



**From clicks to bricks: Velasca's journey of internationalization
via e-commerce and physical retail presence**

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Abstract

Title: “From clicks to bricks: Velasca’s journey of internationalization via e-commerce and physical retail presence”

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This dissertation aims to understand how Velasca, a successful Italian luxury footwear company, has been able to internationalize its business, maintaining a sustained competitive advantage in foreign markets, as well as the impact of it on the firm’s performance.

The focus is to identify the entry strategies of the firm, the resources and capabilities needed to sustain a competitive advantage elsewhere and finally how did these strategies impact the company’s margins and performance.

The market internationalization has offered firms the chance to expand their product and business strategies. When a firm is concerned about its growth opportunities, the international markets become an important target, because of a natural opportunity to increase the sales’ volume, as well as reduce the overall business risk through diversification. Therefore, understanding strategies that effectively navigate international barriers is critical for elevating businesses to new level of success.

The industry always relied on a system operating through traditional channels involving multiple intermediaries such as sellers, re-sellers, and agents, inflating prices without necessarily adding substantial value to product quality. Consumers were disconnected from artisans, and the supply chain lacked direct connections between those crafting the products and the end buyers. Velasca’s innovation disrupted this established system introducing a revolutionary model that directly connected consumers with skilled artisans. This company challenged the norms bypassing physical stores and enhancing the online ones.

Key words: internationalization, competitive advantage, entry strategies, luxury footwear, market expansion, intermediaries, traditional channels.

Resumo

Titulo: “Dos cliques aos tijolos: a jornada de internacionalização da Velasca via e-commerce e presença física no varejo”

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Esta dissertação pretende compreender como a Velasca, uma empresa italiana de calçado de luxo de sucesso, tem conseguido internacionalizar o seu negócio, mantendo uma vantagem competitiva sustentada nos mercados estrangeiros, bem como o impacto disso no desempenho da empresa.

O foco é identificar as estratégias de entrada da empresa, os recursos e capacidades necessários para sustentar uma vantagem competitiva noutra local e, finalmente, como é que essas estratégias impactaram as margens e o desempenho da empresa.

A internacionalização do mercado ofereceu às empresas a oportunidade de expandir seus produtos e as suas estratégias de negócios. Quando uma empresa está preocupada com as suas oportunidades de crescimento, os mercados internacionais tornam-se um alvo importante, devido a uma oportunidade natural para aumentar o volume de vendas, bem como para reduzir o risco global do negócio através da diversificação geográfica. Portanto, compreender estratégias que superem eficazmente as barreiras internacionais é fundamental para elevar as empresas a um novo nível de sucesso.

A indústria sempre contou com um sistema que operava através de canais tradicionais envolvendo múltiplos intermediários, como vendedores, revendedores e agentes, inflacionando os preços sem necessariamente agregar valor substancial à qualidade do produto. Os consumidores estavam desligados dos artesãos e a cadeia de abastecimento carecia de ligações diretas entre aqueles que elaboravam os produtos e os compradores finais. A inovação da Velasca rompeu este sistema estabelecido, introduzindo um modelo revolucionário que conectou diretamente os consumidores com artesãos qualificados. Esta empresa desafiou as normas contornando as lojas físicas e aprimorando as online.

Key words: internacionalização, vantagem competitiva, estratégias de entrada, volume de vendas, canais tradicionais, intermediários.

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Table of Contents

1. Introduction.....	6
1.1 Problem statement	6
1.2 Research question.....	7
1.3 Methodology	7
2. Literature review	8
2.1 Internationalization.....	8
2.1.1 International entry modes	8
2.1.2 Internationalization theories.....	10
2.2 The multi-stage theory of internationalization	12
2.3 Standardization vs Adaptation	14
2.4 Competitive advantage vs Sustainable competitive advantage	16
2.5 SWOT.....	17
2.5.1 5 Forces analysis	17
2.5.2 Resource Based View and VRIO model.....	18
2.5.3 Dynamic capabilities	19
3. Case study	20
3.1 The Luxury Footwear Industry	20
3.1.2 Luxury footwear consumer drivers	20
3.1.3 Innovative startup.....	21
3.2. Velasca.....	24
3.2.1 Company history	24
3.2.2 Marketing communication strategy.....	27
3.2.3 Velasca for women	27
3.2.4 Internationalization history	28
3.2.5 Internationalization process	29
3.2.6 Entry modes	31
3.2.7 Enduring dominance in competitive landscapes	32
3.2.8 Adapting, Expanding, and Innovating	33
3.2.9 Benefit corporations	33
4. Teaching Notes.....	34
4.1 Synopsis.....	34
4.2 Teaching objectives	35
4.3 Case analysis proposals.....	35
4.4 Questions	35
5. Conclusions and limitations	39
6. References.....	40
6.1 Literature Review	40
6.2 Images.....	42
6.3 Case Study	43

1. Introduction

1.1 Problem statement

Strategic management is a pivotal field dedicated to aiding organizations in judiciously allocating resources to achieve their objectives. This thesis endeavors to explore relevant questions concerning how a small and medium enterprise (SME) such as Velasca can effectively navigate within the highly competitive landscape of the luxury footwear industry. As a SME, there's a point where resources become limited and growth can only be sustainable if smart strategies are put in place, especially in knowing how and what market to compete in, both domestically and internationally.

Trying to understand the processes and strategies put in place by Velasca, one seeks to analyze the outcomes and how they have shaped the company that is today. The company's history reveals its unconventional start in the luxury shoe market, leveraging an omnichannel model to directly connect consumers with artisanal products, disrupting traditional supply chains, while trying to achieve international competitiveness as well. Another objective of this thesis is to study the impact of Covid-19 on the opening of physical stores abroad and product portfolio expansion and how the company adapted in this challenging time. Finally, the thesis focuses on Velasca's commitment to sustainability and its willingness to demonstrate transparency and accountability to reach high social and environmental standards.

All things considered, the aim of this thesis is to provide a detailed overview of the internationalization process of the company and overall performance by looking at the strategies used over time, as well as the dynamic capabilities needed to achieve the competitive advantage in foreign markets. Finally, it is challenging for companies operating in the luxury footwear industry to maintain quality, product rarity and a competitive price over time, while expanding the business worldwide. Therefore, this is a doubt I would like to unfold with Velasca case study.

1.2 Research question

In order to reach a solution to the previous problem, the following research question were suggested:

- **What was the internationalization strategy, in terms of entry strategies, marketing mix standardization vs adaptation, and the marketing mix of Velasca?**
- **How did Velasca gain and maintain a competitive advantage in international markets?**
- **How does Velasca integrate corporate social responsibilities into its business operations?**
- **What was the internationalization impact on the firm's performance?**

1.3 Methodology

The development of this case study and the conclusions that come with it were obtained through qualitative research. The data was collected mainly through interviews held in person as well as company's website and articles. The interviews were recorded which significantly helped with the analysis of the content, to avoid inaccuracies and biases that could lead to mistakes. All the information about the company was confirmed and checked by the owners themselves so that no mistakes or wrong data were used in this case study.

2. Literature review

2.1 Internationalization

There have been many definitions of internationalization presented in the literature, most of them underpinning the company's strategic orientation. The internationalization of a company consists of the extension of its strategies of product markets to other countries, from which a total or partial replica of its operational chain results (Freire, 1997). The company increases its level of activities outside the country of origin (Meyer, 1996) by adapting its operations (strategy, structure, resources) to international environments (Calof and Beamish, 1995). This involvement is based on dimensions such as market, product, time, and performance (Welch and Luostarinen, 1988; Ruzzier et al., 2006).

Moreover, with the development of market globalization and the expansion of market borders too, small and medium enterprises keep having multiple opportunities for growing and developing. Although, these opportunities not only include internationalization strategies as a method for expanding abroad but also innovation of business models.

