



Futah's international journey: a sunny future for a beach towel?

Sofia Remtula

Dissertation written under the supervision of professor Nuno Magalhães Guedes

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Abstract

This dissertation aims to study the internationalization process of a small business enterprise and how the adoption of an e-business format might impact it, through the development of a business case study. The thesis includes a Literature Review of relevant topics and a Teaching Note. The Case provides a better comprehension of several strategic concepts in real situations and allows for the evaluation of an SME's internationalization strategy and the key factors that influenced its decisions.

The Case permits to study the physical stores' relevance on SMEs' internationalization and the importance of conciliating online and offline channels.

Futah, a small Portuguese company founded in 2012, sells mainly 100% Egyptian cotton design beach towels manufactured in Tunisia that dry faster, are UV-rays resistant, and lighter than usual towels. Throughout the years it extended its product line. Since its foundation, Futah wanted to be known worldwide, but showed a high sales difference between its offline and online channels. Thus, it started internationalizing from the start and focused on developing a strong brand image through several marketing efforts and a clear concern with sustainability. Despite those efforts, nine years later, Portugal was still Futah's largest market.

The Literature Review focuses on three main topics related to the Case Study: the internationalization of SMEs, the role of the Internet, and the SMEs' e-business adoption. Finally, the Teaching Note offers a recommended classroom plan and its analysis as well as assignment questions, in order to help instructors to use the Case for in-class discussions.

Keywords: SME internationalization strategy, e-business, physical stores, online channels.

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Author: Sofia Remtula

Resumo

Esta dissertação visa estudar a internacionalização duma pequena empresa e como a adoção dum formato de negócio digital pode impactá-la, desenvolvendo um Caso de Estudo. A tese inclui uma Revisão de Literatura sobre temas relevantes e uma Nota Pedagógica. O Caso proporciona melhor compreensão de conceitos estratégicos em situações reais e permite a avaliação da estratégia de internacionalização duma PME e os fatores-chave que influenciaram as suas decisões.

O Caso permite estudar a relevância das lojas físicas nesta internacionalização e nas estratégias utilizadas para conciliar canais online e offline.

A Futah, uma pequena empresa portuguesa fundada em 2012, vende principalmente toalhas de praia de algodão 100% egípcio fabricadas na Tunísia que secam rapidamente, são resistentes aos raios UV e mais leves do que as toalhas habituais. Ao longo dos anos estendeu a sua linha de produtos. Desde o início, a Futah queria ser conhecida mundialmente, mesmo com uma elevada diferença de vendas entre os seus canais offline e online. Assim, começou a internacionalizar logo e focou-se no desenvolvimento duma marca forte usando esforços de marketing e preocupando-se com a sustentabilidade. Todavia, nove anos depois, Portugal continuava o seu maior mercado.

A Análise de Literatura centra-se em três tópicos relacionados com o Caso de Estudo: a internacionalização das PME, o papel da Internet e a adoção das PME do negócio digital. Finalmente, a Nota Pedagógica oferece um plano de aula recomendado e a sua análise, bem como questões de trabalho, ajudando os professores a utilizarem o Caso em discussões de aula.

Palavras-chave: Estratégia de internacionalização das PME, e-business, lojas físicas, canais online.

Título: A viagem internacional da Futah: um futuro ensolarado para uma toalha de praia?

Autor: Sofia Remtula

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Introduction

Ricardo Ramos, Mariana, and Catarina Cunha aimed at making Futah known worldwide. However, nine years after its foundation, Futah was struggling to succeed overseas. What were the main reasons behind this? How could Futah prosper in the future?

Recently, globalization and digitalization have evolved strongly, leading to easier access to overseas markets and to emerging competition. SMEs used these events to expand easier, with less resource commitment. Futah was no exception. Nonetheless, success was not yet reached as expected. Therefore, the main objective of this dissertation is to understand the reasons behind this.

This dissertation focuses on understanding an SME's internationalization process, more specifically of Futah. The role digitalization plays in it is also explored as well as the conciliation between Futah's offline and online positioning.

From the pedagogical perspective, this thesis will allow students to study internationalization challenges and benefits for SMEs. Moreover, it will help to develop critical thinking regarding Futah's internationalization strategy and the importance of offline positioning to boost online sales for product-based enterprises.

Finally, I will explore alternatives and recommendations for Futah to ensure a sustainable competitive advantage, achieving its goal of being known worldwide.

Methodology

This dissertation's objectives will be met by using two data types: primary and secondary.

Regarding primary data, I will develop an online survey to assess Futah's brand image such as its products features, type of products bought, and delivery service quality based on classification questions. This questionnaire should be representative and so I will target a 100-response sample. Moreover, I will interview Futah's managers to have a deeper sense of its strategy and efforts done to internationalize. Thus, I will be able to understand what went right and wrong and what could have been done differently. Also, I will analyze qualitative data regarding Futah's sales such as its revenues distribution per selling channels, and top 10

countries according to Futah's sales, among other. All this information will allow to understand better Futah's decision to expand and its challenges.

