

Strategy Case Study – Lemon Jelly by Procalçado S.A.

Question 3: How do you classify the strategic importance of the resources and capabilities of the firm?

To classify the resources and capabilities the students can either use the VRIO criteria model by Barney or Grant's strategic importance criteria model.

The literature provides different theories to answer this question (Barney 2001, Grant 2016, Cardeal 2012, etc.) In the following I picked the theory of Cardeal & António to evaluate if the before mentioned Capabilities correspond to the VRI criteria.

Capability	Valuable	Rare	Costly to imitate	Strategic importance
Development of high quality products	Yes	Yes/No	Yes	Yes
Producing with low costs	Yes	Yes	Yes	Yes
Excellent client services and understanding of customer demand	Yes	Yes	Yes	Yes

Table 3: Classification of the strategic importance of the main capabilities

- 1. Development of high quality products:** this capability is valuable in the rubber fashion shoe industry, as quality is one of the main features that customers in this industry demand. On the one hand this capability can be considered as rare as there are several other competitors who are either not developing their high quality products themselves but inbounding several components (for instance Hunter from Procalçado). On the other hand as the functionality plays such a big role, all the competitors have to reach a certain quality standard. To achieve the capability to produce superior products it takes a lot of financial investment in machinery and technology and time to master the processes, build up know-how and train employees. As a result it is costly to imitate and therefore strategically important for Lemon Jelly.
- 2. Producing with low costs:** As lower costs increases the company's margin this capability can be considered as valuable. Lemon Jelly's low costs result of integrated processes and high capacities. As the company supplies other brands with shoe components it has comparable lower average unit costs. This is something rare in the industry and creates an additional advantage. Imitation of the cost advantage Lemon Jelly has, by being able to

Strategy Case Study – Lemon Jelly by Procalçado S.A.

use Procalçado's manufacture is very hard for recent competitors and new entrants. As a result this capability has a big strategic importance as well.

- 3. Excellent client services and understanding of customer demand:** To know what the customer demand is crucial to survive any industry and therefore of big value. The way how Lemon Jelly receives this information is rare as its mother company Procalçado cooperates closely with big player of the footwear industry. To develop those relationships and to have access to important information depends on long term engagement and is consequently especially hard to imitate.

Summed up one can see that the main capabilities of the company are strategically important and valuable for Lemon Jelly and Procalçado.

Question 4: What challenges does Lemon Jelly currently face? What measures does it need to take to sustain its recent performance and defend against competitive (and other) threats?

The purpose of this question is to analyze the threats of Lemon Jelly's current situation. The students will inquire the threats of sustainability and come up with possible solutions to exploit the company's strengths and prevent where the firm's capabilities are weak. Additionally, implications on how the firm should compete in the future can be formulated.

The threats on a competitive advantage can appear through imitation, slack, hold-up and substitution. Additionally as Procalçado entered the fashion segment of its industry for the first time, there are additional challenges it has to face: a new target group and new features of the industry.

Imitation: Most of Lemon Jelly's resources and capabilities are intangible and depend on high investments and entry barriers in the industry. Nevertheless, if a company can overcome those barriers, it can enter the Industry. At this point it will be hard for the new entrant to build up relationships and succeed to master its production on the same quality level as Lemon Jelly.

Slack: As Lemon Jelly has access to a big pool of fully engaged employees, the threat of slack seems to be low currently. The new brand is still at the beginning of its growth. With bigger grow in different markets there might be a risk of ineffective usage of its current resources. Therefore, the company should not lose its focus on the important aspects of its advantage like the technological lead and reach for high motivated employees.

Strategy Case Study – Lemon Jelly by Procalcado S.A.

Hold-up: Having a rate of 95% of vertical integration, the company was able to ensure a high level of control in all the involved activities. Moreover it can react on changes or problems that occur throughout the production process in a more flexible way. Regarding the inbound of its raw material, which is rubber, Lemon Jelly can switch to other supplier in a simple way. The fact that rubber is a commodity makes it possible to find alternatives quickly and avoid Hold-up.

Substitution: As Substitution appears with decreasing demand, the threat to substitute the rubber boots as functional shoes might appear. With the development of new material, which is a renewable source, Lemon Jelly might lose demand for its products. Nevertheless the company is highly investing in this area, as it is said in the case.

New target group: The fact that the company is targeting a new customer group with higher demand for fashion might be a challenge. As the company was operating towards another customer base before (professional footwear and shoe components) there might be a lack of knowledge on relevant marketing strategies to attract the new clients.

New features of the Industry: Besides a new target group, other new features of operating in the fashion segment of the industry appeared. The life-cycle of a fashion product is much smaller than the company dealt with before. Moreover the fast changing collections are influenced by higher demands for fashionable details.

Question 5: Should Lemon Jelly enter the segment of rubber boots for activities like one of its biggest competitor Hunter does?

In this question the students are asked to think further. They should work out, if entering and concentrating their brand on activities, like fishing or horse-riding is aligned with their current strategy and make a decision after balancing the advantages and disadvantages of this decision. In this question there is no right or wrong answer. The diversity of opinions and approaches may lead to different decisions.

To start the students can first highlight the differences between Lemon Jelly and Hunter, as this competitor was named already in the question. In this part of the question the differences or similarities of the named companies can be identified. The case provides basic information to answer the question, but additional research can be included. Possible aspects to be mentioned are the following:

Strategy Case Study – Lemon Jelly by Procalçado S.A.