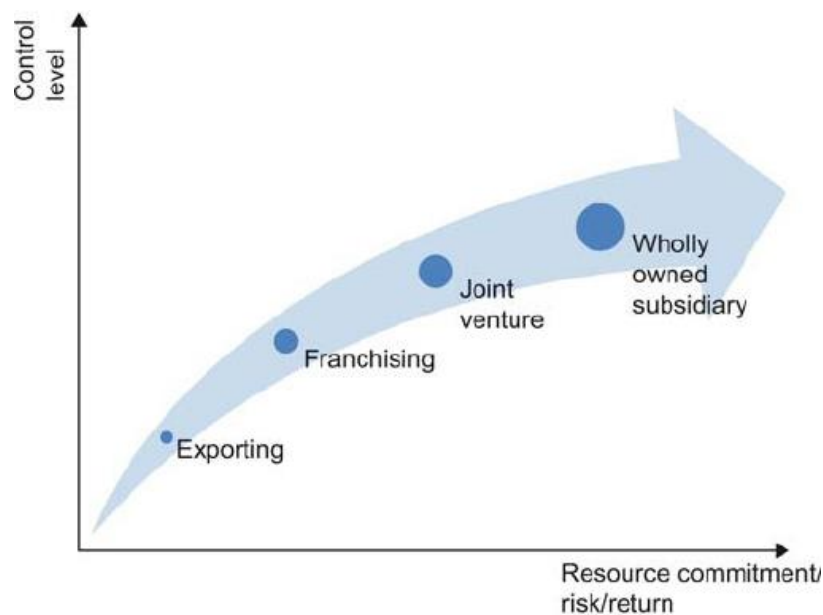
Usually, companies become more international when they have already started an export phase. Most of the time, a common decision is to begin their expansion in countries that are quite similar to their own and gradually expands to different one (Pogrebnyakov and Maitland, 2011).

The internationalization process is considered to be based on three fundamental paradigms (Santos, 1997): (1) it is necessary for the company to acquire competencies in the country of origin's market to guarantee an international competitiveness dimension; (2) the internationalization process is almost always started in exports and it is defined as being sequential, ordered and slow, based on the product's lifecycle, and finally (3) when the company reaches multinational status, it faces almost always new strategic problems; namely the choice between global integration or the local adaptation of its activities.

2.1.1 International entry modes

Foreign market entry mode choice represents one of the most important strategic decisions for a firm seeking to internationalize its operations. It also typically involves a significant, and often irreversible, commitment of financial and human resources. The motivations underlying foreign market entry can vary from strategic objectives such as growth and profits unattainable through competing exclusively in the home markets (Root, 1994) to competitive reasons such as engaging foreign rivals in their home turf (Watson, 1982). The four most common modes of

foreign market entry are exporting, licensing, joint venture, and sole venture (Agarwal, S., & Ramaswami, S. N. 1992). Because all of these modes involve resource commitments (albeit at varying levels), firms' initial choices of a particular mode are difficult to change without considerable loss of time and money [Root 1987]. Entry mode selection is therefore, a very important, if not a critical, strategic decision. Several studies in international trade, industrial organization, and market imperfection found many factors influencing the choice of an entry mode for a selected target market. Normative decision theory suggests that the choice of a foreign market entry mode should be based on trade-offs between risks and returns (Agarwal, S., & Ramaswami, S. N. 1992). A firm is expected to choose the entry mode that offers the highest risk-adjusted return on investment. However, behavioral evidence indicates that a firm's choices may also be determined by resource availability and need for control [Cespedes 1988; Stopford and Wells 1972]. Entry mode choices are often a compromise among these four attributes. The exporting mode is a low resource (investment) and consequently low risk/return alternative. The sole venture mode, on the other hand, is a high investment and consequently high risk/return alternative that also provides a high degree of control to the investing firm. The joint venture mode involves relatively lower investment and hence provides risk, return, and control commensurate to the extent of equity participation of the investing firm. Finally, the licensing mode is a low investment, low risk/return alternative which provides least control to the licensing firm (Agarwal, S., & Ramaswami, S. N. 1992).



Source: Adapted from Sternquist (2007)

Figure 1: Entry mode characteristics

Lu, Y., Karpova, E. E., & Fiore, A. M. (2011). Factors influencing international fashion retailers' entry mode choice. *Journal of Fashion Marketing and Management: An International Journal*, 15(1), 58-75.

2.1.2 Internationalization theories

Internationalization theories are focused on the process by which businesses expand their operations to other countries. They can be used by businesses to develop a more informed and strategic approach to international expansion. By understanding the factors that influence internationalization, firms can better assess their own strengths and weaknesses and choose the most appropriate entry mode and marketing strategy for each market. Through the internationalization theories, we have a framework that helps us better understand the factors that influence a firm's decisions to internationalize, the different ways in which they can internationalize, and the challenges companies may face.

In this section, I will talk about some of these theories and about the ones that better apply to the sector that I am studying, the luxury footwear one.

Network theory

While the traditional internationalization literature largely concentrates on the processes of deciding and planning to enter a market and on entry modes, the network approach stresses the actual process of market entry and becoming a player in the network (Salmi 2000). According to this approach, the internationalization of the firm can be achieved through creating relationships in foreign country networks that are new to it (international extension); the development of relationships, and increasing resource commitments in those networks in which the company already has a position (penetration) or connecting the existing networks in different countries (Johanson and Mattson 1988).

Applying the network approach, a firm can have more return compared to having a competitive attitude. Moreover, a company can continue to be an important player in an international network while keeping its physical assets domestically. In addition to learning about the partner's capabilities, needs, and strategies, a company can also acquire knowledge about the latter's business conditions and market networks (Johanson and Johanson 1999). This approach also demonstrates the importance of long-term relationships with customers, suppliers, and other actors (Björkman and Forsgren 2000; Hadley and Wilson 2003) and external influences in firms' internationalization process (Ford 1998). For example, acquiring necessary resources

and contacts would be difficult without having long-term network partners (Chetty and Wilson 2003).

Uppsala Internationalization model

Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne (1977) developed the Uppsala Internationalisation model (U-model), highly influenced by Penrose's (1959) theory of knowledge and change in organizations as well as the behavioral theory of the firm. This model depicts the internationalization of the firm as a process of increasing a company's activities as a result of various types of learning (Johanson and Vahlne, 1977).

The U-model or *establishment chain*, as it is also called, asserts that firms usually start their internationalization by establishing connections with "psychologically" closer countries, through a gradual extension of operations with a low-commitment, low-risk mode. Then, grow their commitment in international markets, while they accumulate knowledge and experience too. The *establishment chain* involves four distinct stages. During the first one, the company starts having sporadic exports with the market without having to commit resources. The second phase see the firm involving an agent for exporting, having in return a greater knowledge of the market. The company now establish a commercial subsidiary, giving direct control on the information channel with the downside of increasing costs and risks. Finally, the establishment of a productive subsidiary; the phase that requires the highest level of commitment of resources, considering the four stages (Roque, A., Alves, M., & Raposo, M 2019).

The Eclectic Paradigm

The Eclectic Paradigm is the second most commonly adopted theory used in MEM research (Canabal and White, 2008). Also referred to as the OLI paradigm, the main theoretical underpinnings of this approach are that a firm's entry mode choice is based on the three factors of *ownership* (O), *location* (L), and *internalisation* (I) (Dunning, 1993; 1988).

The first one, ownership, admits several advantages in terms of costs, control, and benefits of inter-firm relationships. They specifically refer to the firm as intangible assets as well as technological capabilities and new product innovations and they are reflected by firm size as well as international experience. Ownership advantages must be unique assets or capabilities that a firm possesses to have competitive advantage in a global marketplace.

Location advantages refers to both institutional and productive factors existing in a particular market or geographical area and are considered to originate when, for instance, it is more beneficial to the organisation to combine products which are manufactured in the home market

with irremovable factors as well as intermediate products of another location (Ruzznier et al., 2006). Usually, the similarity arising from location advantages are culture, infrastructure, and availability of lower production costs.

Internalisation advantages are concerned with reduced transaction and coordination costs, stemming from internal activities in the value added chain (Ruzznier et al., 2006).

* Market Entry Mode.

Born Global Firms

Born Globals are companies that, since their inception, follow the vision of becoming global (Knight and Cavusgil, 1996; Bell, 1995; Gabrielsson and Kirpalani, 2004) and often rapidly globalise without any period of domestic activity (Gabrielsson and Kirpalani, 2004). (Roque, A., Alves, M., & Raposo, M. 2019).