Concerning secondary data, I will use studies developed by other authors to support my research and obtain valuable insights about SMEs' internationalization process and digitalization role in it. Additionally, the publications and articles explored from top journals will allow a better judgment of Futah's chosen strategy. Magazine and television interviews will also be used to gather more information about the company and the products' features.

Futah Case Study

By September 2021, Futah's light, 100% Egyptian cotton fast-drying, UV ray-resistant beach towels were available in 101 stores worldwide (Case Exhibit 1). The Portuguese company's mission was "making Futah an indispensable summer accessory".

Since its foundation in 2012, the company had been growing, in part due to its international expansion, reaching 583,280.00€ in revenues in 2020. Although the founders, Ricardo Ramos, Mariana, and Catarina Cunha focused on developing Futah's presence overseas, participating in international fairs, updating its website to 5 languages and 4 currencies, offering free shipping, and improving its digital marketing, Portugal was still its largest market. The founders were confused about what they had been doing wrong. Could it had been too soon to start growing universally? Did Futah choose the right strategy? What should the next steps be in order to ensure a solid sustainable competitive market position?

The Beginning

It all started when sisters Mariana and Catarina and their cousin Ricardo traveled to Tunisia for a sun and sea vacation. There they acknowledged a gap in the Portuguese market: the inexistent concept of beach towels as an accessory. The Futah concept was born not just to be an improved beach towel, but also to introduce a new approach to the Portuguese culture. Beach towels in Tunisia were used as swimwear and were lighter as well as dried faster. As Ricardo, recalled,

*"We realized that the towels traditionally used on the Maghreb coast (foutas) were infinitely lighter than those used on Portuguese beaches, while at the same time easily absorbing water and taking up very little space in your bag or suitcase. On the other hand, we realized that, in our country, there was no great aesthetic concern with the beach towel. People could be very involved in choosing a bathing suit or a bag, but they ended up using the towels that were offered to them as gifts of sun creams or perfumes. It wasn't a fashion accessory"*¹

Founder and creative director, Ricardo Ramos was a 21-year-old student with a degree in electrical engineering and an ongoing master's in industrial management from Instituto Superior Técnico when Futah was founded. He was also in charge of the production and development of products.

¹ Based on <https://www.dn.pt/edicao-do-dia/29-ago-2020/amp/nas-dunas-do-chiado-com-acessorios-de-praia-portugueses-12562115.html>.

Mariana was 26 years old at the time of the company's creation. Her experience as a senior consultant at Ernest & Young and as a planning and control manager at Portugal Telecom, combined with her MBA from ISCTE, led her to become CEO.

Her sister, Catarina, was the sales director thanks to her previous experience as Nestlé's sales controller. She was 28 years old and had an undergraduate degree in management, as well as a master's in international business both from Católica Lisbon.

Futah's team started with 5 people: the three co-founders, the sales manager Joana Tomé and the designer Rita Alvarez. The idea was to sell its beach towels online. The cousins chose the dromedary to represent the brand. They had the ambition to create a Portuguese brand known worldwide. However, the founders were new to this industry and had no experience in overseeing international growth.

Futah's products were suitable for both genders, families, or individuals of any age, buying online or in physical stores, as long as they headed to the beach or the mountains, with a target market between 25 and 35 years old.

First Years

The Futah beach towels were carefully thought. Weighting only 300gr, they were made of 100% Egyptian cotton, with suppliers certified by the Standard 100 by OEKO-TEX². They could be used as regular beach towels and as pareos³. They were designed to dry fast, resist UV rays, and be easily transported.

Initially, Futah offered 10 models. In the first year, only 200 towels were sold. In 2014, profits reached about 100.000 euros. Over the next two years, sales grew from 200 to 10,000 towels. Sales kept growing until the Covid-19 pandemic. By mid-2021 the company had already achieved 686,479.00€ in revenues, around 17% more than in 2020 (Case Exhibit 2).

In 2021, its catalog included 40 models, all named after Portuguese beaches including Nazaré and Vicentina (Case Exhibit 3). Nazaré, a towel with simple stripes, was Futah's most popular model (Case Exhibit 4). The towels could be purchased in individual sizes, or XL to share,

² STANDARD 100 by OEKO-TEX® is a credential recognized worldwide for verifying harmful substances in textiles.

³ Pareo is a wraparound skirt.

being suitable for picnics as well. They could be reversible and rounded or even poncho shaped. There was also a kid's line.

Futah towels featured colors and patterns that kept up with fashion trends; they could be customized on demand for an additional 10€, making them a true fashion accessory.

Ninety-five percent of respondents to a small online survey believed its beach towels to have an amazing design and 70% considered the towel light and easily carried. Around half thought, the towels were resistant and absorbent. (Case Exhibit 5)

Futah beach towels were produced in Tunisia, taking advantage of local craftsmen's skills and knowledge to work with Egyptian cotton. The Tunisian supplier took about 60 days to produce the towels and 10 days to deliver them. Product costs were about 25% of its retail price.

All the design, ornamentation, personalization, and stamping were made in Portugal. In 2018, Rita left the company because she did not have enough work. With design not being a full-time job, Futah began outsourcing to reduce fixed costs, hiring a Portuguese design company whenever new models were launched.

