



Case Study: Futah's Journey in Global Seas and Sunny Skies!

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Title: Internationalization of SMEs: A Case Study of Futih

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Abstract

This master's thesis investigates the internationalization strategies of Futih - a Portuguese SME known for its unique beach towels. Despite the advantages of globalization and digitalization, Futih faced significant challenges in establishing a strong international presence. Through a case study, this research explores the dynamic interplay between theory and practice within the context of SME internationalization, focusing on how digital transformation has influenced Futih's competitive positioning in global markets. The study identifies the strategic decisions and obstacles Futih encountered in its international expansion, examining the role of digital tools in enhancing market reach and customer engagement. It also discusses strategic adaptations necessary to overcome barriers such as market entry complexities and the integration of offline and online strategies. The thesis contributes to the academic discourse by providing insights into the practical application of international management theories in real-world settings, offering recommendations for SMEs aiming to achieve sustainable growth and a competitive edge in global markets. The findings underscore the importance of a balanced approach to digital and traditional methods, suggesting pathways for Futih and similar companies to navigate the complexities of global expansion effectively.

Keywords: Internationalization, SMEs, Digital Transformation, Market Entry Strategies, Sustainable Competitive Advantage, Futih, Global Markets

Título: Internacionalização das PME: um estudo de caso da Futah

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Resumo

Esta tese de mestrado investiga as estratégias de internacionalização da Futah, uma PME portuguesa conhecida pelas suas toalhas de praia únicas. Apesar das vantagens da globalização e da digitalização, a Futah enfrentou desafios significativos para estabelecer uma forte presença internacional. Através de um estudo de caso aprofundado, esta investigação explora a interação dinâmica entre a teoria e a prática no contexto da internacionalização das PME, centrando-se na forma como a transformação digital influenciou o posicionamento competitivo da Futah nos mercados globais. O estudo identifica as decisões estratégicas e os obstáculos que a Futah encontrou na sua expansão internacional, examinando o papel das ferramentas digitais na melhoria do alcance do mercado e do envolvimento dos clientes. Também discute as adaptações estratégicas necessárias para ultrapassar barreiras como as complexidades de entrada no mercado e a integração de estratégias offline e online. A tese contribui para o discurso académico ao fornecer informações sobre a aplicação prática das teorias de gestão internacional em contextos reais, oferecendo recomendações para as PME que pretendem alcançar um crescimento sustentável e uma vantagem competitiva nos mercados globais. As conclusões sublinham a importância de uma abordagem equilibrada dos métodos digitais e tradicionais, sugerindo caminhos para que a Futah e empresas semelhantes possam navegar eficazmente pelas complexidades da expansão global.

Palavras-chave: Internacionalização, PMEs, Transformação Digital, Estratégias de Entrada no Mercado, Vantagem Competitiva Sustentável, Futah, Mercados Globais

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List of Abbreviations

| | |
|------|---------------------------------|
| BGFs | Born Global Firms |
| CA | Competitive Advantage |
| EIFs | Early Internationalizing Firms |
| EJVs | Equity Joint Ventures |
| FDI | Foreign Direct Investment |
| INVs | International New Ventures |
| RBV | Resource-Based View |
| SCA | Sustained Competitive Advantage |
| SEO | Search Engine Optimization |
| SMEs | Small and Medium Enterprises |

1. Introduction

"Some call it summer, I call it life." This slogan captures the essence of Futih, a Portuguese company founded by Ricardo Ramos, Mariana, and Catarina Cunha, with an ambitious vision to make their distinctive beach towels a global icon. Ten years into its journey, despite its innovative approach and strong product offerings, Futih faced significant challenges in establishing a robust international presence. This thesis aims to analyze these challenges and the strategic decisions influencing Futih's global path, particularly focusing on the impact of globalization and digitalization.

In recent years, globalization and digital advancements have transformed the business landscape, lowering barriers to international markets and intensifying competition. Many Small and Medium Enterprises (SMEs), like Futih, have leveraged these changes to expand with less resource commitment. (World Economic Forum, 2023)

The research delves into Futih's internationalization process, examining how digitalization has played a role and analyzing the integration of the company's offline and online strategies. Despite the global reach and accessibility provided by digital platforms, Futih's physical presence and offline engagements have remained crucial, suggesting that a balance between online visibility and tangible customer experiences is essential for success.

From a pedagogical perspective, this thesis offers a rich case study for students studying international management. This dissertation will propose alternatives and offer recommendations for Futih to secure a sustainable competitive advantage (SCA) and achieve its ambition of global recognition.

1.1 Problem Statement

The focus of this research is to understand the challenges and strategic decisions that determine the internationalisation path of SMEs such as Futih. Despite the potential for market expansion and increased sales, SMEs face a number of obstacles due to their limited resources and the complexity of entering different international markets. This thesis aims to find out how Futih is managing global expansion with its approach to e-business and digital transformation. It examines the effectiveness of its market entry strategies, the impact of digital transformation

on its competitive position, and how these efforts align with or diverge from established theoretical frameworks in international strategy management.

1.2 Research Question

This research aims to provide valuable insights for both undergraduate and master's students studying international management, offering a practical application of theoretical frameworks in the context of small and medium-sized enterprises (SMEs). Futah's internationalization process, alongside strategic adaptations, contributes to an understanding of theoretical concepts in international management. Furthermore, it investigates the role of e-business adoption in Futah's strategy, assessing how this digital transformation influenced the company's competitive positioning in the global marketplace and facilitated its international growth trajectory. The core research question guiding this Master Thesis is:

- How has Futah navigated the complexities in the internationalization process as an SME, and what strategic adaptations and innovations could enhance its future growth trajectory in global markets?

This question aims to illustrate the dynamic interplay between theoretical strategic frameworks and Futah's real-world application of these strategies, providing a comprehensive analysis that bridges academic theory with practical business.

2. Methodology

In this research, both primary and secondary data sources were utilized to investigate the internationalization strategies of Futah. Primary data were collected through structured interviews with key personnel at Futah, including founders and directors. A total of 5 interviews were conducted, providing in-depth insights into the strategic decisions influencing Futah's internationalization. Secondary data were gathered from various sources, including academic articles, company website, and company documentation, to complement and validate the interview data.

To ensure the quality of the data, triangulation was employed, where information from interviews was cross-verified against secondary sources to validate the findings. Ethical considerations were rigorously followed, with all participants providing informed consent prior to their involvement in the study.

Table 1 Summary of Data Sources

| Data Source | Data Source | Quantity | Description |
|--------------------|--------------------|-----------------|--|
| Interviews | Primary | 5 | Semi-structured interviews with Ricardo Ramos, one of the founders, to gather insights into the company's internationalization strategy and experiences. |
| Company Documents | Secondary | 7 | Internal documents from Futah providing insights into strategic decisions, such as annual reports, website insights |
| Academic Journals | Secondary | 21 | Reviewed articles from various journals such as, the Journal of International Business Studies and Strategic Management Journal. |

3. Research Note

The core focus of this chapter will be on relevant literature concerning internationalization of SMEs, which provide a conceptual comprehension needed to discuss Futah's case study. Initially, the definition and significance of SMEs within the global economy are explored, with a focus on the categorization of these entities and the unique challenges faced during international expansion. The agility of SMEs to adapt quickly to new markets, crucial in today's rapidly changing economic landscape, is also discussed.

The drivers influencing SMEs to pursue international markets, including managerial, firm-specific, and environmental factors, are examined. These factors are analyzed to understand why some SMEs succeed internationally while others do not.

Furthermore, enablers of internationalization, such as firm resources, capabilities, and external support mechanisms, are addressed, including how government policies and industry conditions can facilitate or hinder SMEs' international endeavors.

Lastly, the performance implications of internationalization for SMEs are highlighted, with an analysis of how global expansion affects their competitive advantage and overall success.

3.1 Internationalization of SMEs

SMEs are typically categorized based on employee count or total revenues. According to the European Union standard, SMEs have a limit of 250 employees or €43 million in revenues (Eurostat, 2024). While size classification is often considered crucial, recent studies challenge its significance in defining export potential, particularly in the realm of international entrepreneurship (Leonidou et al., 2010). SMEs face unique challenges in internationalization compared to larger enterprises. Limited resources and capabilities make them less attractive to potential partners and hinder their political influence on policymaking affecting their interests (Laufs & Schwens, 2014). However, their agility allows them to swiftly adopt strategies tailored to dynamic environmental changes (Cheng & Yu, 2008; Zacharakis, 1997).

Internationalization, the process of expanding business activities beyond national borders, is a cornerstone of strategic management (Mintzberg, 1987; Welch & Luostarinen, 1988). It involves embracing new viewpoints and positions, making it an integral part of firms' strategic evolution (Melin, 1992). In fact, the internationalization of enterprises, regardless of size or stage, has been deemed one of the most significant business phenomena of the 20th century, evolving into a survival strategy in today's globalized economy (Sapienza et al., 2006; Puig et al., 2014).

While internationalization was traditionally perceived as a gradual process, recent studies recognize that firms may opt for incremental or rapid strategies (Johanson & Vahlne, 1977). Born-global or born-again global firms exemplify rapid internationalization, entering foreign markets either from inception or following a significant event (Bell et al., 2003).

3.1.1 Drivers

The decision for SMEs to internationalize is influenced by a multitude of factors, encompassing managerial, firm-specific, and environmental considerations (Senik et al., 2010). Managerial factors include the beliefs and experiences of decision-makers, while firm-specific factors relate to the technological and financial capabilities of the enterprise (Barber & Escriba-Estece, 2006).

Additionally, environmental factors such as industry type and customer demand play a pivotal role in motivating or hindering SMEs from expanding abroad (Olejnik et al., 2012; Kuivalainen et al., 2012). Despite the opportunities overseas, SMEs often encounter barriers such as limited initial capital and human resources, constraining their international growth (Krikštulytė & Korsakienė, 2016).

In the contemporary global landscape, internationalization is imperative for businesses seeking sustained growth and competitiveness (Brenes, 2000). Hollensen (2008) categorizes internationalization motives as proactive or reactive, encompassing factors such as profit and growth ambitions, market potential, and competitive pressures whereas Gupta & Govindarajan (2000) underscore several factors driving the necessity for companies to expand beyond domestic borders:

- *The Growth Imperative: Limited growth prospects in domestic markets necessitate seeking opportunities abroad.*
- *The Efficiency Imperative: Operating on a global scale can offer cost advantages over local competitors.*
- *The Knowledge Imperative: Adapting goods and operations to local contexts enhances competitiveness through local knowledge.*
- *Globalization of Consumers: Customers increasingly demand global uniformity and coordination in product offerings.*
- *Globalization of Competitors: Global rivals can gain advantages over non-globalized firms.*
- *Risk Management: Diversification across markets helps mitigate financial risks.*

3.1.2 Enablers

When SMEs contemplate internationalization, various factors influence their decision-making process. These factors encompass the firm's growth orientation, resources, capabilities, as well as external and internal dynamics (Olejnik et al., 2012). Enterprises with a focus on expanding their scale and scope often embrace born-global or born-again global strategies, influenced by their intellectual competencies and communication proficiencies (Olejnik et al., 2012). However, firms emphasizing gradual internationalization prioritize internal communication competencies, opting for traditional strategies to learn from their experiences (Olejnik et al., 2012).

To present an integrative and comprehensive assessment of the entire process, Steinhäuser et al. (2021) created a framework. This framework is based on a comprehensive review of 20 years of research in this field and identified the three most relevant themes: Antecedents, Patterns, and Outcomes of SME internationalization. Additionally, the contributions of other authors were added to further enhance and refine the framework with the relevant topics to

present in the case study (Antoncic & Hisrich, 2001; De Clercq et al., 2012; Debellis et al., 2021; Kuivalainen et al., 2012; Lam & White, 1999; Martineau & Pastoriza, 2016).