Born global companies are defined as enterprises that internationalize their activities within three years of their founding and which have 25% of their total sales abroad (Knight and Cavusgil, 2004). This characterization takes into account the age of companies when they enter the international market and their percentage of foreign sales. It does not, however, take into account scope, such as the number of countries in which they operate, or how they evolve after they internationalize (Romanello and Chiarvesio, 2017) and if they develop gradually, as do traditional companies (San Emeterio, M. C., Juaneda-Ayensa, E., & Fernández-Ortiz, R. 2020). The Born Globals model proposes that the advances in technology of information and globalisation facilitate companies to acquire knowledge and its application in all countries (Chetty and Campbell-Hunt, 2004). Most of this type of companies usually begins with countries that are naturally similar to the country of origin (Chetty and Campbell-Hunt, 2004; Freeman and Cavusgil, 2007). (Roque, A., Alves, M., & Raposo, M. 2019).

2.2 The multi-stage theory of internationalization

In this moment of time people often seem to believe that internationalization is good for the firm. Indeed, the very field of International Business Studies rests upon the meta-hypothesis that increasing internationalization will generally augment company profits, other things being equal (Contractor, F. J. 2007). There are indeed some theoretical grounds for asserting a positive link between the degree of internationalization (DOI) of a firm and performance.

The multi-stage theory gives us an idea of the three sequential stages a company go through when expanding internationally, providing a dynamic or longitudinal explanation. At all stages,

there are incremental benefits, and incremental costs, of adding an additional nation or market to the firm's existing portfolio of countries. For most of the range, on the Degree of Internationalization (DOI) scale, incremental benefits outweigh the incremental costs of adding another nation, or dimension of internationalization. This is called Stage 2. However, in Stage 1 (initial or early internationalization) as well as in Stage 3 (excessive internationalization) incremental costs are greater than incremental benefits (Contractor, F. J. 2007).

- a) **Stage 1 (Early Internationalization):** during an early international expansion a company faces liabilities of the foreign country, like unfamiliarity with the foreign market's institutions and possible discrimination against foreign companies. Moreover, significant costs of having to learn about a new nation and culture, as well as local adaptation costs. Initially, the large incremental set-up costs of setting up new international operations, including additional overheads, can only be amortized over one or few foreign markets. Therefore, in stage 1 the incremental costs of the company internationally expanding are greater than the incremental benefits or revenues it collects.
- b) **Stage 2 (Later Internationalization):** only in this second stage benefits produced by the company will exceed firm's incremental costs. For every additional international operation or market added, there would continue to be learning, coordination, local adaptation, and legitimacy acquisition costs, but the following benefits begin to outweigh these incremental costs in Stage 2. These are: knowledge acquired from abroad, accessing cheaper inputs, exploitation of firm-specific assets carried to each foreign market, accumulation of market power because of wide multinational presence, international scale, geographical diversification, and internationalization experience.
- c) **Stage 3 (Excessive Internationalization):** Internationalization is good for company profits and risk reduction over a wide range. But international expansion beyond a certain point (depending on the particular sector) again leads to a reduction in profits (Contractor, F. J. 2007). During this stage a company may lose its focus and get carried away. Hennart asserts that firms may deviate from an "optimal," position in the M/P map because of randomness. This supports the foregoing Stage 3 argument, but fails to take account of the chronological or evolutionary perspective, that companies may find themselves "over-internationalized" because (i) they enjoyed an increase in performance through many years of increasing internationalization and then did not know when to stop, or (ii) firms that knowingly over-internationalize for other long

term strategic reasons, (iii) or firms that did not respond quickly enough to changes in technology or competition (Contractor, F. J. 2007).

To summarize, the 3-stage model points out two short periods (Stage 1 and 3), where incremental internationalization produces a negative effect on profits, but also a longer middle Stage 2 where the effect of expanding internationally is positive.

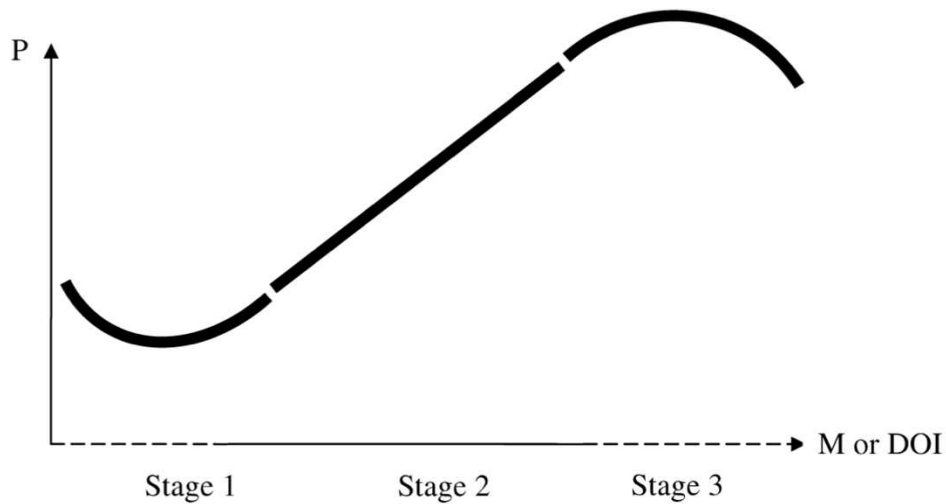


Figure 2: The General Sigmoid 3-Stage Model

Contractor, F. J. (2007). Is international business good for companies? The evolutionary or multi-stage theory of internationalization vs. the transaction cost perspective. *Management International Review*, 47, 453-475.

2.3 Standardization vs Adaptation

Recent decades have witnessed a dramatic globalization of the international business scene due to: increasing liberalization of trade policies; growing stability in monetary transactions; creation of regional economic integrations; uninterrupted flow of goods due to relatively peaceful world conditions; and revolutionary advances in transportation, communication, and information technologies (Czinkota & Ronkainen, 2001; Keegan, 1999). All these factors have led to the rise of fierce competition, with the participation of a wide array of firms of different size, industry, and national origin (Craig & Douglas, 1996). According to Kotler (2009), nowadays, global corporations face difficult decisions regarding what marketing strategy to adopt.

Standardization can be defined in different ways but Medina and Duffy (1998), define it as, “the process of extending and effectively applying domestic target-market-dictated product standards tangible and/or intangible attributes to markets in foreign environments”.

Proponents of the *standardization approach* view the globalization trends in the world as the driving force behind greater market similarity, more technological uniformity, and higher convergence of consumer needs, tastes, and preferences (Levitt, 1983; Ohmae, 1985). Growth of international communication channels, the emergence of global market segments, and the appearance of the Internet also facilitated the development of standardization. They posit that such a strategy can offer a number of benefits: (a) significant economies of scale in all value-adding activities, particularly in research and development, production, and marketing; (b) the presentation of a consistent corporate/brand image across countries, especially in light of the increasing consumer mobility around the world; and (c) reduced managerial complexity due to better coordination and control of international operations (Levitt, 1983; Douglas and Craig, 1986; Yip, Loewe, & Yoshino, 1988).

Globalization, instead, is defined by Cherunilam (2009) as “the process of integration of economics across the world through cross border flow of factors, products and information”. Advocates of the *adaptation approach* argue that, despite increasing globalization tendencies, variations between countries in such dimensions as consumer needs, use conditions, purchasing power, commercial infrastructure, culture and traditions, laws and regulations, and technological development are still too great, thus necessitating the adjustment of the firm’s marketing strategy to the idiosyncratic circumstances of each foreign market (Terpstra & Sarathy, 2000). In fact, firms operating internationally will have to take a key decision whether to go in the foreign markets with the firm’s current product or made essential changes in the products according to the requirements of the foreign market.

The adaptation approach for the product will better work when there will be meaningful differences in consumer needs, when competition will be so intense that will force them to diversify the products and to fulfill host country requirements as technical and legal issues and packaging.

Moreover, the final purpose of firms embracing adaptation should not be on reducing costs through standardization but on long-term profitability through higher sales accumulated from a better exploitation of consumers’ needs across countries.

Marketing Mix Policies	Adaptation	Standardization
Marketing Mix		
Product	<ul style="list-style-type: none"> • Government regulation • Product standards • Cultural differences • User's habits 	<ul style="list-style-type: none"> • Cost-effective • Highly product image
Price	<ul style="list-style-type: none"> • Profits and sales volume can increase due to different markets • Lack of control because of market differentiated pricing • Bad image of multi-national firms 	<ul style="list-style-type: none"> • Low-risk strategy as a fixed return is guaranteed • Good image of multi-national firms • No effort is made to maximize either profits or sales volume because they set the same price for all market • Used when selling highly specialized manufacturing plant
Place	<ul style="list-style-type: none"> • The nature of market • Customer characteristics • Nature of product • Culture • Law legislation 	
Promotion	<ul style="list-style-type: none"> • Customer satisfaction • Cultural differences • Other environmental factors such as political and legal constraints 	<ul style="list-style-type: none"> • Improving efficiency and saving costs • Increasing firm's image • Increasing customer's trust, loyalty • Trend of globalization

Table 1: The main causes of standardization and adaptation in marketing mix activities

Akgün, A. E., Keskin, H., & Ayar, H. (2014). Standardization and adaptation of international marketing mix activities: A case study. *Procedia-Social and Behavioral Sciences*, 150, 609-618.