The company began selling through online channels. Its website was available worldwide in five languages: Portuguese, English, Spanish, French, and German. Prices were shown in four currencies: Euro, Dollar, Pound, and Australian Dollar. Moreover, the website had different versions according to the country the buyer was, enabling Futah to be well-positioned in the SEO of each region. The company used journal interviews, television shows, press articles, and all other communication channels it found as well as digital ads in Google, Facebook, YouTube, and Instagram to increase website views.

In 2015 it opened its first store in Lisbon, in Campo de Ourique (Case Exhibit 6), while selling to around 30 retail clients. Five years later, another store opened in the heart of Lisbon, in Chiado (Case Exhibit 7), and the client list reached over 80 locations in Portugal alone, among them the well-known stores Paez, Ericeira Surf Shop, Fio d'Água, El Corte Inglés, among others. A strategic tourist location in Chiado allowed foreigners to buy the products, and take them back home, a real "showcase to the world" as Catarina said. Approximately 20% of Futah's sales originated from this store and 14% from the Campo de Ourique store (Case Exhibit 8).

Furthermore, Futah could be found in retail pop-up stores⁴, around Portugal, such as Marquês Soares⁵, designed with an innovative atmosphere. It was also available in shopping centers, such as NorteShopping, at first, but the company ended them because it was not an effective sales channel.

The towels were delivered in Europe through a partnership with DPD, a large international logistics company. In Portugal and Spain, the shipping took about 48 hours. In other European countries, standard shipping took 4 to 10 days and express delivery 1 to 3 days. Outside Europe, shipping was through FedEx, with similar delivery times.

According to the company's client feedback records around 70% of customers were very satisfied with both the delivery and purchase processes (Case Exhibit 9).

To uphold Futah's commitment towards sustainability, the packaging of the towels, both online and in physical stores, consisted of either fabric bags or cardboard gift boxes, when requested by the customer. Futah followed the environmental, social, and moral commitments, with the choice of its materials and producers.

Futah beach towels ranged in price from 25€ for kids to 75€ for the extra-large towels. For the individual size clients paid between 34€ and 50€, depending on the model.

In order to improve its brand image, Futah formed several partnerships, including a marketing campaign with Piz Buin, a sunscreen company; a partnership with Deloitte, a consulting firm, to provide beach towels to their employees; a partnership with the hotel chain Corinthia, to provide Futah towels to its strategic clients; since 2015, the brand has also managed to associate with other hotel chains such as Pestana and Ritz, replacing the former pool towels; and collaborating with the hotel. Moreover, Futah collaborated with TAP, a national airline, and major football clubs Benfica, Porto, and Sporting to design beach towels with their logos. This decision was based on the importance of football in Portugal, as Futah wanted to be established as a brand for all Portuguese people. These collaborations boosted Futah's chances of being purchased as good birthday or Christmas gifts throughout the year, according to Ricardo. Also, Futah sponsored tennis tournaments and music festivals like NOS Alive (Case Exhibit 10). In 2021, a partnership was established with DCK, a swim shorts fashion brand, launching a beach

⁴ Pop-up stores are retail stores that exist temporarily to offer and/or advertise any type of product.

⁵ Retail store located in Porto, second biggest city in Portugal.

towel that promoted social distancing in the pandemic context⁶. In 2021, Futah partnered with Kol Machine, a boxing academy, promoting its sports towels.

Additionally, the brand connected with influencers increasing its digital presence. In 2015, Sara Sampaio, a Portuguese top model, took a selfie with a Futah towel (Case Exhibit 11). Throughout the years, Futah digital presence kept increasing, reaching by 2021 58k followers on Instagram and 48k likes on its Facebook page.

In 2020 Futah extended its product line to surf ponchos, sports towels, bags, and other goods. Also, the company launched a winter line of socks, line shirts, and blankets (Case Exhibit 12). Except for the blankets, these products were produced by the same supplier of towels and were designed by the same Portuguese company. The most popular product line was the surf poncho. Yet, these goods all together represented about 15% of sales, towels still being the major profitability source. (Case Exhibit 13).

However, Futah's production was delayed with its 2021 summer collection arriving later than expected. In order to prevent future setbacks, Futah decided to plan better and earlier in the future. For example, deciding its summer collection at least one year in advance, starting with the 2022 collection.

The Competition

Since its foundation, Futah had two big competitors in the Portuguese market: Vertty and Origama.

Vertty a 100% Portuguese brand, born in 2013, focused on selling beach towels 30% lighter than the traditional cotton, 10% bigger than the usual size, and with a concealed waterproof pocket. Towel designs were innovative and based on geometric forms (Case Exhibit 14). The company sold mainly through its website, although it was present in some retailers in Portugal, France, and the USA. In Portugal, Vertty and Futah had common retailers such as El Corte Inglés and Ericeira Surf Shop. After only six months, Vertty was selling for more than 45 countries, through its online store. The company partnered with distribution companies expanding into new countries. The average towel price was 70€. Its most important markets were the United States, Australia, Israel, South Africa, France, and Dubai. In 2015, the brand

⁶ From 2019 until 2021, the world suffered a coronavirus pandemic and so measures such as using facial masks and promoting social distancing were usual.

organized a tour around several European beaches, to increase brand awareness and sell towels through a “showroom”. Besides, in 2021, Vertty sold backpacks, ponchos, and swimwear.