Antecedents of Internationalization according to Steinhäuser et al. (2021) include:

Environmental-Level Factors

Country-level factors, such as government policies and domestic market conditions, significantly impact SMEs' internationalization decisions (Martineau & Pastoriza, 2016). Government initiatives, like export promotion programs, can encourage international participation, while economic and political stability in a country can influence global expansion (Alvarez & Roberto, 2004).

Firm-Level Factors

The firm's size, network connections, and product innovation capacity are critical determinants of its readiness for internationalization (Steinhäuser et al., 2021). The size of an enterprise, its network connections, and its ability to innovate products play crucial roles in determining its internationalization propensity (Martineau & Pastoriza, 2016).

Research suggests that SMEs need a certain size and innovative capacity to engage in international activities effectively (Serra et al., 2012; Dhanaraj & Beamish, 2003).

Managerial attitudes and personal networks also influence internationalization decisions (Steinhäuser et al., 2021). Managerial traits, such as tolerance for ambiguity and previous global experience, significantly impact SMEs' attitudes towards foreign markets and their willingness to engage internationally (Knight, 2001; Jones & Coviello, 2005).

Individual-Level Factors

Individual-level factors, including managerial attitudes and personal networks, play a crucial role in SMEs' internationalization decisions (Steinhäuser et al., 2021). Managerial traits, such as tolerance for ambiguity and previous global experience, significantly influence SMEs' attitudes towards foreign markets (Knight, 2001; Jones & Coviello, 2005).

By understanding these factors and antecedents, SMEs can make informed decisions about their internationalization strategies, considering both external environmental factors and internal organizational capabilities.

3.2 International Market Entry Strategies

Early-stage firms with international experience often concentrate their export volume initially, emphasizing resource commitment and speed (Acedo & Rodriguez-Serrano, 2020; Chetty, Johanson, & Martin, 2014). Business networks facilitate access to resources and risk-sharing ventures, aiding SMEs in overcoming limitations during internationalization (Chetty & Campbell-Hunt, 2003). Ownership structure influences scale and scope decisions, with internally owned SMEs tending to be risk-averse and externally owned SMEs pursuing greater scale and scope (George et al., 2005).

3.2.1 Entry Modes

Various modes are influenced by country, industry, and firm-specific characteristics, with entry modes categorized into equity-based and non-equity-based modes, further divided into subcategories (Pan & Tse, 2000; Johanson & Vahlne, 1977). Non-equity entry modes, such as exporting and contractual agreements, offer low risk and resource commitment options for international market penetration (Pan & Tse, 2000; Johanson & Vahlne, 1977).

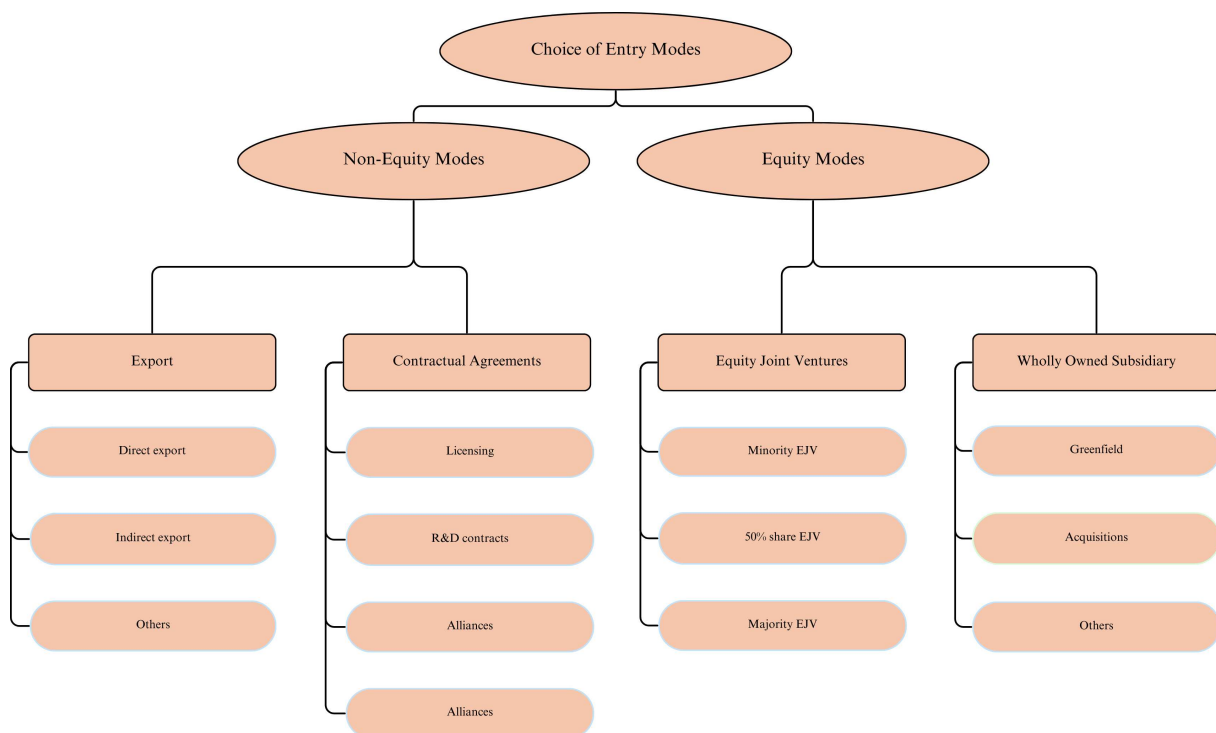


Figure 1 A Hierarchical Model of Choice of Entry Modes (Pan & Tse, 2000)

Economic Approach to Entry Mode

Transaction costs theory emphasizes choosing entry modes based on asset specificities, uncertain behaviors, and environmental uncertainties, favoring exports for their lower risk (Brouthers & Nakos, 2004). The eclectic concept suggests entry mode choices depend on ownership, location, and internationalization advantages (Dunning, 1988).

Equity Modes

Foreign direct investment (FDI) through equity joint ventures (EJVs) or wholly owned subsidiaries demands significant resource commitments and entails higher risks but offers greater control and commitment for the entering firm (Anderson & Gatignon, 1986; Pan & Tse, 2000). Wholly owned subsidiaries may opt for greenfield investments or acquisitions, allowing personalized operations and local partnership formation (Barkema & Vermeulen, 1998; Hofstede, 1991). According to Anderson and Gatignon, entry modes can be classified based on the entrant's level of control. In this framework, entry modes range from high control options like wholly owned subsidiaries or greenfield investments, where firms have significant decision-making authority, to medium control options like joint ventures or alliances, and low control options such as exporting or licensing agreements, where firms have less direct control over foreign operations. This classification helps firms understand the balance between control and risk in international expansion, aiding in strategic decision-making processes (Figure 2).

| Dominant Equity Interests (High-Control Modes) | Balanced Interests (Medium-Control Modes) | Diffused Interests (Low-Control Modes) |
|---|---|---|
| Wholly-owned subsidiary Dominant shareholder (many partners) Dominant shareholder (few partner) Dominant shareholder (one partner) | Plurality shareholder (many partners) Plurality shareholder (few partner) Equal partner (50/50) Contractual joint venture Contract management Restrictive exclusive contract (e.g. license) Franchise Nonexclusive restrictive contract Exclusive nonrestrictive contract | Nonexclusive, nonrestrictive contracts Small shareholder (many partners) Small shareholder (few partner) Small shareholder (one partner) |

Figure 2 Entry Mode Classified by the Entrant's Level of Control (Anderson, 1986)

Integrated Approach to Entry Strategies

Entry strategies for internationalization encompass various approaches, each influenced by governance mechanisms and transaction cost considerations. These strategies, including exporting, licensing, franchising, acquisition, greenfield ventures, and joint ventures, are vital

decisions for SMEs seeking to expand globally (Brouthers & Hennart, 2007; Cuypers et al., 2021; Thompson, 2012). Once an entry strategy is chosen, SMEs must align it with their broader internationalization strategies. International to transnational strategies dictate the degree of localization and standardization in operations post-entry, balancing global integration with local responsiveness (Cardeal, 2014). Models like the Uppsala and the Innovation-related internationalization (I-model) advocate for a gradual approach, emphasizing learning experiences and innovative phases to mitigate risks associated with international expansion (Coviello & McAuley, 1999; Johanson & Vahlne, 1977; Laghzaoui, 2011).

Initially, companies engage in occasional exporting to gain experience in new markets. Next, they increase their presence by using sales agents in these markets, enhancing their knowledge. The third step involves establishing sales subsidiaries, allowing for more direct market experience. Finally, production begins in foreign markets through wholly owned subsidiaries, enabling companies to fully utilize ownership, location, and internationalization advantages. Importantly, the model recognizes the significance of market knowledge as a critical success factor and emphasizes the importance of networking in navigating state and change variables (see Figure 3).

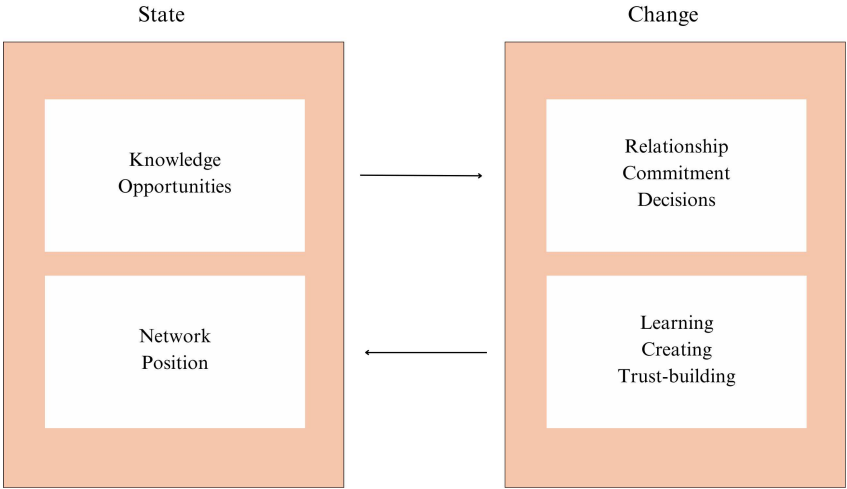


Figure 3 The Uppsala-Model (Johanson & Vahlne, 2009)

Leveraging networks also plays a crucial role, facilitating internationalization by aiding SMEs in overcoming limitations, accessing resources, and acquiring accurate information (Morrish & Earl, 2020). Consequently, SMEs often face the challenge of selecting the appropriate entry mode. While exports offer lower commitment and investment, FDI minimizes risks associated

with proprietary assets (Zahoor et al., 2020; Lu & Beamish, 2001). This decision-making process involves careful consideration of resource commitments and control considerations, with entry modes categorized into equity and non-equity modes, each offering varying levels of risk, return, and control (Root, 1994; Pan & Tse, 2000; Agarwal & Ramaswami, 1992; Peng, 2020). Thus, the execution of internationalization strategies is intricately linked with the selection of entry modes and the broader context of governance mechanisms and transaction cost considerations.

3.2.2 Entry Barriers

When venturing into international markets, firms often encounter a myriad of barriers, as described by Buckley (1993). These barriers include fulfilling demand, capitalizing on technology, financing expansion, expanding the management team, recruiting resources, facing competitive pressure, navigating information barriers, complying with governmental regulations, and managing pressure from stakeholders such as suppliers, buyers, and joint venture partners. Such factors can converge simultaneously, intensifying constraints for firms seeking international expansion. However, Hutchinson Fleck & Lloyd-Reason (2009) highlight that for SMEs, barriers may manifest differently, falling into two distinct categories: internal and external.

Internal barriers encompass a lack of managerial perspective, hindering strategic decision-making, and a fear of losing control, especially concerning hiring and partnering decisions. Insufficient market knowledge exacerbates these internal hurdles.