2.4 Competitive advantage vs Sustainable competitive advantage

Michael Porter was the first writer to coin the term competitive advantage, experienced by the firm when its actions create economic value in an industry or market and when competing firms are engaging in similar actions. The strategy implemented by the firm with competitive advantage provides the opportunity for a reduction in costs (i.e., low cost) in the provision of a product and/or service with some proximity on product and/or service attributes to providers of the alternative differentiation strategy in a broad market segment. Alternately, the firm may have the ability to exploit market opportunities with a product and/or service with superior attributes (i.e., differentiation) with some proximity to low-cost providers on cost of production or provision of service in a broad market segment (O'Shannassy, T. 2008)

Sustained competitive advantage, instead, happens when the company is implementing a value by creating a strategy that has not been applied before by others and firms can't duplicate the benefits of that strategy. To build sustainable competitive advantage a firm must focus on the identification of different product strategies, creating or reshaping core competencies,

acquiring unique technologies as well as accrue intellectual property. All these actions will lead the company towards success in a highly competitive marketplace (O'Shannassy, T. (2008)

2.5 SWOT

It is very important to understand the main source of a firm's competitive advantage to develop a strategic plan too. Strategy gives to the company a futuristic business way of thinking about present business challenges and future opportunities. The strategic technique effective for this is a "model" of how one's company now operates but should change to operate in the future-a "strategic business model" (Betz, F. 2002).

Mostly, many organizations carry out SWOT analysis at a strategic planning stage, try to identify and examine the existing resources, both internally and externally, investigating their trends and patterns that may have either positive or negative impacts to businesses (Gurl, E. 2017). SWOT stands for Strengths, Weaknesses, Opportunities and Threats. These elements are seen as a process, in which the management team identifies both internal and external factors affecting the company and business performances.

Strengths in the SWOT analysis are internal capabilities and positive factors of business establishments, which are relevant for firms to achieve their objectives and serve their customers, efficiently. Weaknesses are internal factors or constraints which might impede or hinder the performance of an organisation. Therefore, the company's strengths and weaknesses are internal elements. Opportunities in the SWOT analysis are factors or features which can favour or facilitate the business establishments with links outside organizations. They are external factors through which companies can exploit their advantages. Threats deal with negative factors external to the company, which can hinder or delay the achievable goals. As such, opportunities and threats are viewed as environmental factors (Namugenyi, C., Nimmagadda, S. L., & Reiners, T. 2019).

2.5.1 5 Forces analysis

It is important to integrate the internal with the environmental analysis for companies to evaluate which competitive advantages they have. Understanding the competitive forces, and their underlying causes, reveals the roots of an industry's current profitability while providing a framework for anticipating and influencing competition (and profitability) over time. A healthy industry structure should be as much a competitive concern to strategist as their company's own position. Understanding industry structure is also essential to effective

strategic positioning (Porter, M. E. 2008). The five forces model of competitive advantage proposed by Michael Porter posits a compelling view on how a firm can achieve competitive advantage in a particular industry by leveraging on five imperative forces of the industry (Goyal, A. 2020). These forces are composed of factors that can influence the positioning of a firm industry, which are The Bargaining power of Buyers; The Bargaining power of Sellers, The Threat of Substitutes; The Threat of Potential Entrants and The Threat of Existing Competition. Porter gives us an optimal competitive position, which would be in a certain industry where there are high barriers to entry, where there is little or no substitutes, both suppliers and buyer have low bargaining power, there is no threat of potential entrants and existing rivalry is low. By considering all five forces, a strategist keeps overall structure in mind instead of gravitating to any one element. In addition, the strategist's attention remains focused on structural conditions rather than on fleeting factors (Porter, M. E. 2008).

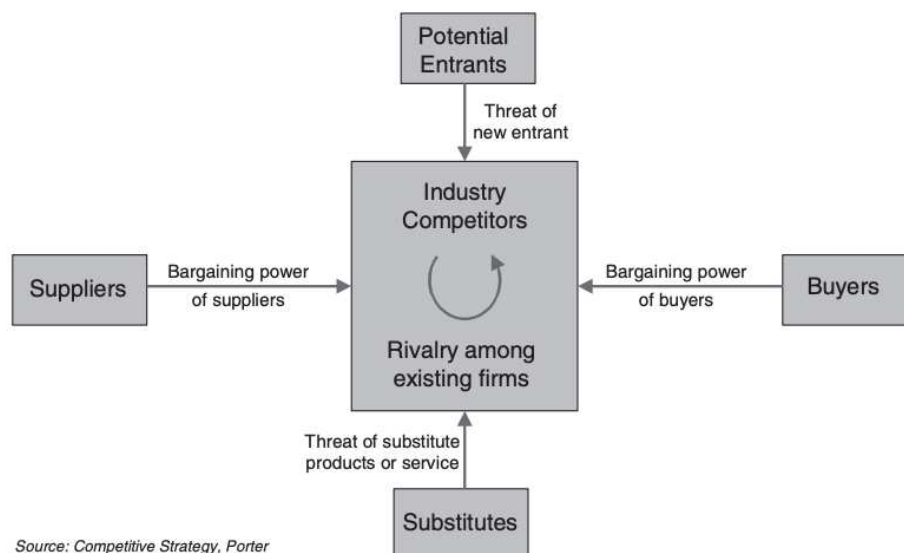


Figure 3: Porter's five forces model

Grundy, T. (2006). Rethinking and reinventing Michael Porter's five forces model. *Strategic change*, 15(5), 213-229.

2.5.2 Resource Based View and VRIO model

The resource-based view of the firm is known for explaining the conditions under which a firm can gain sustained competitive advantage. Following Penrose (1959), Wernerfelt (1984) introduced the notion that firms should be analyzed from the resource side at the level of the firm, not just from the product side at the level of the industry. Moreover, if resources are implemented with value-creating strategies that other firm find difficult to replicate, this will

become a way to achieve sustainable advantages. Barney (1986, 1991) argues that a firm has the potential to generate sustained competitive advantage from firm resources that are valuable, rare, inimitable, and organized (Barney, Wright, & Ketchen, 2001). These attributes together are what Barney (1991) terms VRIO.

An example of VRIO framework is provided:

- **Valuable (V):** resources are valuable if they provide value to the firm and help exploiting market opportunities;
- **Rare (R):** resources must be difficult to find among existing competitors of the firm, therefore they have to be rare and unique to offer competitive advantage;
- **Inimitable (I):** resources must be challenging to replicate if not impossible, for the firm to increase its price;
- **Organized (O):** for resources to be valuable the firm needs to have a very organized management system, processes, and policies.

2.5.3 Dynamic capabilities

Entering the 1990s, the highly dynamic business environment challenged the original propositions of the RBV as being static and neglecting the influence of market dynamism (Eisenhardt and Martin 2000; Priem and Butler 2001a,b). Dynamic capabilities, encapsulating the evolutionary nature of resources and capabilities, emerged to enhance the RBV (Eisenhardt and Martin 2000; Helfat 1997; Teece et al. 1992, 1997; Zahra and George 2002).

A dynamic capability is the firm's potential to systematically solve problems, formed by its propensity to sense opportunities and threats, to make timely and market-oriented decisions, and to change its resource base (Barreto, I. 2010). According to this definition, dynamic capability is viewed as a multidimensional construct (Edwards, 2001) because it refers to four distinct but related dimensions or facets (i.e., the propensities to sense opportunities and threats, to make timely decisions, to make market-oriented decisions, and to change the firm's resource base) treated as a single theoretical concept. The word formed clearly specifies the relations between the overall construct and the four dimensions, showing that this is an aggregate multidimensional construct (Law, Wong, & Mobley, 1998): Instead of a general concept that is manifested by these dimensions (as in the case of a latent or superordinate construct), this construct is formed by its four dimensions. Consequently, no dimension alone can represent the construct (Barreto, I. 2010).