Initially launching on Facebook in 2012, Origama created the Origama Sun Seat – a beach towel that became a beach chair or chaise longue. Comfortable and attractive, the brand’s products were made according to its core value: nature. The fabrics were 100% Portuguese and, were certified with the Standard 100 by OEKO-TEX. The wood stakes that turned the beach towel into a chair were recycled and eco-friendly. In 2015, Origama opened its first store in Lisbon, having more than 33-thousand-unit sales. Additionally, the company entered Spain and one year later, started supplying beach towels to Inditex, a leading fashion group and Home Centre, a major warehouse in the United Arab Emirates. In 2017, Origama launched five new models, priced between 24,90€ and 59,90€, and extended its product line to backpacks, beach pillows, among others. The company sold through online, its Lisbon showroom, and six retailers’ outlets. Surfing competitions, beach campaigns, and roadshows were also selling points. In 2019 Origama ended due to its founder’s decision because of personal reasons.

Internationally, Futah considered other competitors such as Decathlon, Sports Zone, Calzedonia, and premium brands like Ralph Lauren and Guess since they also sold beach towels. However, they used different materials and had different prices from Futah’s: the premium brands had higher prices, and the other brands had lower prices. One of the competitors that Futah considered a potential threat was Sun of a Beach, a Greek brand, founded in 2012.

Sun of a Beach offered high-quality products. It sold beach towels, ponchos, swimwear, and loungewear for adults and kids. Products were sold online or through retailers located over a dozen major tourist destinations, including Portugal. The brand partnered with several hotel chains to substitute the traditional pool towels. Furthermore, it collaborated with influencers and well-known celebrities. For example, in 2014 Chiara Ferragni⁷ posted on Instagram (Case Exhibit 15) a photo with a Sun of a Beach towel. In 2015, the company created a collection of Mediterranean Sea endangered species, where 10% of the proceeds went to the World Wildlife Fund (WWF) Greece aiding its projects. In 2018, Sun of a Beach launched the feather towel, a lighter and more absorbent towel.

⁷ A worldwide known Italian influencer and designer.

The Sustainable Commitment

Futah's values included sustainable responsibility. Its website stated that "Being sustainable is not fashion, it's part of our way of being. Futah was created in Portugal for those who value freedom and make it their Nature."

To meet the company's vision, Futah was certified by the OEKO-TEX, packed its products in a fabric bag, labeled them with recycled materials, and introduced an organic cotton products collection.

The brand partnered with the Portugal Nature Association and the World Wildlife Fund (WWF) Portugal, creating a "zero" collection inspired by animals at risk of extinction, being the slogan "It's Our Nature", and donated 10% of its sales to WWF Portugal.

Additionally, the Chiado store had its decoration around Nature, in line with Futah's major values.

International Expansion

In 2014 Futah decided to internationalize using its design, high-quality fabric, comfort, and materials' resistance to differentiate itself. One year later, sales had grown exponentially, reaching more than 500,000.00 euros in sales, with 35% coming from international markets.

Futah decision to expand allowed to overcome one of its biggest challenges: product seasonality. As beach towels were used only in the summer (Case Exhibit 16), Futah chose to enter countries with typically warm temperatures like Dubai and where the fashion and summer culture industry was already successful like Brazil, generating sales year-round.

The company started by opening its first "showroom" in Lisbon, near Santos, and exporting mainly to Switzerland, Dubai, Angola, Mozambique, Spain, France, and Australia. Futah established its presence in other countries when necessary, using the founders' personal network connections. The brand used direct exports as an entry mode, using distributors, agents, and direct sales.

Futah entered Cabo Verde, Brazil, Chile, Greece, and the United States through online and its retail network, and kept growing, selling in 2021, to 101 stores: 91 throughout Europe, 5 in the United States, 2 in Brazil, 1 in Mexico, 1 in Mozambique and 1 in Macau.

In Brazil, Angola, Cabo Verde, Australia, Dubai, Mozambique, and Chile, distributors⁸ were the chosen mode whenever possible. This was the best mode to enter, according to Ricardo.

Agents⁹ were used only in the United States since Futah could not find distributors willing to purchase the brand. The company sold directly¹⁰ to Spain, France, Italy, Dubai, and Germany.

Futah tried to attract new international buyers to expand its presence through international fairs and events participation. In 2019, Futah participated in Miami Hammock, a beachwear fashion fair where innovative entrepreneurs showed their businesses to luxury designers presented globally. The fair allowed Futah to find new buyers and agents to work as intermediaries between the brand and other retailers. Futah's presence in Sweden came from a buyer who found the company and offered the possibility to enter the Swedish market.

Furthermore, the company participated in the Miami Swimshow, another exhibition, where more than 60 countries and 7500 brands attended. Both fairs, allowed Futah to increase its presence in the United States. Futah joined other fairs like Mode Paris and Momad Madrid. Futah used these fairs to meet its buyers, raise brand awareness and find suppliers, including an Indian supplier for Futah's blankets in a Paris fair. These fairs proved very successful because Futah's towels stood out from other exhibitors.