- **Brand awareness and brand image:** From the case it is known that Hunter, as a brand, has a long history. Being a well-known brand since 1856 it was able to build up a strong reputation, targeting especially customers who are interested in outdoor activities like fishing or horse-riding. As Lemon Jelly just entered the fashion sector recently, compared to Hunter, they have a lower brand awareness and a lower brand image at the moment.
- **Origin:** Lemon Jelly is a brand developed in Portugal, while Hunter's origin lies in the UK. Thinking about those countries in general, differs a lot in terms of weather and activities. While Portugal is assumed to be a sunny country, where the outdoor activities tend to relate with sun and beach, the UK is supposed to be rainier and relates with outdoor activities like the ones Hunter concentrates on. For Lemon Jelly it makes sense to focus its brand on a lifestyle that is aligned with its origin. Nevertheless some activities like fishing or sailing might also align with the company's philosophy.
- **Product range:** Hunter offers products for Women, Men and Children. Besides that they have diverse product lines for different activities. Lemon Jelly's products are designed and created for a specific target group: independent and urban women with a feeling for fashion.
- **Quality:** In case of quality the companies are very similar. Even though Hunter is operating longer in the Industry, Procalçado's was able to build up an outstanding reputation and become one of the biggest suppliers of shoe components even to Hunter itself. The product quality Lemon Jelly provides to the market is exceptional.

Finally a list of 'Pros' and 'Cons' of the decision to enter this segment can be collected in class. Students should give their answers and opinions while collecting different points, which speak in favor or against entering a new segment by refocusing. In this part of the Analysis the students already know about the positioning and industry environment of Lemon Jelly. As a result they will be able to give a recommendation.

Strategy Case Study – Lemon Jelly by Procalcado S.A.

Possible answers are summed up in the following table:

PRO Entering	CON Entering
Widen products	Competitors already focusing on this target
New designs	Could not align with their philosophy
Technology and quality available	Activities of fishing and horse-riding in the markets popular?
No collection for men yet available	

Table 4: Balancing pros and cons of entering a new segment

As a suggestion diversifying by offering a new product line for men could be proposed. Having the capability to offer high quality products it might be an option for Lemon Jelly to focus on an activity like sailing that is aligned with the brands image and philosophy. Having a competent design team in-house and all the technology needed to test and develop a new product line the company could increase its profitability by building up a new focus on activities step by step in a sustainable way, like before, when they entered the fashion segment.

IV. Conclusions

This dissertation was developed with the intention to evaluate the development of Procalçado entering the fashion segment with its new fashion brand Lemon Jelly, using resources and capabilities of the firm.

1. General Conclusions

Lemon Jelly is a good example of a firm in the fashion industry, in particular the footwear sector that was able to grow by building up resources and capabilities in a company step by step.

Even though the company was successfully operating in the footwear industry for many years, it is facing new challenges with the new brand Lemon Jelly. A new target group, which is more demanding, and new life cycles of its products are additional features appearing in the same industry. It shows that within the same industry, depending on the positioning, the features can change drastically. The change towards a fashion brand was a strategic decision that made sense at this stage of the company. Having already crucial and well-developed know-how in the production part was a factor that facilitated the creation of the new brand substantially. Nevertheless new aspects have to be considered at this point. A new marketing concept for Lemon Jelly was developed and has to be updated continuously. The environment in the fashion industry is remarkable dynamic. As a result a company within the fashion industry has to master the capability to react fast on always changing conditions. With Lemon Jelly Procalçado made a good step in this direction.

2. Personal Opinion

In my opinion the case of Lemon Jelly is an interesting example to understand the importance of resources and capabilities in a company. It highlights the fact that a company, which develops certain capabilities over the time, can make a good entrance in the fashion industry.

When compiling the theoretical background and the teaching notes for the case, I could enhance and deepen my knowledge on certain theories and the application of those theories. It improved my understanding of the importance of resources and capabilities for the decision making process in theory and also in praxis.

Aside from this, working on the thesis helped me to discover a company that has a very interesting background. Even though many people have not heard of Procalçado, it is a major

Strategy Case Study – Lemon Jelly by Procalcado S.A.

player in delivering one of the most important component to many fashion brands recognized all over the world. Now having its own new brand I think it has the resources and capabilities needed in the firm to continue its successful path.

3. Limitations

Nevertheless this case has some limitations that have to be considered.

One thing that I underestimated at the very beginning of developing my thesis was to find a company, which is operating in the Portuguese fashion industry and is willing to give access to its firm and relevant information. As there are also companies, which prefer not disclosing too much information, this became already my first challenge.

More than this, it had to be a company with a history and a challenge within its development, which is outstanding enough to be written about. Discovering a relevant real-life problem that can be transferred and written in the form of a case study was not as obvious as I assumed.

After choosing a company, which provided an interesting case and its cooperation, it was a challenge to find relevant information online. As the company is privately hold and relative small despite its success, it doesn't disclose much information to the outside. Therefore collecting information about the company was based a lot on the interview and contact I got from the company, the marketing manager of Lemon Jelly Ricardo Oliveira. He gave me a lot of relevant facts to include in the case. Though, the big dependency on the company appeared as a big challenge.

Finally the geographical distance was a fact that limited the development of the case. As the company is located in the north of Portugal and I was partly in Lisbon and Germany throughout the process, and additionally because of the company's newest brand being still in the beginning of the development, a personal meeting was not possible to arrange.

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Interview

Ricardo Oliveira, Marketing Manager Lemon Jelly (24.11.2016)