3. Case study

3.1 The Luxury Footwear Industry

The story of the luxury footwear industry dates to the earliest days of human civilization. Shoes were initially worn for protection and comfort, but over time they also became a symbol of status and wealth. In the 18th century, the luxury footwear industry was further boosted by the rise of the haute couture industry. Fashion designers began to create shoes that were not only stylish but luxurious too. In fact, these shoes were made from the finest materials and were often decorated with intricate embroidery and beadwork. The 20th century saw several major changes in this industry. One of the most significant was the rise of mass production. This made luxury footwear more affordable and accessible to a wider range of people. However, it also led to a decline in the quality of some shoes. Another major change and remarkable invention were the rise of the sportswear brands. They began to produce both casual footwear collections and luxury ones, transforming the industry into more versatile and comfortable (Fontana, G. L., & Riello, G, 2009).

In Italy this industry highly developed after World War II because of a period of rapid economic growth and a rise in disposable incomes and an increase in demand for luxury goods, including footwear. Moreover, this industry benefited from the globalization of the luxury market in the late 20th century, allowing companies to reach costumers all over the world (Felice, E. 2011). The situation rapidly changed with the spread of Covid-19. This phenomenon severely impacted the industry by registering a decline in global sales by 17% and, consequently, the closure of many stores. Nowadays, the luxury Italian footwear industry still feels the later effects but managed to register a growth in revenue and export of +7.4% and +10.2% respectively in the first 6 months of the current year, although experts can already tell exported and produced quantities are dropping by -6.8% and -5.7%. Comforting news come from the Chinese market with an increase in volume of +20.4% and +43.4% in value (Assocalzaturifici, 2023)

3.1.2 Luxury footwear consumer drivers

Globalization has changed many aspects of our lives as consumers were previously mainly focused on product's price while now, through online platform, they can compare each other and have a better overview of what the market is offering. Consumers nowadays shifted their focus on better quality, rather than quantity.

Different competitors have different strategies for selling the product. Some are offering discounted prices, and some are making loyal consumers' by providing quality footwear. In the footwear industry the method for promotion is providing a quality product which will create an excellent image in the minds of consumers' (Abbas, Aamir & Qamar, Saqib & Shahzad, Muhammad, 2020). Moreover, apart from price as the conceptual framework shows, quality, brand loyalty, brand consciousness and store location are very important factors too influencing the consumer's preference. The latter creates huge impact on consumer's emotion and satisfaction, as well as convenient store location retail outlets influence the consumer's purchase decision.

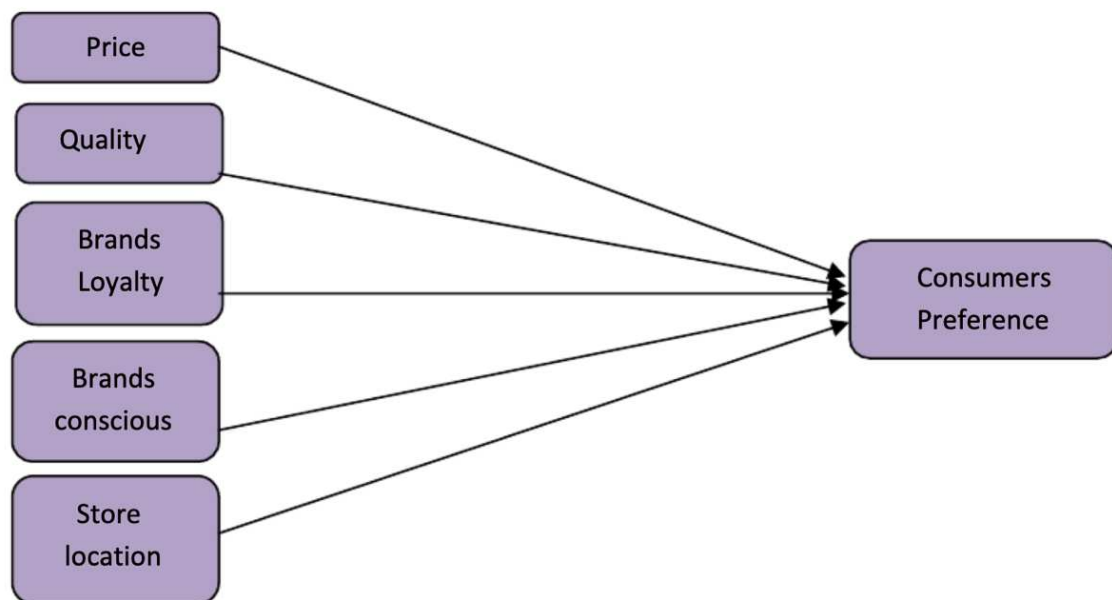


Figure 4: Factors influencing Consumers' Preference for Purchasing Footwear Brands

Abbas, A., Qamar, S., & Shahzad, M. (2020). Factors Influencing Consumers' Preference for Purchasing Footwear Brands. *UW Journal of Management Sciences*, 4(1), 40-52.

One last interesting element is that, although footwear products create high involvement among consumers, it is still quite difficult to sell such products online. Many people feel the need to try their size and make sure it fit before buying. The need for touch is the most prominent factor inhibiting customers to buy footwear online.

3.1.3 Innovative startup

Innovation is a crucial item for enhancing productivity and economic growth. In 2012 the Italian Parliament introduced into Italian law a special section in the Companies Register and

a large number of financial incentives to create a favorable environment for the development of 'innovative start-ups' (ISUPs), (Finaldi Russo, P., Magri, S., & Rampazzi, C. 2016).

Innovative startups are joint-stock companies' resident in Italy or in another EU member country if they have a production site or branch in Italy meeting certain requirements and their purpose focuses on development, production and marketing of innovative products or services with high technological value. They are very important for different reasons, like promoting sustainable growth, technological development, and employment but also for contributing to the improvement of a new entrepreneurial culture, to the creation of a context more favorable to innovation. Finally, innovative startups are important to sponsor greater social mobility and attract talent, innovative businesses, and capital from abroad to Italy (www.registroimprese.it).

Velasca
M I L A N O

3.2. Velasca

3.2.1 Company history

Velasca was founded in 2013 by Enrico Casati, Velasca co-founder, and Jacopo Sebastio, Velasca CEO and founder. They are family friends and both former students at Beccaria High School in Milan. Their business idea was born from a practical need, since Enrico needed a pair of elegant and good quality shoes at a reasonable price and he could not find one in Singapore, where he was working. Enrico and Jacopo thought “*Why don’t we create a model scalable that would put those who want an artisanal product around the world in direct connection with the artisans who make it, with strong disintermediation of the entire supply chain*”, said Enrico Casati. They bet on the omnichannel model, which goes from the producers to the consumers directly without intermediaries. Jacopo and Enrico were facing a real challenge since this sector historically relies on many mediators like sellers, re-sellers, agents, etc., who don’t have a direct impact on the product quality but only inflate the price. Moreover, in 2013 launching a luxury shoe business entirely online, without having a physical store where people could try on shoes, was considered a craziness. Against all odds, “*we have been accepted as an innovative startup (which are joint-stock companies and have as a main corporate purpose the development, production, and marketing of innovative products or services with high technological values) even though we were primarily an e-commerce,*” said Enrico.

They identified the Marche industrial district of Montegranaro as their starting point and, in 2013, the company was incorporated, and the online sales platform was launched.

In 2012, Italy was facing an economic collapse, while many founders understandably believed a recession was not the time to start a business, Enrico and Jacopo saw it as an opportunity. Production companies lose money when they don’t produce. The local shoemakers’ lack of business during this downturn helped convince them to take a chance on Velasca. “*It’s out of these economic crises and times of depression that there are more opportunities than there would be in times of economic boom,*” said Enrico. Shoemakers started to take small orders and a promised to pay within 30 days from delivery.



Figure 5: Velasca production. From the draw to the shoe.

Source: <https://it.velasca.com/>

The trust they gained year after year allowed the founders to shift their focus from production to marketing and communication. The direct-to-consumer model was still relatively new to Europe, so good storytelling of the company was extremely important. *“Very soon Jacopo and I realized, from our customer’s response, that an omnichannel model was essential for the growth of the business”*, said Enrico. In fact, they decided to open temporary stores and pop-ups to give their brand and products the maximum visibility. In this way, they were giving the customers the chance to try on their favorite pair of shoes and then, if preferred, buy them online. This was a turning point for the revenues of the company because, *“when we opened a store in a new city usually the ratio behind was 1:5. If we were selling around 10.000€ online, adding the physical store to the equation the total amount was then round up to 50.000€”*, said Enrico.