The brand looked for entering new markets, by raising brand awareness through partnerships with international companies such as Fergus hotels, a Spanish hotel chain, and NetJets, Europe's largest private jet fleet rental company. The brand's presence on international websites was valuable to enhance its awareness.

Future Challenges

Futah knew that going abroad meant facing new obstacles. Since the company's products did not rely on patents, internationalization could create a risk of copyright infringement. To prevent this Futah needed to keep on innovating its design, models, and partnerships.

The company realized that new competitors would arise with more resources, experience, and even better features. For instance, there was Sand Cloud, an American company, that offered

⁸ Distributors buy products from the exporter and then resell them at a higher price to final consumers.

⁹ An agent works as an intermediary between the exporter and the consumer, introducing its goods to the consumer.

¹⁰ Direct Sales happen when the exporter finds resellers who want to sell the products in their stores.

light Tunisian cotton beach towels that dried faster, were sand resistant, and multifunctional. This company was available online or through wholesalers and emphasized its mission of saving the ocean, giving 10% of its profits to marine conservation. Besides, the company had a diversified product portfolio of recycled clothing, home goods, and accessories.

In case of significant international growth, Futah would struggle operationally. To achieve its high-quality products, the company worked with small factories, some of them even finishing products by hand. These factories were not ready to produce on a larger scale and so this created a tension between delaying the products' delivery or sacrificing their quality.

Another struggle was the lack of experience with overseas expansion. Ricardo remembered that when Futah went to the first fair, it planned to make its stand with Leroy Merlin¹¹ materials and the founders' own hands. Futah realized that others came much prepared, and with more organized visually appealing stands.

When expanding abroad, Futah went for distribution, direct sales, and agents without testing other business models, such as franchising, which left them feeling ill-prepared and with doubts about their choice.

Additionally, Futah considered the necessity of improving its website. Throughout the year, across the globe summer happens according to the country's location. For example, when Portugal was enjoying summer, Angola had winter. Therefore, Futah's website had to optimize its products according to its buyers' locations. Moreover, Futah's website lacked clients' feedback and reviews.

Futah also took into account the assessment of the market's attractiveness. Some markets, like Brazil and Latin America, had the perfect Futah consumer, but exportation and importation processes made it impossible to enter being very complex and expensive. For example, Brazil had great potential to be explored both for B2B and B2C, but exportation and import processes were difficult and expensive, including online sales. Due to the high customs rate, many clients did not pay, and the product was returned to Futah. Therefore, Futah had to pay twice for shipping. Brexit was another example that adversely affected a potential market. A client was willing to place Futah in several retailers, but the export process prevented the deal.

¹¹ A large retailer of DIY products.

But the biggest challenge was promoting the brand abroad without distributors. Futah wanted allies to establish physical stores worldwide, placing the brand in malls, retailers, and other selling points. The fairs were not enough to find them. Without the distributors' market knowledge, it was harder to enter new markets. Over nine years of existence, the right distributors had not yet appeared. The founders looked for distributors who loved the brand, understood its concept, and had the industry knowledge needed to take Futah to the next level. For instance, in Sweden Futah's success resulted from its distributor's performance. Nonetheless, Brazil's distributor, who Futah saw a large potential was not up to the required standards from a business standpoint. There had been many meetings with prospective distributors, but none filled all the founders' requirements.

Besides, it was a problem to make the brand as known overseas as it was in Portugal. Futah made newsletters, Facebook, and Instagram posts and used Google Display to show up on search engines results. It collaborated with celebrities and influencers to increase brand engagement, including Maria Pombo, an important Spanish blogger. Moreover, the company used Search Engine Optimization tools, to appear at the top of consumers google search through keywords, increasing website viewers. The company was rated in Google as 4.8 out of 5 by its consumers. Despite these efforts, Futah recognized that increasing its online presence demanded a strong brand value and a significant offline positioning. Catarina recalled that a person only bought from Futah's website if it already knew the brand. Even with bloggers and influencers, Futah needed to go to more international fairs and expose the brand in further international environments. Increasing Futah's online presence was a true challenge. The company had to balance objectives such as making the brand known and making it sell. Through digital marketing and offline exposure like partnerships, Futah was able to raise brand awareness, enhance its website visits, and generate valuable word-of-mouth.

By mid-2021, around 70% of total website users were from Portugal (Case Exhibit 17). Spain and the United States ranked second and third, with Spain, Canada, China, Brazil, and Switzerland showing a significant increase. Futah's global presence improved, achieving in half a year almost as many viewers as in the previous year. Comparing 2021 with 2020, most countries increased its purchases from Futah's website. Both the number of users and purchases by country ranked in the same order. (Case Exhibit 18).

To make the brand sell, Futah opened physical stores allowing clients to get to know the products and buy them. Moreover, the company offered free shipping worldwide online and a

straightforward delivery process, to make the buyer feel motivated. Besides, in 2021 Futah partnered with UberEats in Portugal, to deliver the products bought in physical stores. Futah was focused on getting both retail clients and suppliers from the international fairs it attended. Being present in retail stores enabled Futah to get closer to customers, making sales easier. Having suppliers for new products permitted Futah to increase the customer base and therefore sales.