Externally, SMEs grapple with challenges related to the transferability of products or services, often stemming from complexities in entering international markets and a lack of market-specific knowledge. Operational and governmental barriers, such as unfamiliar laws and bureaucratic obstacles, further impede internationalization efforts. Additionally, cultural differences pose significant challenges, particularly when SMEs have limited contact and understanding of foreign cultures.

3.2.3 Born Global Firms

Early Internationalizing Firms (EIFs), as delineated by Madsen et al. (1997), are enterprises that embark on international expansion within the initial three years of their establishment, whether through export or alternative avenues. The internationalization trajectory of EIFs is

often influenced by shifts in the global market landscape, prompting them to commence their international endeavors. Initially, EIFs may concentrate on their domestic market, strategically positioning themselves before venturing into broader global markets (Evans & Wurster, 1999).

Born Global Firms (BGFs), as defined by various scholars including Autio et al. (2000), Knight & Cavusgil (1996, 2004), Oviatt & McDougall (1994), and Rennie (1993), represent a distinctive breed of companies that embark on international expansion almost immediately or shortly after their inception, with the aim of achieving superior global business performance. Often referred to as international new ventures (INVs), EIFs, or global startups, BGFs have become increasingly prominent in the era of technological advancement and globalization (Knight & Cavusgil, 2004).

Despite their relatively limited financial, human, and tangible resources, BGFs have demonstrated an ability to expand from their domestic market to their first foreign market within a remarkably short timeframe, typically within 3 years (Autio et al., 2000; Knight & Cavusgil, 2004; McDougall & Oviatt, 2000; OECD, 1997; Rennie, 1993). The agility and flexibility inherent in smaller and younger firms seem to confer them with a competitive advantage (CA) in entering and succeeding in international markets (Knight & Cavusgil, 2004).

Knight and Cavusgil (2004) assert that the inclination of young firms to internationalize is driven by two major trends shaping the external global business ecosystem: globalization of markets and technological advances. These trends have significantly reduced transaction costs associated with expanding into foreign markets, rendering internationalization a more attractive and feasible option for firms (Knight & Cavusgil, 2004). The globalization of markets involves a multitude of firms engaging in international sourcing, production, marketing, and cross-border alliances for product development and distribution, leading to increased homogeneity of worldwide buyer preferences and facilitating streamlined product development and positioning in international markets (Knight & Cavusgil, 2004). Meanwhile, technological advances encompass global logistics, production procedures, and information and communication technologies, which have further diminished business transaction costs and accelerated global trade growth. Additionally, technologies such as E-Mail and the Internet have enhanced the cost-effectiveness of internationalization efforts (Knight & Cavusgil, 2004).

3.3 Sustainable competitive advantage in international markets

Achieving and sustaining CA is paramount for companies considering internationalization (Root, 1994). The concept of CA remains a subject of debate among strategic managers (Coff, 1999). Two major theoretical streams define CA: profit generation and value creation. The profit generation perspective views firms achieving superior financial returns over extended periods as possessing CA (Ghemawat & Rivkin, 1999). Conversely, the value creation perspective, advocated by Porter (1985) and Peteraf and Barney (2003), emphasizes delivering superior value to customers. The creation of economic value, as defined by Peteraf & Barney (2003), is the outcome of the disparity between perceived benefits and the total costs associated with producing the product, encompassing all expenses incurred until the final product is delivered. CA arises from a firm's ability to generate excess value for customers through cost leadership or differentiation strategies (Porter, 1985). Both CA and sustained competitive advantage (SCA) necessitate value-creating strategies that are not easily replicable by competitors (Barney, 1991). SCA requires protection from competitors' attempts to duplicate its effects, distinguishing it from CA (Rumelt, 1984).

3.3.1 Resource-Based View

The Resource-Based View (RBV) theory is strategic management framework used to evaluate the resources within an organization and how these resources can provide CA and enhance performance. It posits that a firm's CA originates from its unique resources and capabilities, encompassing both tangible and intangible assets that are semi-permanently tied to the organization and contribute to its strengths or weaknesses (Wernerfelt, 1984). By leveraging these resources, firms can achieve CAs through a process of bundling, as suggested by Barreto (2010). Barney (1995) further elaborates on this concept through the VRIO framework, emphasizing that resources must be valuable, rare, inimitable, and organized to sustain CA:

- *Valuable*: Resources enable firms to seize opportunities or mitigate threats in their external environment, thus providing value (Barney, 1995).
- *Rare*: CA is enhanced when resources are possessed by only a few competitors, making them scarce (Barney, 1995).
- *Inimitable*: Resources that are difficult to replicate grant firms a competitive edge, as imitating firms face cost disadvantages (Barney, 1995). These resources may be built over time through factors such as reputation, trust, and teamwork.

- *Organized*: Proper organization and alignment of resources are essential for firms to fully exploit their potential and realize CA (Barney, 1995).

Recent RBV strategies emphasize resource diversification across businesses, enabling firms to transfer capabilities from one business to another. By reallocating resources from low-margin/growth to high-margin/growth businesses, companies can achieve economies of scope and enhance their competitive positions (Barney, 2003). However, the RBV alone may not adequately explain CAs in dynamic environments (Barney, 1991). Dynamic capabilities, as outlined by Grant (1996) and Pisano (1994), refer to the organizational and strategic routines through which firms adapt their resource base, enabling the development of new value-creating strategies (Teece et al., 1997). Dynamic capabilities serve as catalysts for evolving resources into new sources of CA (Teece et al., 1997; Barreto, 2010).

3.3.2 Performance of International SMEs

A report by the European Commission (2014) highlights the substantial advantages enjoyed by SMEs operating internationally compared to their domestic counterparts. The relationship between international involvement and performance outcomes remains subject to debate. While some studies, such as those by Martineau & Pastoriza (2016), suggest a positive correlation between internationalization intensity and SME performance, others present divergent findings. Sousa & Novello (2014) suggest a U-shaped relationship, while Chiao et al. (2006) propose an inverted U-shaped relationship. Additionally, Majocchi & Zucchella (2003), Westhead et al. (2002), and Lu & Beamish (2006) offer insights into non-significant or negative associations. Various theoretical perspectives have been proposed to elucidate this relationship, emphasizing factors such as coordination costs, economies of scale and scope, revenue diversification, and the mutually reinforcing relationship between exports and innovation.

4. Case Study: Futah's Journey in Global Seas and Sunny Skies!

Futah, a Portuguese company founded in 2014, quickly became known for their distinctive beach towels made of 100% Egyptian cotton, boasting fast-drying and UV-resistant qualities. Fast forward to 2023, and the brand had expanded to 99 stores worldwide, generating revenues of over €1 million with a margin of 75% (see Case Exhibit 1). Despite the efforts to diversify across languages and currencies, enhance digital marketing, and offer free shipping, Futah found its core market still deeply rooted in Portugal. This raised crucial questions for the founders, Ricardo Ramos, Mariana, and Catarina Cunha, about the timing and strategy of their expansion. As they reflect on their journey, they face the challenge of charting the next steps to solidify Futah's place in a competitive global market.

4.1 How it began

Founding process

Established in 2014 by three cousins, Ricardo, Catarina and Ana, the Portuguese brand Futah emerges in the market as a solution to a need identified by its founders: the lack of a beach towel that could serve as a genuine fashion accessory, valued by consumers as such. Inspired by the ancestral fabrics and towels that envelop the peoples of North Africa in hammams, public Turkish baths, they decided to create Futah, a 100% Portuguese brand with Arab inspiration. The goal is to revolutionize the market in terms of how beach towels are perceived, making them an essential, aesthetically appealing, quick-drying, lightweight, and comfortable accessory that can accompany sun enthusiasts, both at the beach and in the mountains. Futah distinguishes itself completely in the market with this product/concept.

The founders sought to create a brand that could capture and market ideals as Portuguese as the sun and the sea, combined with innovative design and sustainable, truly internationalizable growth. With the creation of Futah, there is also a need to associate the brand with the product in order to generate strong and immediate recognition and impact on the consumer. Futah is not just a brand of beach towels; it aims to make Futah towels stand out from the rest, automatically associating the public with the specific product.

Futah thus fills a gap in the beach accessories market, presenting this creative article as a way to reinvent the concept of the Arab towel, perfecting its composition and developing unique and highly appealing patterns and customizations. The colors, patterns, embroidery, and

possible customizations make Futah an accessory with a prominent presence in the summer, allowing the beach towel to gain as much significance as the bikini or beach bag.

At the inception of Futah, Ricardo Ramos, the founder and creative director, was a 21-year-old student pursuing a degree in electrical engineering and an ongoing master's in industrial management at Instituto Superior Técnico. Alongside founding the company, he took charge of production and product development. Mariana, who became CEO at the age of 26, brought a wealth of experience from her roles as a senior consultant at Ernest & Young and a planning and control manager at Portugal Telecom. Her MBA from ISCTE further fortified her leadership in the company. Catarina, her sister, assumed the role of sales director at 28, leveraging her prior experience as Nestlé's sales controller. She holds degrees in management and international business from Católica Lisbon.

The initial team at Futah comprised the three co-founders, along with sales manager Joana Tomé and designer Rita Alvarez. Their focus was on online sales of beach towels, and the brand adopted the dromedary as its symbol. Despite the founders' ambition to establish a globally recognized Portuguese brand, they acknowledged their lack of experience in navigating international growth within the industry.

Mission and Vision

Futah's vision is to "Be a benchmark brand in the main markets with a summer audience."

The founders of Futah see themselves as dreamers and passionate workers, committed to making each day crucial in building a path to success. As a brand-product, Futah is the beach towel with a Portuguese soul and the quality of Egyptian cotton. Lightweight, absorbent, resistant to salt and many sun rays, Futah is perfect for sharing moments of happiness on both familiar and yet-to-be-discovered beaches.

The brand aims to be perceived in the following ways:

- By customers as a prestigious brand company with strong recognition in the market and high-quality products that meet their real needs;
- By suppliers as a company that fulfills its obligations and demands quality;
- By employees as a company concerned with the physical and cognitive well-being of a dynamic and young team.

- By society as a reliable, entrepreneurial company that effectively invests in a more sustainable future for the national and international economic fabric.

Futah's mission, as a company aware of its value and committed to the quality of its products, is to "Make Futah an indispensable accessory in the summer." The company values customer satisfaction and excellence with simplicity.

Target Market

Futah's versatile product line was designed to resonate with a broad audience, welcoming individuals of all genders, families, and ages, whether they preferred online shopping or browsing physical stores. The ideal customer fell within the age range of 20 to 35, encompassing young adults who not only frequent the beach or mountains but also harbor an interest in fashion. Futah's unique selling proposition extended beyond conventional beach towels, positioning them as a stylish accessory for the fashion-conscious youth, blending practicality with trendy aesthetics.

4.2 Strategic positioning

Unique Selling Proposition

At the heart of the Futah experience lies the choice of material—crafted exclusively from 100% Egyptian cotton. Weighing in at just 300 grams, Futah towels are exceptionally lightweight, what them easy to carry, ideal for travel, and adds a layer of convenience to the user experience. Futah beach towels are also engineered with fast-drying technology and UV rays resistance. This innovation ensures quick moisture absorption and evaporation, offering users a practical solution for staying dry and comfortable.

Beyond its dedication to crafting innovative and practical beach towels, Futah stands firm in its commitment to sustainable responsibility. Through its adherence to the globally recognized OEKO-TEX Standard 100, the company ensures that its beach towels are free from harmful substances and meet stringent safety standards, providing customers with utmost assurance. Taking a responsible approach to packaging, Futah opts for eco-friendly fabric bags, minimizing single-use plastic and contributing to a reduced environmental footprint. The brand's dedication to sustainability extends to the smallest details, as evidenced by the use of recycled materials for product labels, encouraging customers to reuse them as bookmarks. In response to the growing demand for sustainable choices, 2018 Futah introduces an organic

cotton products collection, providing customers with an environmentally responsible option that aligns with the brand's commitment to quality and eco-consciousness.