The decision to open a physical store involves several costs, which detain the possibility of having a stable financial statement during the first year because the company must confront rebuilding projects and key amounts of money to pay on top of employees’ salaries etc. Therefore, Enrico and Jacopo needed to have a clear idea of the financial resources they could invest in their expansion.

Nowadays, Velasca can count 18 physical stores of which 15 are dedicated to men’s, women’s, and men’s clothing in Italy, between Milan, Rome, Turin, Bologna, Florence, Naples, Palermo, and Brescia, and three abroad with Paris, London, and New York. These stores sum up to the 7 seven corners available in Rinascente. Velasca is no longer a start-up, that phase is over. Velasca is now a company, a brand with 90 employees and 25 million in revenues during 2023. The “digital native” company today owes around 55% of its turnover to e-commerce (with

peaks of around 70% in the USA where Velasca only has one boutique, in New York). The founders would like to have a more balanced situation since Italy still absorbs 60% of revenues, compared to 40% abroad where the two key markets are the USA and France with a market share of 10% each.

In 2022 and 2023, inflation considerably grew, influencing material costs and forcing businesses to raise their products' prices. Despite this fact, Velasca tries to remain consistent with its mission, which focuses on delivering top-quality material (made in Italy) at an affordable price, positioning its brand as premium. *“In the future, our goal would be to maintain the same value proposition (price-quality) as best on the market, to guarantee at least a 70% availability year after year of the best sellers’ products, preserve the company’s credibility and a good logistic service”*, said Enrico.

Looking at the future, the company is ready to reach 100 million in revenues in 5 years.



Figure 6: Velasca's physical stores. Milan from the upper left, then Paris to the right, New York, and London.

Source: <https://it.velasca.com/>

3.2.2 Marketing communication strategy

As mentioned in the previous sub-chapter, marketing campaigns and social media promotions constitute pivotal components in augmenting brand image and attracting prospective clients. In this context, Velasca predominantly directs its investment towards paid advertisements, particularly on platforms such as Instagram, aiming to enhance visibility and engage with potential new buyers. They communicate on Facebook too and on their website a newsletter pop-up appears, asking the client to join their community. *“Usually once a year we also organize live events, where we can meet our followers and supporters and make clients feel closer to their favorite brand”*, said Enrico.

Throughout its maturation, Velasca achieved a notable reduction in marketing expenditures, decreasing from approximately 20% to 13% on a compound annual basis. The company’s operational model is founded on a direct-to-consumer approach, eliminating intermediaries, and facilitating more direct communication with its community. Recognizing the significance of storytelling in addition to product-centric emphasis, Velasca strategically allocates time to cultivate compelling narratives for dissemination through social media platforms.



Figure 7: Velasca' storytelling

Source: <https://it.velasca.com/>

3.2.3 Velasca for women

Amid the global pandemic, Velasca underwent a comprehensive reassessment of its product portfolio in response to the shifting daily routines of individuals, characterized by a substantial

transition from office-based work to remote arrangements. Experiencing a significant decline in sales, the company strategically deliberated a business repositioning, transitioning from a focus on chic and classing styles to a more casual aesthetic.

“From that moment on we focused on which assets were already part of the business and created two new ones: the women and the total look projects,” said Enrico.

“Velasca was no longer a synonym of shoes but a synonym of il bello è fatto bene all’italiana, meaning the beauty is well done in the Italian way”, said Enrico.

The conceptualization revolved around conveying an unassuming style characterized by Italian craftsmanship and exceptional quality. The material employed ranged from Italian sources to those from other European countries, including Scottish wool, consistently emphasizing top-tier quality. The introduction of the women’s project in 2021 has proven to be a substantial contributor, constituting approximately 12-15% of the overall turnover. Furthermore, the comprehensive men’s total look project was initiated in 2022, marking a strategic expansion in the company’s product portfolio.



Figure 8: Velasca women products

Source: <https://it.velasca.com/>

3.2.4 Internationalization history

Originating as an innovative startup, Velasca dedicated considerable effort to substantiate its capacity to engage in unconventional business practices and attain success within the Italian market. In 2019, the company embraced a new milestone: venturing into international expansion. During this period, Velasca primarily operated within a single product division, focusing on the production of classic and formal men’s footwear.

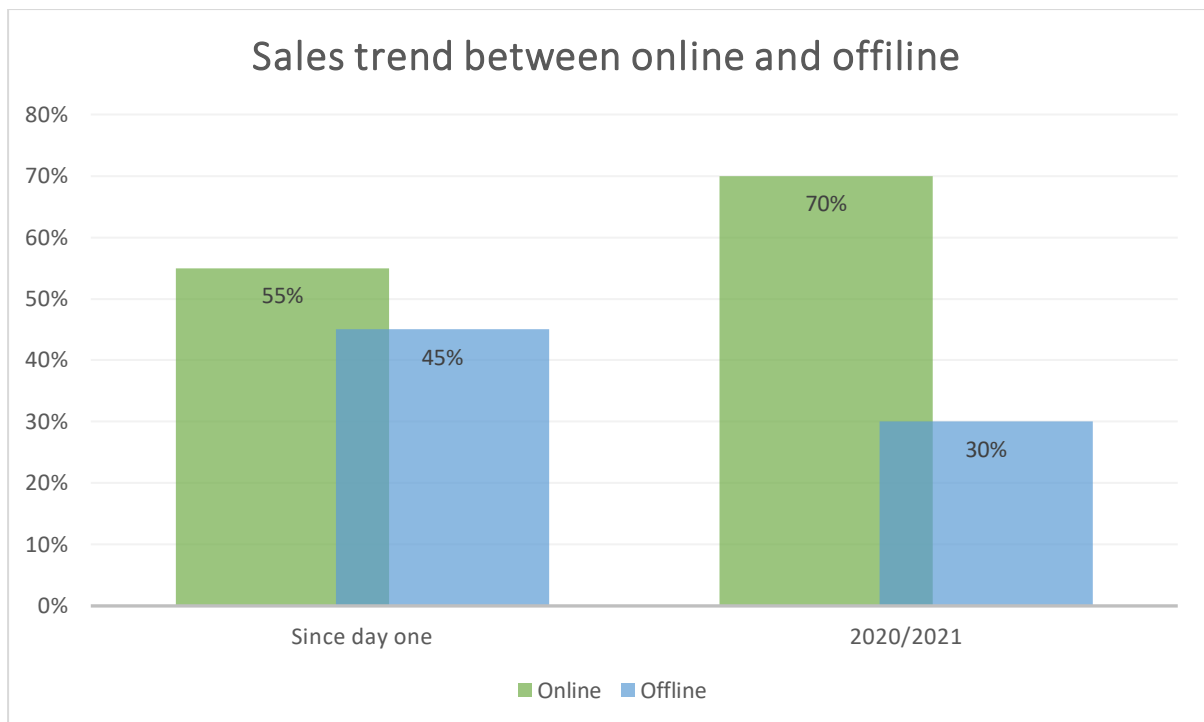
“During those years we registered a significant capital increase, so Jacopo and I decided to give visibility to our brand abroad too. The first physical store we opened was in Paris, then London, and finally New York”, said Enrico.

No one could have ever seen the arduous moment the world was about to face. Only six months from the opening, Velasca was crushed by the spreading of the pandemic that prevented the business, any business, from growing. *“In this way, we lost about 18 months, almost two years, of great work. On second thought, it was the hardest time our company ever faced but the positive thing we will remember is that we came out more experienced and curious about what could happen next”, said Enrico.*

Following that period, Velasca saw the development of the revenge spending phenomenon, which refers to people spending more money after a challenging period of the pandemic. As a matter of fact, during those years people couldn't travel, shop, or socialize as freely as before, so they felt the need to make up for it, by splurging on purchases (Park, I. et al, 2022). As a negative consequence, after Covid-19, the war between Russia and Ukraine, and the latest disaster in Israel caused the inflation rate to rise, while wages remained unchanged. This led citizens to save money on those unessential categories of products, like shoes or dresses, and invest more in experiences and restaurants.