The Next Steps

Futah's next goals were to duplicate its sales by 2028, generate more than 65% of its business from exports and significantly increase its share of new markets. With the Covid-19 pandemic there was a market shift. Online sales increased substantially since physical stores remained closed. Nonetheless, Futah was decided to open a new store in Porto and was considering opening one in Spain, as in 2020 sales in this country grew a lot. In fact, Spain was next to Portugal, having the same delivery costs, being easier for Futah to establish its presence. Furthermore, the Spanish consumer was similar to the Portuguese, with a slightly higher purchasing power. Also, Spain had higher temperatures during the Summer and countless beaches. Opening a physical store there could be the right step to take off Futah's global journey.

The Covid-19 pandemic slowed down Futah's internationalization process during 2019 and 2020, since fairs were canceled, and the retail clients reduced orders, not knowing if they would reopen.

Additionally, Futah aimed at finding the right distributor to develop its internationalization. The company intended to participate in more international events, increasing exposure to potential clients, suppliers, and distributors. Futah could even try new international business models such as Franchising if a strengthened financial muscle could be provided.

Futah wanted in the next years to become the industry leader, and with it turn the Portuguese beaches famous worldwide.

Literature Review

Overview

The following section includes a literature review regarding small enterprises' internationalization and the management of their e-businesses. This review provides the conceptual comprehension needed to discuss Futah's case study.

Internationalization can be defined as “the process of business activities across home country borders with an increasing degree in operations” (Welch and Luostarinen, 1988).

Enterprises' decision to internationalize is influenced by many factors (Senik et al., 2010). Some push enterprises to speed up, others pull them to stay only in domestic markets. These factors can be classified as managerial such as the decision-makers beliefs regarding foreign markets, proactive mindsets, and their personal experiences; firm or strategic factors such as technological or monetary capabilities (Barber, Escriba-Estece, 2006), or environmental factors such as type of industry or customers (Olejnik et al., 2012; Kuivalainen et al., 2012). They represent motivations and/or barriers for enterprises to choose how to expand operations abroad. Focusing on small enterprises, the appearance of interesting opportunities abroad, the entrepreneurs' international experience, and the possibility of leveraging the firms' assets are examples of SMEs incentives (George G., Wiklund J., Zahra A.S., 2005). However, the lack of initial capital and human resources are barriers that limit SMEs growth overseas (Krikštulytė and Korsakienė, 2016).

After deciding to internationalize, SMEs focus on the approach to enter these new markets. According to Acedo and Rodriguez-Serrano (2020), firms that begin expanding abroad at an earlier stage and own more international experience, have a higher exports volume concentration initially. Thus, both entry age and exports experience should be considered.

Moreover, Chetty, Johanson and Martin's research (2014) showed how speed affected SMEs' international strategies, suggesting they should commit resources when opportunities to enter foreign markets arise to reap the most benefits.

Additionally, Chetty and Campbell-Hunt (2003), suggested that business networks are very useful for providing valuable insights to SMEs, leading them to make partnerships attaining new resources and risk-sharing opportunities. These partnerships allow companies to develop

market knowledge and gain access to information and technology. When scaling up SMEs face several limitations and business networks can help overcome them ((LR Exhibit 1). Maintaining these networks offer SMEs the stability needed to expand overseas.

SMEs also need to decide their scale and scope when internationalizing. George, Wiklund and Zahra (2005) found that managers' decisions balance risks and rewards, but the final choice is related to ownership. If small enterprises are internally owned, they will probably limit scale and scope, following a risk-averse attitude. If the owners are external, then scale and scope probably will be increased.

Internationalization of SMEs

Until recently, internationalization was thought to be a gradual process (Johanson and Vahlne, 1977) as the firm gained experience and know-how about overseas markets.

In contrast, new studies concurred that depending on the firms, internationalization can be incremental or sudden (LR Exhibit 2). This latter process is known as born-global or born-again global. Born-global firms are usually small and go abroad from the start while born-again global firms internationalize faster after a significant occasion that changed their path (Bell et al., 2003).

The firms' choice depends on its age of entry, international experience, speed, scale, and scope (Olejnik et al., 2012).

According to Olejnik et al. (2012), SMEs' growth orientation is essential to choose how to internationalize. The authors found evidence that firms focused on attaining bigger scale and scope, typically went for born or born-again global strategies. Other aspects, like intellectual competence and the standardization of the marketing mix, also influence enterprises' choices, resulting in a born-global or born-again global approach, the latter being less influenced by marketing mix standardization. Nevertheless, internal communication competencies encourage companies to follow a traditional and gradual strategy when internationalizing as these firms learn from their own experience. They often demand their employees to constantly communicate, sharing ideas with each other's.

Therefore, when choosing the internationalization model, firms consider their particular resources and capabilities (Vermeulen and Barkema, 2002).

After deciding which strategy to follow, SMEs focus on choosing the internationalization process, taking three different approaches: economic, stages, or network paths. (Laghzaoui, 2011).

Starting with the economic approach, two main theories are further analyzed.