Production Process

Originating from Tunisia, Futah strategically leverages the expertise of local artisans proficient in working with Egyptian cotton. The production cycle in Tunisia spans approximately 60 days for crafting the towels, followed by an additional 10 days for delivery. The production costs account for roughly 25% of the final retail price, reflecting a cost-effective manufacturing process.

All aspects of design, embellishment, personalization, and stamping are executed in Portugal. Recognizing that design activities did not necessitate a full-time commitment, since 2018 Futah adopted an outsourcing strategy to streamline fixed costs. Subsequently, a Portuguese design company was enlisted for each new model launch, ensuring flexibility and efficiency in design processes. Every year they have a new collection inspired by a story they want to tell.

Beach Towels (product range)

Futah sold 200 towels in the first year and quintupled the amount in only two years. Ever since the sales numbers has been growing with a slight decrease during the Covid-19 pandemic. In the last year (2023) Futah reached its peak of revenue, with an amount of Sales excluding VAT of 1.050.000 Euros. (See Case Exhibit 1)

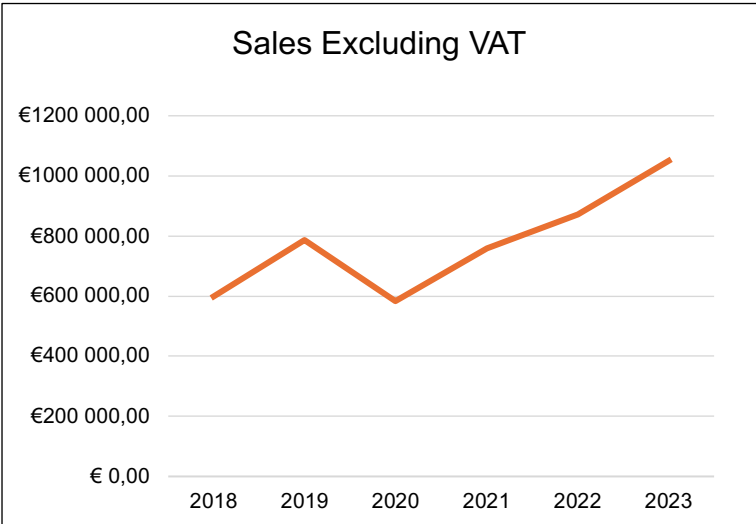


Figure 4 Sales Excluding VAT (data provided by Futah)

Futah started with 10 models of towels in 2014 and are in 2024 with 69 models in the market. The pricing of Futah beach towels varied, starting at 25€ for kids' towels and reaching 75€ for the extra-large variants. Customers purchasing individual-sized towels paid between 34€ and 50€, with the specific price contingent on the chosen model.

Distribution channels

The company initiated its online sales strategy, presenting its website globally in five languages: Portuguese, English, Spanish, French, and German. Prices were displayed in four currencies, namely Euro, Dollar, Pound, and Australian Dollar. To optimize regional Search Engine Optimization (SEO), the website featured different versions tailored to the buyer's country. Utilizing diverse communication channels, including journal interviews, television shows, press articles, and digital ads on platforms like Google, Facebook, YouTube, and Instagram, Futah successfully boosted website traffic.

In 2015, the company entered the physical retail sector with its store in Lisbon's Campo de Ourique. Serving approximately 30 retail clients initially, the brand experienced substantial growth over the next five years. A second store opened in the heart of Lisbon, in Chiado, catering to tourists who purchased and transported the products home. The client list expanded to encompass over 80 locations in Portugal, featuring stores like Paez, Ericeira Surf Shop, Fio d'Água, El Corte Inglés, and others. Additionally, Futah strategically positioned itself in retail pop-up stores, including the Marquês Soares. While initially present in shopping centers like NorteShopping, the company discontinued these locations due to their ineffectiveness as sales channels.

Within Europe, Futah partnered with DPD, an international logistics company, for towel deliveries. Shipping within Portugal and Spain typically took around 48 hours. In other European countries, standard shipping ranged from 4 to 10 days, with express delivery options promising 1 to 3 days. For destinations outside Europe, Futah relied on FedEx, maintaining similar delivery timelines. In 2021, Futah forged a partnership with UberEats in Portugal to facilitate the delivery of products purchased in physical stores. In 2023, Futah's revenue distribution across various selling points was led by its own physical stores, which contributed 34% of the total revenue. This was followed by retailers at 24%, partnerships at 22%, and online

sales at 20%. The distribution of revenue sources was fairly balanced, reflecting a diversified approach to sales channels. (See Case Exhibit 2)

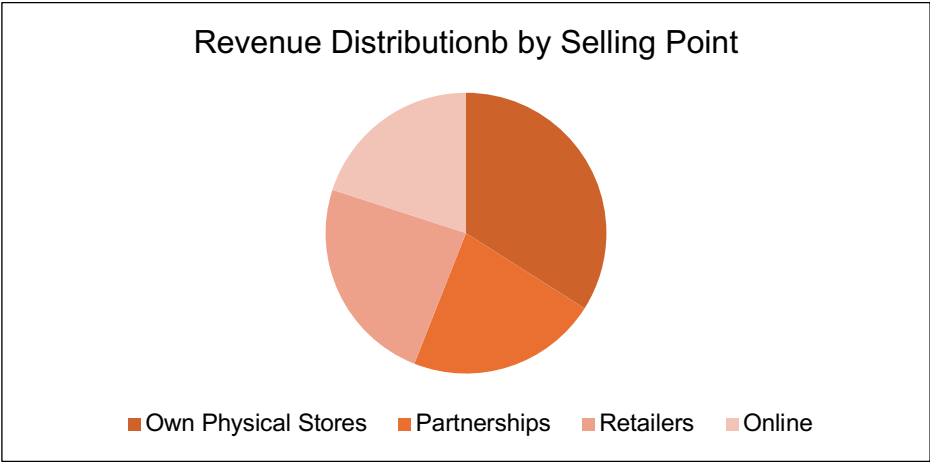


Figure 5 Revenue Distribution by Selling Point (data provided by Futah)

Partnerships

To enhance its brand reputation, Futah strategically forged various partnerships, including collaborations with organizations such as the Portugal Nature Association and the World Wildlife Fund (WWF) Portugal. This resulted in the creation of a unique "zero" collection inspired by endangered animals, featuring the slogan "It's Our Nature", with 10% of sales donated to WWF Portugal.

In addition to these conservation-oriented partnerships, Futah engaged in diverse collaborations to broaden its market presence. Noteworthy ventures included a joint marketing campaign with Piz Buin, a leading sunscreen company, and a partnership with Deloitte, a consulting firm, offering beach towels to its employees. The brand also joined forces with hotel chains like Corinthia, Pestana, and Ritz, replacing pool towels and catering to strategic clients. Furthermore, Futah aligned itself with TAP, the national airline, and major football clubs Benfica, Porto, and Sporting, designing beach towels adorned with their logos. This strategic move aimed at positioning Futah as a brand for all Portuguese people, leveraging the cultural significance of football in the country.

Expanding beyond the tourism and sports sectors, Futah ventured into event sponsorships, supporting tennis tournaments and music festivals such as NOS Alive. The company also designed a line of towels in collaboration with the top three football clubs (Case Exhibit 3). These diverse partnerships not only strengthened Futah's image but also increased its

desirability as a thoughtful gift choice for occasions like birthdays and Christmas throughout the year.

Furthermore recently, Futah engaged in collaborations with various partners, such as Mustique, a Portuguese shirt brand, resulting in a product line that includes socks, a shirt, and a matching towel (Case Exhibit 4). Additionally, they collaborated with NAM, a mushroom brand, to produce socks adorned with mushroom designs (Case Exhibit 5). Another collaboration involved Federico Gil, a tennis player, who played a role in the creation or promotion of a sock product bearing his association.

Social Media

The brand has been increasing its digital presence reaching by 2024 65,3k followers on Instagram and 50k likes on its Facebook page and are active on TikTok. Their social media marketing strategy includes models naturally promoting the brand, influencers receiving complimentary towels without monetary compensation for advertising, and collaboration opportunities such as participating in a market organized by Maria Guedes, a stylist.

Furthermore, Futah employs a comprehensive digital marketing strategy, utilizing newsletters and leveraging Google Display to enhance visibility on search engine results. In addition, the company strategically employs SEO tools to secure a prominent position in consumers' Google searches through relevant keywords, ultimately boosting website traffic. This commitment to optimizing online presence is reflected in the company's Google rating, standing at a 4.8 out of 5, a testament to the satisfaction and positive feedback from its customers. This strategic use of digital marketing tools underscores Futah's dedication to maximizing online reach and ensuring a positive online reputation.

Product diversification

After introducing beach towels in individual, XL, and children's sizes, Futah expanded its product line to include surf ponchos, beach bags, and toiletry bags. In 2020, in response to the year-round demand prompted by the store opening in Chiado, the company diversified its offerings with a winter collection, featuring items like socks, linen shirts, and blankets, ensuring a continuous appeal and operation from 10 am to 10 pm every day. With the exception of blankets, these additions were manufactured by the same supplier responsible for the towels and were designed in collaboration with the Portuguese company.

Significantly, the surf poncho has surged in popularity, now constituting 10% of the product revenue distribution. However, beach towels continue to dominate, comprising approximately 78% of total sales. Following this, accessories make up 5%, while clothing accounts for 4%. Blankets and socks, though less prominent, still contribute 2% and 1% respectively (Case Exhibit 5)

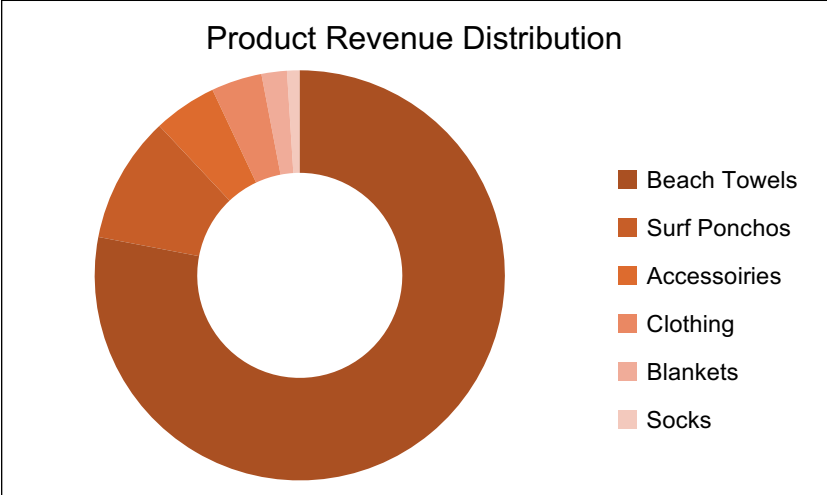


Figure 6 Product Revenue Distribution (data provided by Futah)

4.3 The competition

In the dynamic world of beach towel market competition, Futah faces several notable rivals, each with its unique story, strengths, and challenges. Among these competitors, Vertty, a 100% Portuguese brand, has stood as a pioneer since its establishment in 2013. Renowned for towels that are 30% lighter than traditional cotton, 10% larger, and featuring a concealed waterproof pocket, Vertty has been recognized for its innovative designs inspired by geometric forms. Despite its initial success, Vertty has encountered challenges recently, experiencing a decline in market influence. Origama, once a contender, eventually disappeared, leaving Futah to navigate a shifting competitive landscape.

Another contender in the field is Torres Novas, a Portuguese brand that made a resurgence four years ago. With a rich history dating back to the 19th century, Torres Novas faced closure in 2011 due to foreign competition and the impact of the 2008 financial crisis. However, in 2020, a new generation revived the brand with support from historic stakeholders, maintaining the quality and design characteristics that defined Torres Novas. The brand aims to adapt to modern

consumer needs while upholding its legacy, aspiring to offer high-quality products spanning generations.