3.2.5 Internationalization process

The internationalization process of Velasca was quite simple. Jacopo and Enrico wanted to challenge themselves and their product to see how well it would have performed abroad. The first step they took was to analyze the revenues and sales numbers in the city where they wanted to open the new Velasca store. Leveraging their online platform, they gained foresight into the viability of establishing a physical store in that specific location, as evidenced by an upward trajectory in online sales. Notably, the decision to expand was facilitated by the existing high demand from customers, obviating the need for extensive analytical investigations. *“This process worked so well that today the foreign online market is worth 35% of the total turnover. Since Velasca became a competitive player, we have registered 55% of online sales and 45% of offline ones. This, once again, can underline the importance for clients of having a landmark where to go when in need of trying on Velasca shoes. This trend of sales only drastically dropped between 2020 and 2021 during Covid-19, which brought the offline sales to 30% while the online ones to 70%, since everyone was confined at their homes”, said Enrico.*



Graph 1: Sales trend

Source: Author

Preceding and after the establishment of physical stores in Paris, London, and New York, Velasca made substantial investments in expensive marketing initiatives, strategically disseminating its brand name and image throughout each city. The overarching objective was to establish meaningful connections with potential customers, concurrently informing old ones of the opportunity to engage with authentic “Bottega” (ancient store) experience and partake in the essence of Italian craftsmanship beyond the domestic borders.

“After opening a physical store in a new city, the turnover has always been from 4 times to 10 times the turnover of the city itself before the shop opening”, confirmed Enrico.

Moreover, employees always maintained a high focus on customer care, answering daily requests and emails from all over the world.

Aligned with Velasca’s core objective of aligning prices with quality standards, the company adhered to a strategy of maintaining a consistent product portfolio across international markets. Rather than introducing region-specific product variations, Velasca exported the same range of offerings. Notably, while the overall product lineup remained uniform, the best-selling products demonstrated variations based on customer habits and preferences in different markets. In summary, the internationalization initiative to be highly successful for Velasca, with the company achieving breakeven within the initial months of the expansion endeavor.

3.2.6 Entry modes

Velasca started to export the products abroad through their online website from the first day the company was founded. A couple of years later, in 2019 precisely, Jacopo and Enrico decided to expand their business and make some FDI, by opening the first physical store established in Paris, France, significantly contributing to the company's expansion and network growth. The foray into international markets brought forth numerous challenges, encompassing linguistic barriers, distinct style preferences, unfamiliar consumer psychologists, and the intricate task of remotely managing a store in a foreign country.

In the initial phase of its international expansion, Velasca strategically entered two European markets with psychological proximity to Italy and then one in New York, a considerably more distant location. This strategic move is a direct outcome of the company's overarching growth trajectory. The knowledge gained through the internationalization process is tacit, posing significant challenges for external transfer.

Integral to the entry strategy is Velasca's close attention to the marketing mix. Substantial investments were made in promoting new stores through diverse channels, including social media, e-mail marketing and paid advertising. The marketing mix is meticulously designed to resonate with Velasca's target demographic-affluent consumers seeking high-quality, Italian-made footwear. The premium pricing of products caters to individuals aged between 35 and 45 who endorse the brand's strong reputation and unwavering commitment to quality.

A pivotal element in Velasca's marketing mix is the handcrafted nature of its products, encompassing shoes, accessories, and clothing, utilizing superior materials. While the best-selling products may vary across countries based on style preferences, the overall portfolio remains consistent with each new store opening.

The selection of retail location is a crucial facet of Velasca's marketing mix, extending beyond physical stores to include a partnership with Rinascente, a prestigious department store chain with nine locations in Italy. With seven dedicated corners in Rinascente, Velasca ensures control over the customer experience and the high-quality presentation of its products.

Finally, price stands as a paramount consideration for Velasca, reflecting the companies' sensitivity to this aspect. This multifaceted marketing approach collectively positions Velasca as brand attuned to the preferences and expectations of its discerning clientele.

“Very often we defined our price as “reasonable/accessible”, but it is wrong because, when talking about money, it becomes very subjective as it relies on the economic resources each one of us has. The correct price is aligned with the quality we are offering to our clients”, said Enrico.

Therefore, the strategy adopted by Velasca maintains its focus, especially on quality, price, and place. The real challenge will be to preserve the same level of quality while expanding their business worldwide. The founders are now planning to open other stores in Europe, as well as export their business model to Japan and South Korea, although this move will imply support from a partner.



Graph 2: Velasca strategy pillars

Source: Author

3.2.7 Enduring dominance in competitive landscapes

In this section, I will discuss how Velasca successfully preserved a sustainable competitive advantage during its international business expansion.

Velasca's commitment to quality is evident in every aspect of its business, from the materials it uses to the manufacturing process it employs. The company sources its leather from the finest tanneries in Italy, and its shoes are handcrafted by skilled artisans. This focus on quality has resulted in a product that is both durable and stylish, and it has earned Velasca a reputation for excellence among luxury consumers. Moreover, the company has access to high-quality Italian leather, which is a valuable resource, even more rare when selling abroad. Most of the time business is made of relationships and the network a company creates. Velasca from the beginning ensured artisans their commitment, reliability, and transparency to place an order of shoes or, more recently, clothes and pay them within 30 or 60 days at least. Therefore,

Velasca's unique manufacturing process is another source of inimitable advantage. The company has developed a proprietary process that allows it to produce shoes that are both consistent in quality and innovative design. This, for other companies, is difficult to replicate giving Velasca a unique proposition in the market.

Finally, Velasca is well-organized to exploit its VRIOs. The company has a clear vision and strategy, and it has invested in the resources and capabilities necessary to reach its purpose.

All these factors mentioned so far, allowed the company to build a strong brand and to attract a loyal customer base abroad too. Velasca is indeed well-positioned to continue its growth in the luxury footwear sector.

3.2.8 Adapting, Expanding, and Innovating

The luxury footwear market has undergone significant changes as the rise of e-commerce has disrupted the traditional retail landscape, and new brands have emerged to challenge the established players. Velasca, for example, was able to maintain its sustained competitive advantage by leveraging its dynamic capabilities.

The company was able to sense the opportunity of starting the business entirely online with a DTC model, abandoning all those intermediaries and extra costs responsible for raising the product's price, and then starting to open physical stores.

Another important capability was to make timely and market-oriented decisions. Velasca seized when it was time for the company to enlarge its portfolio of products to keep up with customers and market requests and therefore capitalize on new opportunities. Velasca did this by developing new partnerships with artisans, who could produce new products like the line of clothes introduced in 2021, and other accessories too.

Although Velasca did choose a terrible moment in time for internationalization, they were good as well at managing the enormous difficulties that came along with COVID-19, by adapting their business model too.

Finally, Velasca is thinking about investing and expanding in new markets along with an investor and this will probably require hiring new resources for the company to grow.

3.2.9 Benefit corporations

“Società Benefit” or Benefit Corporations in English is a type of legal entity that incorporates into its corporate purpose, in addition to the aim of dividing profits, the aim of having a positive impact on society and the biosphere. In Italy, benefit companies are regulated by law 208/2015.

Velasca is a benefit corporation that is committed to having a positive impact on society and the environment. In particular, *“Velasca is investing effort in sourcing sustainable materials in partnership with our tanneries and cotton producers since we don’t have a production chain inside the company”*, said Enrico. For example, the denim they use is from Candiani, which is a denim company that uses 70% less water in their washes.

“About packaging, Velasca delivers products within boxes that are made of recycled materials, therefore plastic-free. Even for returns clients can re-use the same package they first received because it has a double adhesive strip. This avoids the use of extra tape and plastic, resulting in a lower environmental impact”, said Enrico.

Another sustainable practice Velasca is embracing in its day-to-day business is about employees. *“The company offers competitive benefits, corporate welfare, volunteering activities, and training courses, which contribute to everyone’s well-being”*, said Enrico.

“Next year, we are planning to apply for the B. Corp certification that meets high standards of social and environmental performance, accountability, and transparency”, said Enrico. B Corps are certified by B Lab, a non-profit organization that provides a framework for businesses to measure and improve their impact on the world.

4. Teaching Notes

4.1 Synopsis

This case study chronicles the journey of Velasca, a luxury footwear company founded in 2013 by Enrico Casati and Jacopo Sebastio. It all started with Enrico’s struggle to find high-quality shoes at a reasonable price while working in Singapore.