The transaction costs theory states that SMEs choose the entry mode according to transaction costs caused by their asset's specificities, uncertain behaviors, and environmental doubts. According to Brouthers and Nakos (2004), this approach is very useful for SMEs' international business decisions since all three factors are substantially associated with their internationalization mode choice. The authors discovered that SMEs following this approach have a better financial and non-financial performance in comparison to SMEs that do not use it. It has been proven that focusing on the uncertain behavior variable, dissuades SMEs from hierarchically organizing their operations abroad, leading them frequently to choose exports as their preferred entry mode.

The eclectic concept or Ownership-Location-Internationalization paradigm acknowledges that enterprises' choices depend on the advantages given by three elements: ownership, location, and the internationalization itself (Dunning, 1988).

Regarding ownership, firms decide on the entry mode that allows to benefit from their competencies, assets, and capabilities such as technological experience.

Concerning location, SMEs access markets that give advantages involving production and transportation, for example geographically.

Finally, about internationalization, the companies' ability to organize and run internal activities such as an effective management control influence SMEs entry mode choice.

The establishment chain or stages perspective addresses two models: Uppsala and Innovation-related internationalization (I-model). Coviello and McAuley (1999) assessed the stages perspective to be a gradual internationalization tactic, focusing on SMEs. Findings suggested internationalization as a dynamic process even when incremental, where firms in the same step pursued different strategies according to their decisions.

Looking into these two models, the Uppsala consists in internationalizing step-by-step considering the enterprise learning experience and psychological distance (Johanson and Vahlne, 1977), whereas the I-model is more complex, seeing each phase like an innovative idea (Laghzaoui, 2011).

However, as supported by the born-global and born-again global strategies, some firms internationalize radically.

SMEs can also use a network perspective to decide how to internationalize. Research conducted by Morrish and Earl (2020), supported the idea that networks facilitate small enterprises' internationalization (LR Exhibit 3) using the interaction between the institutional environment and the network players. Institutional factors like government policies in domestic and foreign markets can support or restrain SMEs' international growth. Both inter-firm and personal networks help to get international legitimacy, while formal and informal institutions assist SMEs to achieve major brand authenticity.

Networks can be crucial for SMEs when overcoming limitations allowing easier access to other resources and to acquire accurate information by cooperating with their partners (Laghzaoui, 2011).

From all models, findings support network-based paths as the most used by SMEs, followed by stages and economic approaches. (Zahoor et al., 2020).

After choosing which approach to follow, SMEs focus on the entry mode. SMEs preferred entry modes are exports, as previously mentioned, or Foreign Direct Investments (FDI). Exports benefit SMEs since they usually lack resources allowing them to expand overseas, with little investment. Yet, FDI requires a larger investment. Nevertheless, FDI allows SMEs to minimize risks regarding proprietary assets and its devaluation, while exporting increases them. Lu and Beamish (2001) found evidence that SMEs choosing export as their entry mode are negatively impacted on performance as their internationalization increases. Enterprises choosing FDI show a non-linear correlation, hurting performance first, but then, as internationalization increases after a certain point, performance also increases.

The Role of the Internet

The Internet appearance changed the game for SMEs. According to Mehrtens, Cragg, and Mills (2001), Internet provided SMEs with three main benefits: relative advantage, improved communication, and new business tools. The relative advantage is beneficial for SMEs allowing them to expand their resources such as using the Internet as a global information source or for advertising and retailing. Improved communication is advantageous because permits small enterprises to connect faster and cheaper through e-mails and social media. Also, new business tools online like Excel facilitate SMEs' operations. All three enhance a small firm's internationalization earlier on at a lower cost.

Noemi and Rudolf Sinkovics and Chengchi (2013) also found that an online sales channel affects positively SMEs' exports performance. Internet allows small enterprises to increase their response to the market and acquire customers more easily. Still, a high export performance rate only occurs if the SME offers a strong advertising and delivery system. Thus, the best performance level takes place when online and offline strategies interplay.

According to these authors' research, an SME focusing only online, disregarding conventional agents, decreases its export volume since it loses the market knowledge it would gain when interacting with the agent. Agents and distributors are valuable for SMEs helping with their market experience. Findings demonstrate that SMEs following a born-global strategy taking advantage of the Internet, start exporting early and end up missing host-country relevant market knowledge. Subsequently, their export performance becomes lower than an SME who follows a later internationalization path.

Looking into social media as a communication channel, it provides many benefits to SMEs when internationalizing. Research conducted by Persaud, Spence, and Rahman (2012), suggested social media as a significant communication channel for SMEs to interact with current and potential customers worldwide and to discover new networks. Twitter, Facebook, YouTube, and other social media are often used by SMEs (Dibb and Carrigan, 2013). This communication channel is valuable due to its low-cost nature and limitless reach. Consequently, social media facilitates in a cost-effectively way small firms' expansion overseas through customers interaction, brand management, networking, and competition monitoring. According to Persaud, et al (2012), yet some constraints appear when using social media such as legal limitations.

SMEs E-business Management

Some SMEs adopt entirely an e-business model, transforming their operations. According to Taylor and Murphy (2004), SMEs who decide to grow through the online are the only ones capable of achieving a sustainable international competitive market position. SMEs with e-business formats are better at competing with large international companies. Nevertheless, not all SMEs can develop an e-business model. These authors propose that creating an e-business must be consistent with each SMEs characteristics such as their sector, size, or resources, depending on their needs and opportunities.