On the global stage, Futah evaluated additional contenders, including Decathlon, Sports Zone, Calzedonia, as well as renowned premium brands like Ralph Lauren and Guess, all of which featured beach towels in their product lines. However, distinctions in materials and pricing set them apart from Futah's offerings. The premium brands boasted higher price points, while others in the market presented more affordable options. Notably, Sun of a Beach, a Greek brand established in 2012, emerged as a competitor perceived as a potential threat by Futah.

Sun of a Beach, hailing from Greece, stands as a dynamic force in the evolution of beach towel innovation, deeply rooted in Greek and Mediterranean influences. Beyond merely fashion, the brand embodies a lifestyle centered around relaxation. Its diverse product range, which includes beach towels, ponchos, swimwear, and loungewear for both adults and children, reflects a commitment to delivering high-quality offerings. Available through online channels or select retailers spanning over a dozen major tourist destinations, including Portugal, Sun of a Beach goes beyond the ordinary by collaborating with local artists and offering an exclusive WWF line. This unique blend of creativity and conscience is further exemplified through strategic partnerships with hotel chains, replacing traditional pool towels. The brand's influence extends to collaborations with influencers and celebrities, such as Chiara Ferragni. In 2015, the company directed efforts toward conservation by creating a collection featuring endangered species of the Mediterranean Sea, contributing 10% of the proceeds to support WWF Greece projects. The brand's commitment to innovation was underscored in 2018 with the launch of the feather towel, renowned for its lighter and more absorbent qualities.

Furthermore, in the international arena, Futah encounters competitors, such as Inoui Editions from France. Central to Inoui Editions is the heartwarming tale of friendship between founders Lise and Mathilde, who commenced their creative journey in 2009. The brand's portfolio extends beyond narrative scarves to include a diverse range of printed accessories, each intricately weaving stories inspired by the picturesque Bay of the Somme. This unique blend of creativity has given rise to a poetic universe that distinguishes Inoui Editions in the competitive seas. With a collaborative spirit and distinctive beauty, the brand has carved a niche for itself. In terms of the product range, Inoui Editions offers a collection of elegantly crafted scarves, adding a touch of storytelling to each piece. While specific pricing details may vary, the brand's commitment to creativity and narrative sets it apart in the competitive landscape.

Additionally, American competitors Sand Cloud and Slowtide contribute to the diverse landscape. Sand Cloud (USA): Positioned as a guardian of marine life, Sand Cloud exemplifies a profound dedication to sustainability that infiltrates every aspect of its business. Beyond the confines of its products, the company's commitment is manifested in its packaging, contributing to the #SaveTheFishies movement. This strong environmental ethos aligns seamlessly with Futah's dedication to responsible practices in the competitive seas. In terms of product range, Sand Cloud offers a diverse collection of sustainable beach towels, emphasizing their commitment to marine conservation. While specific pricing details may vary, the brand's emphasis on environmental responsibility adds a unique layer to its offerings in the competitive market.

Originating from California and Hawaii in 2015, Slowtide has redefined beach towels, elevating them to functional pieces of art. The brand's distinctive approach involves collaborations with artists and photographers, resulting in a collection that seamlessly combines aesthetics with functionality. This artistic touch, combined with a meticulous focus on minimizing environmental impacts, underscores Slowtide's commitment to a unique and sustainable ethos. Aligning with Futah's values, Slowtide stands as a formidable yet inspiring competitor in the market. In terms of product range, Slowtide offers a diverse collection of beach towels, showcasing unique designs born out of collaborations with creatives. These towels, crafted with an emphasis on premium quality, serve as both functional and aesthetic statements. While specific pricing details may vary, Slowtide's commitment to sustainability and quality positions it as a compelling choice for consumers seeking both style and environmental consciousness in their beach accessories.

4.4 The Internationalization Journey

In 2014, Futah made the pivotal decision to internationalize its brand right from its inception, recognizing the potential of its design expertise, commitment to premium fabrics, and durable materials to thrive in global markets. This move was fueled by a vision to set Futah apart in the market. Within a remarkably short span of one year, the company witnessed exponential sales growth, surpassing 500,000.00 euros, with 35% contributed by international markets. The core motivation behind Futah's global expansion was to address a significant challenge – the inherent seasonality of its primary product, beach towels. With these items traditionally associated with summer use, Futah strategically targeted countries characterized by warm climates, such as

Dubai, and those where the fashion and summer culture industries were already thriving, like Brazil. This calculated approach ensured sustained sales throughout the year.

Futah initially ventured into the physical retail sector by making its debut in the Spanish market. Connections with retailers were forged either through encounters at international trade exhibitions or through engagement on social media platforms. In Spain, Futah formed a partnership with Scalpers to strengthen its presence in the region. Subsequently, the brand's presence was expanded to the other countries throughout a combination of online platforms and a growing retail network.

Futah's entry into foreign markets was facilitated by the founders' personal network connections. Employing direct exports as the primary mode of entry, the brand engaged distributors, agents, and direct sales channels by using connections made in international fairs or through social media.

In the United States, agents were specifically deployed, a strategic move prompted by challenges in securing distributors willing to purchase the brand. To strengthen its global presence, Futah actively participated in international fairs and events. Notable examples include the Miami Hammock and Miami Swimshow, where the brand showcased its innovative products. These events not only expanded Futah's network but also attracted new buyers and agents, contributing significantly to global brand awareness.

Futah strategically aligned itself with international companies to bolster its market position. Collaborations with Fergus Hotels in Spain, NetJets in Europe, and other global entities played a crucial role in enhancing brand awareness.

As of 2024, Futah's global presence extended to 99 stores, with a distribution of 87 stores in Europe, 1 in Canada, 4 in the United States, 4 in Brazil, 1 in Mexico, 1 in Mozambique, and 1 in Macau. Portugal remains the primary market for Futah with 48 stores, followed by Spain with 10 stores, making up the largest share of retail presence. Notably, almost 60% of Futah's retailers are situated in the Iberian Peninsula. Noteworthy mentions include Sweden, hosting 8 Futah retailers, and Germany, with 5. (Case Exhibit 6)

In terms of online engagement, as of 2023, 48% of Futah's website users hail from Portugal, while 37% originate from Spain, together constituting 85% of the total user base. The third largest user group, originating from the United States at 4%, highlights a significant drawback

in online engagement. The distribution of retail outlets remains substantially stronger compared to online user metrics. (Case Exhibit 6)

To boost sales, Futah ventured into physical retail by opening stores, allowing customers to experience the products firsthand and make purchases. Furthermore, the company implemented a hassle-free delivery process and offered free worldwide shipping online to incentivize buyers. Futah strategically focused on acquiring both retail clients and suppliers through its participation in international fairs. Establishing a presence in retail outlets enabled Futah to establish closer connections with customers, thereby simplifying the sales process. By securing suppliers for new products, Futah expanded its customer base and consequently, its sales.

4.5 Challenges during the Internationalization Process

Expanding globally posed new challenges for Futah, particularly concerning potential copyright issues since its product designs weren't patented. This necessitated a continuous focus on innovation in design, models, and partnerships to mitigate the risk of infringement. Recognizing the low entry barriers in the market due to no patent, Futah anticipated the emergence of new competitors boasting greater resources, experience, and enhanced features.

One such competitor was Sand Cloud, an American company offering lightweight Tunisian cotton beach towels renowned for their quick-drying, sand-resistant, and multifunctional properties. Operating online and through wholesalers, Sand Cloud emphasized its commitment to ocean conservation by donating 10% of profits to marine preservation efforts. Furthermore, the company boasted a diverse product line including recycled clothing, home goods, and accessories.

As Futah contemplated significant international expansion, operational challenges increased. The company's commitment to producing high-quality products necessitated collaboration with small factories, some of which employed hand-finishing techniques. However, these factories were ill-equipped for large-scale production, presenting Futah with the dilemma of either delaying product delivery or compromising on quality.

Furthermore, Futah recognized the imperative need to enhance its website functionality. Given the global variance in seasons, with summer occurring at different times across countries, Futah's website required optimization to tailor product offerings according to buyers' geographical locations. Additionally, the absence of client feedback and reviews on Futah's

website hindered effective online marketing strategies, evident from stagnant user numbers. Despite efforts to expand overseas, Futah struggled to replicate the brand's success in Portugal on an international scale. This is underscored by the data from 2023 (see Figure 4), which reveals that even after several years of international expansion, the company's revenue peaks during the European summer months, particularly in Portugal. The monthly revenue distribution shows a significant spike in July, accounting for 28% of annual revenue, with June and August not far behind at around 20% each. (Case Exhibit 7)

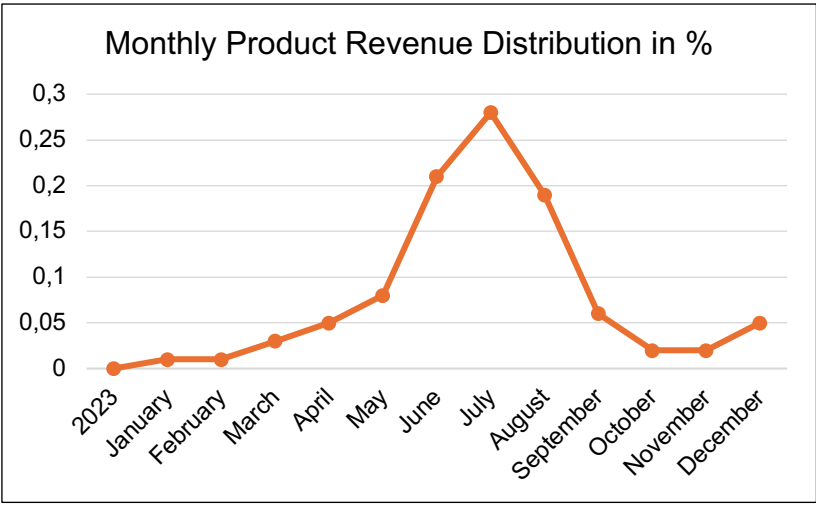


Figure 7 Monthly Revenue Distribution 2023 (data provided by Futah)

To address these challenges, Futah employed various digital marketing tactics, including newsletters, Facebook and Instagram posts, and Google Display ads to boost visibility on search engines. Collaborations with celebrities and influencers, such as Spanish blogger Maria Pombo, aimed to increase brand engagement. Implementing SEO tools helped Futah attain better values Google search results, which in turn increased their website traffic and enhanced their brand's visibility in a highly competitive market. This resulted in a consumer rating of 4.8 out of 5.

However, Futah acknowledged that increasing its online presence necessitated establishing a strong brand identity and bolstering offline visibility. Catarina observed that consumers typically only purchased from Futah's website if they were already familiar with the brand. Despite efforts with bloggers and influencers, Futah recognized the importance of expanding its presence at international fairs and events to garner broader recognition.

Balancing objectives of brand awareness and sales, Futah embarked on a multifaceted approach, leveraging digital marketing strategies and offline partnerships to amplify brand visibility, drive website traffic, and stimulate positive word-of-mouth promotion.

After more than a decade in existence, Futah still hadn't found the ideal distributors. The founders were on the lookout for distributors who not only appreciated the brand but also grasped its underlying concept and possessed the industry expertise necessary to propel Futah forward. While Futah experienced success in Sweden thanks to its distributor's efforts, the potential in Brazil remained untapped due to the distributor's failure to meet business standards. Despite numerous meetings with potential distributors, none matched all the criteria set by the founders.

Futah carefully considered the market landscape to gauge its attractiveness. Despite certain markets like Brazil and Latin America boasting ideal Futah consumers, the complexities and expenses associated with export and import processes posed significant barriers to entry. In Brazil, for instance, although there was considerable potential for both B2B (Business to Business) and B2C (Business to Customer) expansion, intricate export and import procedures, coupled with high customs rates, resulted in challenges such as unpaid client fees and double shipping costs for returned products.