The company began with an online platform, challenging the norms of the luxury shoe industry, which heavily relied on intermediaries. Despite skepticism, Velasca gained traction by focusing on storytelling, and customer experience, and adopting an omnichannel approach, combining online sales with physical stores.

Their international expansion started in 2019, venturing into Paris, London, and New York.

The company’s success lies in maintaining a competitive edge through a focus on quality, rarity, and inimitability. Their commitment to Italian craftsmanship, sourcing high-quality materials, and developing a unique production process sets them apart in the luxury market.

4.2 Teaching objectives

This case study is suitable for undergraduate and graduate students studying strategic management. Prior to introducing the case study, students will have been taught theoretical concepts including dynamic capabilities, the resource-based view, Porter 5 forces, and the VRIO framework in class. The case study provides an opportunity for students to apply these strategic management frameworks to a real-world example.

Before addressing any questions, students will individually read and acquaint themselves with the case study and this will take approximately 30 minutes. In this master thesis, there are 4 questions and the suggested answers showcasing how students can develop their analysis.

4.3 Case analysis proposals

1st Proposal: Group presentation

Students will be divided into groups with a maximum of 5 people in each one of them. They will have to read the case, analyze it, and answer all the questions together as a team. Then, the professor will randomly call groups who will tell and explain their answers in front of the class with a short presentation. Students will have 5 minutes to give an overview of the case study, 10 minutes for articulating the answers and finally 5 more minutes to close and share their thoughts about the company's future.

2nd Proposal: Individual written assignment

Students will have time to read the case study in class and to answer all the suggested questions in a written document. This word file will then be submitted to their professor at the end of the class for grading.

4.4 Questions

1. What was the internationalization strategy, in terms of entry strategies, marketing mix standardization vs adaptation, and the marketing mix of Velasca?

In its foray into international markets, Velasca strategically orchestrated a multifaceted approach, intertwining entry strategies, adept management of the marketing mix, and a steadfast commitment to brand coherence. Opting for a methodical expansion, the company judiciously opened physical stores in pivotal international hubs Paris, London, and New York. However, preceding this physical expansion, Velasca leveraged its existing online business

catering to an international clientele. With an established presence in e-commerce and a discerning understanding of global consumer behavior, Velasca strategically sold its products abroad before physical market entry. This early international exposure facilitated market penetration and consumer engagement, laying a robust groundwork for the subsequent establishment of physical stores.

The locations Velasca chose were based on market potential and focused analysis of online sales data, ensuring a robust consumer base before physical market entry. This gradual approach significantly mitigated inherent risks associated with venturing into novel markets, establishing a strong foundation for sustained growth.

In this later time, Velasca's entry strategy was very much aligned with what the Uppsala theory describes. This model asserts that internationalization is a consequence of the company's growth (Carlson, 1975) and that the knowledge, initially accumulated by the company in the internationalization process, is tacit, that is, dependent on the company and difficult to transfer outwards. The internationalization model allows a dynamic view of the company's international expansion (Johanson and Vahlne, 1977). Here, two main concepts are important to understand: 1) the company expands itself to new markets over time; 2) it becomes more committed to the markets in which it is already inserted.

Central to Velasca's triumph was its nuanced balancing act between standardization and adaptation within the marketing mix too. While maintaining a steadfast core of uniform product offerings across global markets, the company flexibly adapted to distinct consumer habits and preferences. Variations in best-selling products, tailored to regional tastes, harmonized with a consistent brand identity and unwavering quality standards, which sets a balanced price. This agile approach allowed Velasca to resonate deeply with diverse consumer cohorts while upholding its brand ethos.

2. How did Velasca gain and maintain a competitive advantage in international markets?

Velasca has carved a distinctive position in the international market through a confluence of strategic initiatives, anchored by unwavering commitment to quality, adaptability, and customer-centric practices. The company's competitive advantage hinges on its firm dedication to crafting premium, handcrafted shoes sourced from top-tier Italian leather, bolstered by a proprietary manufacturing process that ensures both consistent quality and innovative design, an aspect challenging for competitors to replicate. Strategic decision-making underpins

Velasca's success, evident in its astute market assessment before venturing into international expansion. Adapting swiftly to changing consumer behaviors during the pandemic, Velasca transitioned from formal to casual aesthetics, introducing new product lines like women's footwear and clothing. This adaptability, coupled with a strong focus on customer care and price-quality alignment, fortifies their customer loyalty and brand image.

Finally, Velasca gained sustained competitive advantage encompassing dynamic capabilities too. They are essential for companies to survive and thrive in today's rapidly changing business environment.

The company could seize opportunities presented by the rise of e-commerce while transitioning to a direct-to-consumer model. "Direct-to-consumer" (D2C) is a marketing, sales, and customer relationship approach in which brands approach customers directly without intermediaries or platforms through offline or online brand stores. In addition to higher margins and access to new customer groups, it promises more detailed insights into customer behavior and, building on this, improved brand experiences and customer relationships (Schacker, M., & Stanoevska-Slabeva, K. 2023). This strategic shift, abandoning their adeptness in sensing market trends and swiftly adapting business models to align with evolving consumer preferences.

3. How does Velasca integrate corporate social responsibilities into its business operations?

Velasca, a footwear company, deeply embeds Corporate Social Responsibility (CSR) principles within its business operations. The company's CSR initiatives span various facets like sustainable sourcing, where Velasca focuses on finding sustainable materials for its products, collaborating with partners like Candiani for eco-friendly denim, reducing water usage by 70% in the production process. Additionally, the company works with tanneries to source environmentally responsible materials. Regarding environmental consciousness Velasca prioritizes eco-friendly packages, using recycled materials and adopting plastic-free packaging for product delivery. In this way, they allow clients to reuse, minimizing environmental impact. CSR also involves social initiatives and ethical business practices like Velasca does with its employees. The company invests in providing them competitive benefits, corporate welfare programs, volunteering opportunities, and training courses. These efforts contribute to fostering a positive work environment and overall employee well-being. Finally, the company plans to pursue B Corp certification, a rigorous assessment by B Lab that

evaluates a company's social and environmental performance, transparency, and accountability. This step underlines Velasca's commitment to meeting high standards of CSR.

4. What was the internationalization impact on the firm's performance?

The internationalization journey embarked upon by Velasca has shaped and augmented the firm's performance across multifaceted dimensions.

Focused on expanding its reach across borders, Velasca strategically ventured into markets such as Paris, London, and New York, capitalizing on a direct-to-consumer approach and leveraging the power of storytelling through social media platforms. This strategic move brought revenue growth but also redefined sales distribution, evolving from offline dominance to a substantial surge in online sales.

The process of global expansion was not devoid of challenges, as Velasca encountered distinct consumer preferences, and operational complexities in managing remote stores. Yet, these challenges became pivotal learning experiences, fortifying the company's adaptability and resilience in a diverse market landscape.

Moreover, the firm's internationalization initiative encouraged a diversification in its portfolio, introducing new projects for women's shoes and men's total looks. Despite this fact and its expansion abroad, Velasca has never lost its focus on delivering high-quality products at a good price that could reflect the artisan's hard work.

Looking ahead, Velasca aims to consolidate its international presence further, with plans to explore new markets such as Japan and South Korea, and this led to a doubt of mine: will Velasca be able to maintain such premium standards while expanding globally?

5. Conclusions and limitations

As this study comes to an end, it has made me understand the different realities between SMEs and major luxury footwear companies. Moreover, how important it is for small companies to have solid strategies and groundbreaking ideas that can put them ahead of the competition in a saturated industry.

By studying Velasca's journey, from its founding in 2013 to becoming a reputable luxury footwear brand with a global presence, reflects a compelling narrative of entrepreneurial vision, adaptability, and commitment to quality. The founders capitalized on the opportunity to create an omnichannel model for artisanal shoes, revolutionizing a sector steeped in traditional intermediaries. It was interesting to see how the diversification process of their product portfolio and the physical stores opening brought the company to a completely different place from where it once was. Even though there is still a long path in front of them, they have demonstrated to have the resources and capabilities to adjust in different markets and situations. The company faced significant challenges during its international expansion, particularly when covid-19 pandemic disrupted global markets. While facing those difficulties they were able to maintain quality while scaling up and expanding into new markets, which requires meticulous management.

All in all, they still need to make strong efforts to expand the network abroad and bring more visibility to its products, while maintaining sustainable practices in a complex global landscape.

6. References

6.1 Literature Review

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6.2 Images

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6.3 Case Study

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