Regardless of the interest from a client in placing Futah products in various retailers, export hurdles hindered the deal. However, the most daunting challenge lay in promoting the brand abroad without reliable distributors. Futah sought allies to establish physical stores worldwide, envisioning the brand's presence in malls, retail outlets, and other strategic locations. The absence of distributors with market expertise compounded the difficulty of penetrating new markets.

Relying heavily on distributors posed a significant challenge for Futah and hindered its expansion efforts. During its expansion abroad, Futah opted for distribution, direct sales, and agents without exploring alternative business models like franchising. This decision left them feeling unprepared and uncertain about their chosen approach.

4.6 Next Steps in Internationalization

Futah's commitment to internationalization is reflected in ongoing projects designed to enhance its digital presence, diversify product offerings, and strengthen strategic partnerships. These include the Recovery and Resilience Plan, Individual Projects focused on SME internationalization, and initiatives aimed at reinforcing competitiveness through innovation and differentiation.

Futah's forward-looking stance is underscored by ongoing and future projects that emphasize e-commerce strategies, international market penetration, innovation, and organizational enhancement. These endeavors signify Futah's commitment to sustained growth and competitiveness on the global stage, positioning itself as a dynamic player in the international market. Futah consistently pursues and applies for projects funded by the European Union aimed at implementing a digital internationalization strategy, with the goal of optimizing its online presence and targeting new markets such as Germany, Spain, the United States, France, Austria, Luxembourg, and Italy through digital marketing strategies.

With the founder, Ricardo, having relocated to Brazil to establish a company and penetrate the Brazilian market, Futah acknowledges the specific regulations in Brazil for selling foreign products, making the process challenging but essential. Additionally, the company recently participated in a fair in Carandaí Brazil, emphasizing the importance of engaging with the local market. In 2024 Futah is sold in 4 stores in Brazil, two in Rio de Janeiro, one in São Paulo and one in Brasília.

The recent participation in the Shop Object fair in New York, focused on decoration, showcased Futah's towels and blankets as versatile decorative items. Recognizing the immense potential of the United States market due to the positive reception of their products and its substantial purchasing power, Futah is keen on making significant investments in this region. Futah remains committed to its international presence by continuously participating in various international fairs, always on the lookout for new opportunities. Furthermore, they plan to enhance their global accessibility by continuing to invest in their online store. Futah may explore innovative international business models, including franchising, given sufficient financial backing. In the coming years, the company aspires to become an industry leader.

5. Teaching Note

5.1 Synopsis

Founded in 2014, Futah began with a mission to revolutionize beach accessories with its unique line of 100% Egyptian cotton towels, inspired by North African fabrics. Despite achieving rapid growth and international expansion, Portugal remained its primary market. This case study examines Futah's strategic decisions including product innovation, digital marketing, and internationalization efforts. It highlights challenges such as market entry strategies and adapting

to e-commerce, alongside the strategic importance of founder relocations and international fairs to broaden market reach. The study also explores Futah's commitment to sustainability and social responsibility, detailing how these elements integrate with its global expansion strategy. This concise overview presents Futah as a dynamic example of SME internationalization, navigating modern global market challenges with innovative strategies.

5.2 Teaching Objective

This case study focuses on the internationalization journey of Futah, an SME, challenging students to delve into theoretical concepts by identifying, analyzing, and evaluating its internationalization strategies. It prompts students to consider a blend of internal resources, capabilities, and external environmental factors. By immersing themselves in theoretical management frameworks, students not only grasp the fundamentals but also learn to apply them practically, making strategic and operational adjustments with keen insight.

Target Audience

This case study is designed for courses in international management at both undergraduate and master's levels, offering a focused examination of an SME's strategy selection and market entry modes. It equips students with practical insights, enabling them to apply theoretical frameworks to real-world scenarios and providing a tangible example of how businesses navigate internationalization.

Teaching Approach

The case study offers flexibility for various teaching methods, including collaborative in-class discussions, small group work, or individual exploration suitable for take-home assignments. Regardless of the approach chosen, presenting outcomes to the class encourages comprehensive discussions on diverse solutions derived from case analysis. Allocating one to two weeks for case work is recommended, preceded by teaching relevant theoretical concepts in class.

5.3 Assignment Questions

1. Describe and Evaluate Futah's Internationalization Strategy and Process

How effectively does Futah's internationalization strategy, including its choice of entry modes, align with its global expansion goals as an SME?

2. Challenges in Global Expansion and Digital Strategy Optimization

What are the main challenges Futah has faced in its global expansion, particularly in optimizing its digital strategy, and how have these been addressed? How can the company further address them according to Buckley (1993)?

3. Product Diversification and Strategic Partnerships

Main Question: How has product diversification and the development of strategic partnerships contributed to Futah's international growth objectives?

4. Entry Modes for International Growth

Evaluate the Entry Mode chosen by Futah, focusing on the chosen timing of internationalization. Delve into the potential benefits and implications of adopting franchising as an innovative business model for Futah's future international expansion. Discuss how franchising might address distributor challenges and facilitate market knowledge and expertise acquisition.

5.4 Analysis and Discussion

1. Describe and Evaluate Futah's Internationalization Strategy and Process

How effectively does Futah's internationalization strategy, including its choice of entry modes, align with its global expansion goals as an SME?

Motives

The founders' decision to take the brand global from the onset was influenced by managerial, environmental, and firm-level factors. The managerial factors included significant risk tolerance and their ambition to elevate the brand to a global level. Environmental factors also played a pivotal role, with the seasonality of beachwear pushing the brand to seek year-round

markets abroad, such as Dubai and Brazil, which align with their beach fashion value but showed an insignificant influence on sales. In terms of firm-level factors, Futah's innovative product development, network connections, and online sales capabilities were crucial. Reflecting on Hollensen's categorization of internationalization motives, Futah's proactive motives for expansion were driven by a desire to capture market potential in beach-loving countries and a quest for growth beyond the saturated Portuguese market.

Born Global

Futah's internationalization reflects a born-global approach, eschewing the gradualist model for a strategy that leveraged their unique value proposition in multiple markets almost immediately after inception. This rapid and proactive international expansion is characteristic of firms with global ambitions rooted in a strong, distinctive brand proposition. Futah used its personal networks to expand, opting for a network approach that facilitates SMEs' expansion. This smart move facilitated knowledge acquisition, access to more resources, and had bigger international experience.

Entry Mode

Networking plays a significant role in Futah's strategy, particularly through the use of partnerships and alliances that establish strong, reliable networks capable of navigating local complexities. Futah's entry into new international markets leverages both direct sales and strategic alliances to optimize market penetration and brand control. By employing direct sales through reseller stores, particularly in European markets such as Spain and France, Futah maintains complete control over the brand experience, ensuring consistent quality and customer interaction. These countries represent a big percentage of Futah's online sales. However, direct sales require substantial investment in building and maintaining relationships, demanding rigorous quality control measures.

In addition to direct sales, Futah forms strategic alliances with local retailers and distributors. These alliances provide crucial local market insights that facilitate deeper market penetration. While these partnerships enable Futah to adapt and respond to local market conditions effectively, they also introduce challenges related to coordination and control, requiring careful management to maintain brand integrity and operational efficiency. The use of distributors, a high-risk, high-control strategy, allows Futah to leverage local distributors' market knowledge and networks in diverse markets like Brazil and Australia. Although this reduces Futah's direct

control over marketing and customer interactions, it mitigates the risk of unsold inventory and facilitates easier market entry, depending on the commitment and expertise of the distributors.

For cautious market expansion, such as in the United States, Futah employs agents. This lower-risk option offers flexibility and scalability, allowing Futah to tap into the market without the substantial upfront investments required by other entry modes. However, monitoring the agents' effectiveness remains a challenge, and the risk of unsold items is borne by Futah. Exporting requires little investment but negatively impacts the firm's performance as its internationalization increases.

Evaluation

Strategically, Futah has shown a high level of agility in responding to global market complexities. They adapt their products, marketing strategies, and operations to various international settings, considering factors such as local consumer preferences, competitive conditions, and regulatory environments. The effectiveness of this strategic adaptation is crucial for maintaining global consistency while achieving local market penetration. Overall, Futah's internationalization strategy is shaped by a combination of direct exports, strategic alliances, and the use of agents and distributors, each with its advantages and challenges. This approach allows Futah to navigate global market complexities effectively, aligning with their objectives of market reach, brand control, and cost-effectiveness.

2. Challenges in Global Expansion and Digital Strategy Optimization

What are the main challenges Futah has faced in its global expansion, particularly in optimizing its digital strategy, and how have these been addressed? How can the company further address them according to Buckley (1993)?

Challenges

Futah faced a variety of challenges during its global expansion, categorized into strategic, operational, and market entry challenges. Futah struggled with securing patents for its products, which exemplifies a common challenge faced by many SMEs when expanding internationally (Hutchinson Fleck & Lloyd-Reason, 2009). The inability to patent their innovations left Futah vulnerable to imitation by larger companies that possess more resources and financial power (See Case p. 27).

Furthermore, the company predominantly relied on traditional business models such as distribution, direct sales, and agents, which limited its ability to scale in certain markets. There was also a crucial need for significant enhancements to Futah's website to support its global customer base effectively. This involved integrating multi-lingual support and currency conversions to cater to a diverse international audience (See Case p. 27). Futah faced operational challenges in scaling production due to the small size of its suppliers and the hand-finished nature of its products, which presented a dilemma between maintaining quality and meeting increasing production demands (see Case p. 27). Strategic decision-making was also complicated by a lack of deep market knowledge, especially in understanding which markets to enter and how to adapt the business model to local conditions (see case p. 28)

How Futah addressed the challenges

Futah tackled these challenges through a combination of strategic partnerships, digital strategy optimization, and internal operational adjustments. In forming alliances with local distributors and retailers it was possible for Futah to gain crucial market insights and navigate regulatory landscapes effectively. These partnerships facilitated the adaptation of marketing strategies to local preferences. Also, robust feedback mechanisms were implemented on digital platforms, enabling Futah to adapt its product offerings and digital interfaces based on customer insights, thereby enhancing customer satisfaction and loyalty.

Furthermore, Futah invested in improving its digital platforms, developing multi-lingual and multi-currency functionalities to enhance the user experience and accommodate global customers. Employing local experts and legal advisors, i.e. agents, helped Futah navigate unfamiliar laws and bureaucratic obstacles efficiently, ensuring compliance and smooth operational processes (see case p. 28).

These efforts demonstrate the company's agility and commitment to overcoming the inherent challenges of global expansion, ensuring its long-term success in the competitive global marketplace.

Further suggestion according to the theoretical frameworks

The theoretical framework developed by Buckley (1993) provide a structured way to understand barriers that SMEs often encounter when expanding internationally. Guiding Futah in devising effective strategies to mitigate these challenges involves structured suggestions aligned with theoretical frameworks to address them comprehensively.

| | |
|---|---|
| <p>Fulfilling Demand and Scaling Production</p> <p>Futah needs to explore scalable production methods without compromising quality. This could involve investing in automated production technologies or forming strategic partnerships with larger suppliers. Establishing a dual sourcing strategy can ensure supply chain resilience and meet varying demand levels.</p> | <p>Capitalizing on Technology</p> <p>Enhancing the company’s digital presence is essential. Upgrading the website to include multi-lingual support, currency conversion, and local payment options can significantly improve the customer experience. Investing in e-commerce platforms and digital marketing tools can also broaden Futah’s reach and streamline operations.</p> |
| <p>Financing Expansion</p> <p>To secure the necessary funds for expansion, Futah can explore franchising as a key strategy. Franchising allows Futah to leverage the capital and entrepreneurial drive of franchisees, reducing the financial burden on the company while facilitating rapid market entry and growth.</p> | <p>Expanding the Management Team and Recruiting Resources</p> <p>For Futah, expanding the management team significantly may not be the most practical approach. Instead, Futah can outsource necessary tasks to specialized firms and establish strong partnerships that understand and align with the company’s concept and goals. This approach allows Futah to remain agile and focused on its core competencies.</p> |
| <p>Facing Competitive Pressure</p> <p>Differentiation is key to standing out in competitive markets. Futah should focus on its unique value propositions, such as the quality and craftsmanship of its hand-finished products. Investing in brand building and storytelling can create a strong emotional connection with consumers. Strategic alliances and collaborations can also help in gaining competitive advantages.</p> | <p>Navigating Information Barriers</p> <p>Establishing a robust market intelligence system can help Futah stay informed about market trends, competitor strategies, and consumer preferences. Utilizing data analytics and business intelligence tools can provide actionable insights for strategic decision-making.</p> |
| <p>Complying with Governmental Regulations</p> <p>Proactive engagement with regulatory bodies and compliance experts is essential. Conducting regular audits and compliance checks can ensure adherence to local laws. Building relationships with local government agencies can also facilitate smoother operations and access to valuable resources.</p> | |

Figure 8 Overcoming Challenges according to Buckley (1993)

3. Strategic Partnerships

How has the development of strategic partnerships contributed to Futah's international growth objectives?

Strategic partnerships have significantly contributed to Futah's ability to overcome market entry challenges, aligning with relevant theories on the internationalization of SMEs. According to Martineau & Pastoriza (2016), environmental-level factors such as country-level conditions and government policies play a crucial role, while Steinhäuser et al. (2021) emphasize the importance of firm-level factors like network connections and product innovation capacity. Futah's strategic partnerships with local retailers and distributors, such as Scalpers in Spain, provided the company with essential market insights and helped tailor its offerings to local consumer preferences, demonstrating the critical role of network connections in overcoming internationalization barriers. Additionally, collaborations with legal experts and consultants in various regions ensured that Futah could navigate complex regulatory environments, a crucial aspect for any SME seeking to internationalize.

Furthermore, strategic partnerships have been instrumental in enhancing Futah's operational capabilities, aligning with key theories on international market entry strategies and the RBV. Chetty & Campbell-Hunt (2003) highlight the importance of business networks for accessing resources and sharing risks, while Wernerfelt (1984) emphasizes leveraging unique resources and capabilities. By outsourcing production to experienced suppliers in Tunisia and Portugal, Futah harnessed local artisans' expertise in working with Egyptian cotton, ensuring high product quality and reflecting the RBV theory's emphasis on the importance of unique resources. Additionally, partnerships with digital marketing agencies and IT service providers enabled Futah to enhance its online presence, integrate multi-lingual support, and optimize e-commerce operations. This technological and digital transformation facilitated smoother entry into various international markets by improving the overall customer experience.

Strategic partnerships have also significantly strengthened Futah's brand and market position, aligning with theories on BGFs and sustainable CA. Knight & Cavusgil (1996, 2004) describe rapid internationalization driven by unique capabilities and strategic networks, while Porter (1985) and Barney (1991) emphasize creating value through unique resources and capabilities. Joint marketing efforts with partners like Piz Buin and Deloitte have enhanced Futah's brand visibility and credibility, establishing a strong market position. This aligns with leveraging

unique capabilities for rapid internationalization. Furthermore, collaborations with local designers and participation in international fairs have driven product innovation and adaptation, ensuring Futah’s offerings remain competitive in various markets.

The development of strategic partnerships has been vital for Futah’s international growth, addressing key challenges and leveraging external expertise to complement the company’s strengths. By forming alliances with local retailers, local firms, and agents, Futah has effectively navigated the complexities of global expansion. These partnerships have enabled the company to scale operations, enhance market knowledge, ensure regulatory compliance, and maintain product quality while staying agile and focused on its core objectives. Through strategic collaboration, Futah continues to achieve its international growth objectives and strengthen its global market presence.

4. Entry Modes for International Growth

Evaluate the Entry Mode chosen by Futah, focusing on the chosen timing of internationalization. Delve into the potential benefits and implications of adopting franchising as an innovative business model for Futah's future international expansion. Discuss how franchising might address distributor challenges and facilitate market knowledge and expertise acquisition.

Evaluating Futah’s entry mode with the RBV provides a deep understanding of how the firm has leveraged its unique resources and capabilities to gain a CA in international markets. The RBV posits that a firm's resources, if valuable, rare, inimitable, and well-organized, can provide sustainable CAs (Wernerfelt, 1984; Barney, 1991). Futah’s initial entry modes, including the use of agents, distributors, and participation in international fairs, reflect a strategic use of its internal resources.

| Resource | V | R | I | O |
|-----------------------|---|---|---|---|
| Brand Reputation | x | x | x | x |
| Technological Assets | - | - | - | x |
| Product Quality | x | x | x | x |
| Intellectual Property | - | - | - | - |
| Financial Resources | x | - | - | x |

| | | | | |
|--------------------------------------|---|---|---|---|
| Supply Chain Capabilities | X | - | - | - |
| Customer Relationships | X | X | X | X |
| Strategic Alliances and Partnerships | X | X | - | X |
| Sustainability Practices | X | X | - | X |

Figure 9 VRIO Analysis on Futah's Entry Mode

Valuable Resources:

Futah's brand reputation is built on distinctive, high-quality beachwear, securing customer trust and market acceptance globally. Its product quality, highlighted using premium materials like 100% Egyptian cotton, sets it apart in a competitive industry. Financial resources enable sustained marketing and expansion efforts without compromising on operational integrity. Effective supply chain capabilities ensure timely delivery and maintain product standards across international boundaries. Strong customer relationships are cultivated through consistent product excellence and responsive customer service, enhancing loyalty and repeat business. Strategic alliances and partnerships expand Futah's market reach and enhance its brand visibility, while its commitment to sustainability practices not only meets growing consumer demands but also differentiates Futah in the crowded beachwear market. Together, these resources underpin Futah's strategy for international expansion and long-term competitiveness.

Rare Resources:

Futah's brand reputation, enhanced by its distinctive Portuguese heritage and commitment to quality, stands out as a rare asset in new markets where competitors often overlook such cultural depth. The company's product quality, evident in their use of fine materials and attention to detail, serves as a benchmark that is difficult for competitors to match. Futah's strong customer relationships are founded on trust and reliability, attributes that are exceptionally valued in markets flooded with transient fashion trends. Strategic alliances and partnerships enable Futah to access unique market insights and distribution channels that are not readily available to others, reinforcing its competitive edge. Lastly, Futah's sustainability practices are integral to its brand identity, appealing to a growing demographic that values environmental responsibility, which, while increasingly common, is still rare in its comprehensive application in the beachwear sector.

Inimitable Resources:

Futah's brand reputation is a key inimitable resource, built on a foundation of quality and innovation that distinguishes it from competitors. The quality of Futah's products enhances this aspect, with each item reflecting a commitment to durability and design finesse that resonates deeply with customers. This not only sets a high standard but also embeds a level of expectation and brand loyalty that newcomers in the market struggle to achieve immediately. Furthermore, the relationships Futah has established with its customers through direct interactions and personalized experiences create deep-rooted loyalty and trust.

Organized Resources:

Futah's structured approach to utilizing its resources strategically underscores its effectiveness in organizing for maximum impact. This is evident in its careful alignment of internal capabilities with external market demands, enhancing both efficiency and effectiveness across its operations. The brand's reputation is systematically leveraged through targeted marketing campaigns and presence at international fairs, which not only showcases its high-quality products but also solidifies its standing in new markets. Technological assets, particularly in digital marketing and ecommerce platforms, are organized to optimize customer reach and interaction, facilitating seamless online transactions and enhancing customer experiences globally. The quality of Futah's products is maintained through a rigorously managed supply chain, ensuring consistent delivery of products. This includes careful selection of materials and control of manufacturing processes, even when dispersed across various international locations. Financial resources are strategically allocated, with investments prioritized in high-return areas such as market expansion activities, technological upgrades, and sustainability initiatives. This careful financial planning supports sustained growth and scalability. Moreover, Futah's commitment to sustainability is organized into every aspect of its operation, from eco-friendly product designs to sustainable supply chain practices, which not only appeals to a growing segment of environmentally conscious consumers but also contributes to long-term brand loyalty and trust. Futah's ability to organize its resources effectively, particularly in leveraging international fairs for market entry, is commendable. This strategic organization allows Futah to showcase its products and gain valuable market insights. However, this strength is countered by the operational challenges of managing a consistent and effective presence across multiple international fairs and maintaining quality control over a dispersed supply chain. This comprehensive organization of resources ensures that Futah remains competitive, responsive,

and aligned with its strategic objectives, setting a benchmark for effective resource utilization in the competitive beachwear industry.

Timing of Internationalization

Futah can be characterized as a BGF, having pursued international expansion shortly after its inception. This rapid internationalization, driven by a strong brand proposition and the global demand for innovative beachwear, was strategic in tapping into global opportunities despite challenges related to its expanding international presence and limited resources (Knight & Cavusgil, 2004; McDougall & Oviatt, 2000). While the decision to internationalize was strategically aligned with Futah's ambitions to mitigate product seasonality and achieve global recognition, the timing of these moves could be critiqued. Lacking substantial international experience and financial resources may suggest that Futah hastened its decision on the entry mode. Had Futah delayed its expansion, it might have adopted alternative business models, such as franchising, which may have offered benefits through sales and royalties while enhancing offline market positioning internationally. Initially, in 2014, international sales made up 35% of Futah's total sales, but by 2023, this figure had increased to about 50%, indicating that Portugal still accounted for the majority of sales. This trend suggests that adopting a more deliberate strategy could have better equipped Futah with essential insights and preparation for more effective entry into international market.

Franchising:

Considering the detailed context of Futah's journey, the adoption of franchising as a business model for its international expansion could present distinct advantages and challenges tailored to its unique market position and strategic goals (Knight & Cavusgil, 2004). Franchising can accelerate Futah's international market presence by enabling the brand to leverage franchisees' investments. This is crucial for a brand like Futah, aiming to quickly scale its operations globally without the high upfront costs associated with establishing company-owned outlets, particularly in less familiar or emerging markets (Johanson & Vahlne, 1977). By franchising, Futah can significantly reduce the financial risks associated with international expansion. Franchisees would assume the costs of setting up and operating the franchised outlets, which aligns with Futah's strategy to maintain high-profit margins while expanding its market reach (Pan & Tse, 2000).

While franchising reduces operational burdens, it also introduces challenges in ensuring franchisees adhere to Futah's high standards (Hoffman & Preble, 2001). Franchising offers

Futah greater control over how its products and brand are presented globally, ensuring consistency across various markets. This model provides a structured framework for maintaining brand integrity, which is less achievable through distributors who may have divided loyalties across multiple brands.

Franchisees, with their deep understanding of local markets, can help Futah tailor its product offerings and marketing strategies to meet regional preferences and demands, thus enhancing the brand's appeal and competitive edge in diverse markets (Welsh, Alon, & Falbe, 2006). However, adapting the franchise model to different cultural contexts while maintaining the core essence of the Futah brand requires a delicate balance. This may involve creating flexible franchise agreements that allow for some localization but still adhere to critical brand values and operational practices.

While franchising offers a viable pathway for Futah to expand its global footprint and enhance market penetration, it requires cautious implementation given Futah's historical challenges with international growth. Practically, for a brand like Futah, known for its unique and high-quality beach towels, there is a risk that franchisees might alter product lines or reduce quality to maximize returns, potentially diluting the brand's reputation. Additionally, Futah's struggles with establishing a deep market integration suggest that franchising alone might not fully capitalize on local market conditions. Therefore, before adopting franchising, Futah should first strengthen its operations and enhance its online and offline synergy. This could include opening a new flagship store in Spain to refine the franchise model and investing in online capabilities to support the offline experience, maintaining brand control and customer engagement.

In summary, while franchising is promising for Futah's international growth, it should be part of a broader, carefully calibrated strategy that includes strengthening core operations and leveraging both online and offline platforms to support sustainable growth. This balanced approach ensures that while Futah extends its global footprint, it remains cautious against rapid expansion that could dilute its unique selling proposition (USP), undermining the brand's core identity and disconnecting from its customers.

6. Limitations and Conclusions

6.1 Limitations

The case study approach, focused on a single SME, limits the generalizability of the findings. Future research could expand the scope by examining multiple SMEs across different industries and regions. Additionally, the rapidly changing global market landscape means that the strategies and outcomes discussed may evolve, requiring ongoing analysis to capture new trends and dynamics. Finally, the reliance on interviews and secondary data sources may introduce biases, and future studies could benefit from a more extensive use of quantitative data to validate the findings.

6.2 Conclusion

This master thesis delved deep into the dynamics of international strategy, focusing on the practical application of theoretical frameworks through the point of view of Futah. By bridging the gap between academic theory and real-world business implementation, this study provides a narrative and critical insights into the strategic maneuvers and operational adaptations necessary for SMEs to navigate the complexities of global markets.

The research demonstrated how Futah leveraged its valuable, rare, inimitable, and organized resources to gain a competitive edge, in line with the RBV theory (Wernerfelt, 1984; Barney, 1991). The strategic use of agents, distributors, and international fairs allowed Futah to efficiently enter new markets, showcasing the significance of valuable and rare resources such as brand reputation and product quality in differentiating itself globally. Futah's ability to adapt its market entry strategies, particularly by forming strategic partnerships, enhanced its operational capabilities and market knowledge, crucial for navigating diverse regulatory environments and consumer preferences (Chetty & Campbell-Hunt, 2003). However, the study also highlighted several challenges. Futah's reliance on traditional entry modes limited its ability to scale in certain markets where alternative models like franchising could have been beneficial. The lack of patents for its product designs exposed it to potential imitation, necessitating continuous innovation in design and partnerships. Additionally, the need for significant enhancements to Futah's website to support its global customer base and the operational challenges in scaling production presented ongoing hurdles.

The findings stress the need for Futah to reevaluate and realign its international strategy, focusing on a more cohesive approach that effectively integrates online and offline elements to drive market penetration and customer engagement. The analysis contributes to the academic literature by detailing the complexities of SME internationalization in the digital age. Futah is recommended to pursue a gradual, well-supported market entry strategy, strengthened by local partnerships and digital enhancements, to compete effectively in the global marketplace.

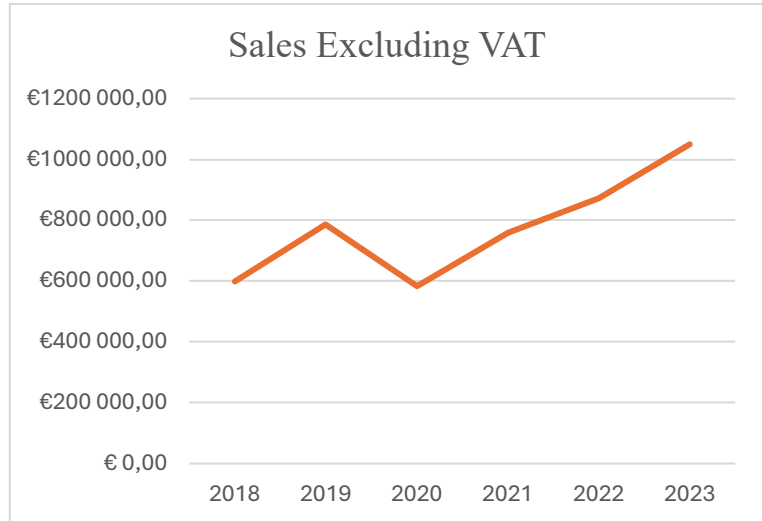
This finding also offers actionable recommendations for companies like Futah that want to achieve sustainable international success while maintaining their core brand values.

7. Appendix

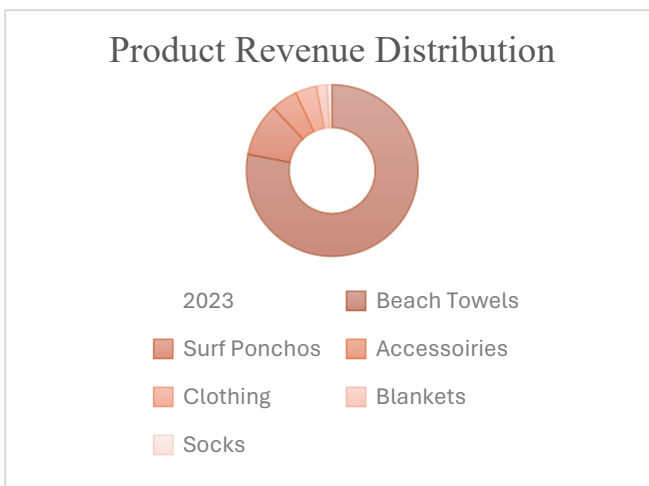
Case Exhibits

Case Exhibit 1 - Sales Volume

| | Sales Excluding VAT |
|-------------|----------------------------|
| 2018 | €598 187,00 |
| 2019 | €786 989,00 |
| 2020 | €583 280,00 |
| 2021 | €758 264,00 |
| 2022 | €872 003,60 |
| 2023 | €1 050 000,00 |



Case Exhibit 2 – Product Revenue Distribution



| 2023 | Product Revenue Distribution |
|---------------------|-------------------------------------|
| Beach Towels | 78,00% |
| Surf Ponchos | 10,00% |
| Accessories | 5,00% |
| Clothing | 4,00% |
| Blankets | 2,00% |
| Socks | 1,00% |

Case Exhibit 3 - line of towels created in collaboration with the top three football clubs



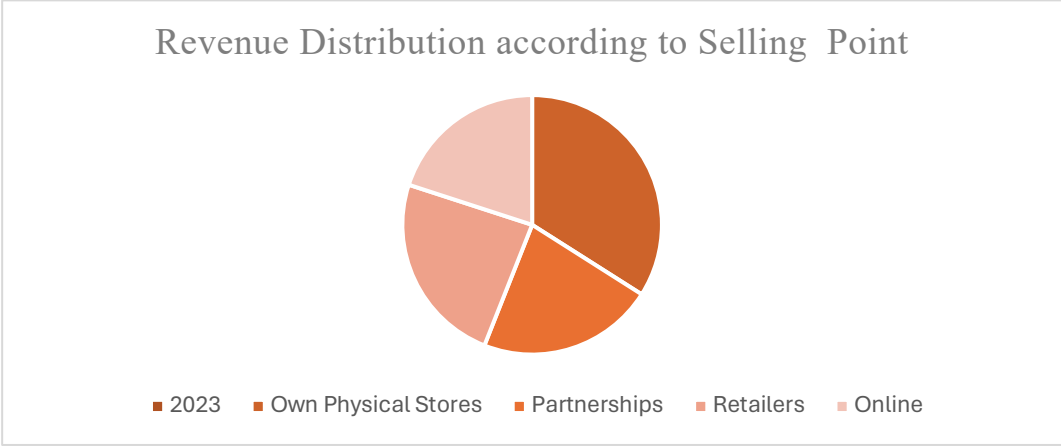
Case Exhibit 4 – Collaboration with Mustique, a Portuguese



Case Exhibit 5 - Collaboration with NAM



Appendix 6 - Revenue Distribution according to selling point



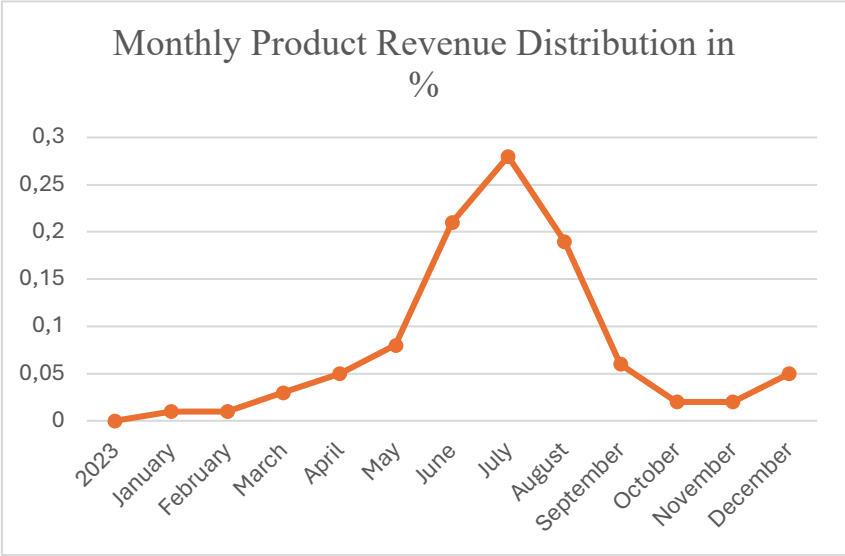
| 2023 | Revenue Distribution according to Selling Point (%) |
|---------------------|---|
| Own Physical Stores | 34% |
| Partnerships | 22% |
| Retailers | 24% |
| Online | 20% |

Appendix 7 - Distribution of Website Users and Retailers

| Futah Website Users | | Distribution in % | Number of retailers | Retailers in % |
|----------------------------|----------------|--------------------------|----------------------------|-----------------------|
| Portugal | 110 516 | 48,43% | 48 | 48,48% |
| Spain | 84 158 | 36,88% | 10 | 10,10% |
| United States | 9 045 | 3,96% | 4 | 4,04% |
| Germany | 7 461 | 3,27% | 5 | 5,05% |
| France | 1 880 | 0,82% | 4 | 4,04% |
| United Kingdom | 1 666 | 0,73% | 0 | 0,00% |
| China | 1 612 | 0,71% | 1 | 1,01% |
| Ireland | 1 093 | 0,48% | 0 | 0,00% |
| Sweden | 1 069 | 0,47% | 8 | 8,08% |
| Switzerland | 1 065 | 0,47% | 4 | 4,04% |
| Netherlands | 814 | 0,36% | 0 | 0,00% |
| Italy | 636 | 0,28% | 1 | 1,01% |
| Austria | 588 | 0,26% | 1 | 1,01% |
| Belgium | 528 | 0,23% | 1 | 1,01% |
| Brazil | 436 | 0,19% | 4 | 4,04% |
| Canada | 415 | 0,18% | 1 | 1,01% |
| Poland | 365 | 0,16% | 0 | 0,00% |
| Morocco | 313 | 0,14% | 0 | 0,00% |
| Australia | 277 | 0,12% | 0 | 0,00% |
| Chile | 236 | 0,10% | 0 | 0,00% |
| Finnland | 183 | 0,08% | 0 | 0,00% |
| Denmark | 172 | 0,08% | 0 | 0,00% |
| Greece | 160 | 0,07% | 3 | 3,03% |
| Angola | 139 | 0,06% | 0 | 0,00% |
| Romania | 135 | 0,06% | 0 | 0,00% |
| Mozambique | 0 | 0,00% | 1 | 1,01% |
| Croacia | 0 | 0,00% | 2 | 2,02% |
| Mexico | 0 | 0,00% | 1 | 1,01% |
| Total | 228 197 | | 99 | |

Appendix 8 - Monthly Product Revenue Distribution in

| 2023 | Product Revenue Distribution |
|-----------|------------------------------|
| January | 1% |
| February | 1% |
| March | 3% |
| April | 5% |
| May | 8% |
| June | 21% |
| July | 28% |
| August | 19% |
| September | 6% |
| October | 2% |
| November | 2% |
| December | 5% |



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