SMEs e-business adoption process is influenced by several aspects. Chatzoglou and Chatzoudes (2016) have argued that mainly firm size, but also scope, IT infrastructure and Internet competences affect the decision to implement an e-business. Yet, competitive pressure, managers' knowledge and cost of implementation are not significant for the SMEs decision. Eikebrokk and Olsen (2007) acknowledged e-business strategy, IT-business process integration as well as systems and infrastructure integration as relevant factors for successfully establishing an e-business. These factors support e-business efficiency, uniqueness, integration, and commitment. However, IT management and strategic planning are not significant to e-business adoption. The SMEs' mindset is, according to the authors, the biggest opposition to e-business adoption since internal systems might need to change.

Internet and intranet play a crucial role influencing positively SMEs e-business adoption, thus gaining competitive advantage (Maguire et al., 2007). Moreover, spreadsheets and databases obtained are considered weapons for SMEs to overcome their competitors. Other tools like sales forecasting, pricing, and customer analysis using information and communication technology (ICT) also provide an advantage to small enterprises.

Maguire et al. (2007) suggested lack of time as the biggest hold-up for SMEs to take on an e-business. Then, lack of skills and trained staff followed (LR Exhibit 4). Chang and Dasgupta (2015) divided the barriers of SMEs e-business adoption into three areas: SMEs characteristics such as small size or limited resources, e-business itself such as security concerns and high setup costs, and SMEs IT adoption such as IT experience and firm industry (LR Exhibit 5).

Lecerf and Omrani (2020) found that SMEs failing to adopt e-businesses processes were less able to exploit international market opportunities.

Therefore, not surprisingly, Martin and Matlay (2001) traced the SMEs development of e-business as ongoing and successive, starting with using emails to foster inter and intrafirm communication, then establishing a website to enter the global market, adopting e-commerce to increase speed and accessibility and finally adopt an e-business integrating the entire supply chain. At that point, SMEs become transformed organizations with a new business model (LR Exhibit 6).

Most SMEs have short-term planning perspectives of about 2/3 years (Maguire et al., 2007). Consequently, internal and supplier areas like human resources and supply chain management are barely financially impacted by its e-business adoption, whereas customer areas like e-marketing and e-commerce experience a strong impact (Jonhston et al., 2007). Between all industries, e-business affected more retail and manufacturing (Maguire et al., 2007).

When adopting an e-business, SMEs have various benefits. Casseta et al. (2019), claimed that digital technologies use offers SMEs new sources of information, better monitoring of sales and marketing, and decrease entry costs, facilitating SMEs internationalization, reducing foreign markets uncertainty, and raising economic opportunities awareness. This digitalization contributed to the increase of “born-global” firms (Rebecca and Fiscer, 2011). Furthermore, Pickernell et al. (2016), supported evidence that online channels usage increases exports volume. Indeed, Hagsten and Kotnink (2017) discovered that SMEs’ decision to export was influenced by their e-commerce. Thus, online selling channels increase SMEs’ sales internationally without much investment. E-business promotes SMEs’ international networks like partnerships and suppliers (Bianchi and Mathews, 2013) and increases flexibility in SMEs’ global and local supply chains, improving delivery and cycle times (Casseta et al., 2019). The authors’ findings demonstrated that tools who allow to share information in the supply chain have a higher impact on SMEs’ export decision, since exporting demands high inter and intrafirm coordination level. Thus, e-business technologies contributing towards small enterprises internal systems change, promote and expand the need and opportunity to internationalize. Then, the upgraded internal systems provide SMEs the competences and capabilities to have a sustainable competitive advantage universally. For instance, local market knowledge development through IT enables SMEs to identify more accurately local demand and offer directed marketing strategies. So, better IT skills usage leads to better management and improvements on the market position.

Nonetheless, SMEs know few digital tools such as e-mails and social media. More specialized tools as e-procurement or supply chain management are rarely exploited (Casseta et al., 2019).

According to Maguire et al. (2007), the authors believed that e-business processes allowed for connecting systems within and across enterprises and national borders.

Therefore, e-business adoption grants SMEs the possibility to decrease the number of intermediaries when internationalizing enabling them to connect to customers and to access local market information by themselves through IT tools (Quelch and Klein, 1997).

Digital technologies facilitated SMEs' strategic alliances development accelerating B2B interaction (Soliman and Janz, 2004). Although SMEs digitalization has numerous advantages, it also increases international price and promotion competition (Lecerf and Omrani, 2020).

In conclusion, SMEs face different challenges and opportunities when deciding to internationalize. Their decision is based on several factors according to the needs of the market at that moment. Nonetheless, the appearance of the Internet was a game-changer for the SMEs' decision-making process. SMEs more prone to adopt e-businesses easily start exporting. Information and communication technologies provide them with sustainable competitive advantages facilitating communication inside the firm, decreasing investment costs, and improving the supply chain with new technology tools. It becomes possible for SMEs to compete with large multinational competitors and to become market leaders. However, e-business adoption increases price, promotions, customers, and partnerships competition globally. Therefore, not all SMEs decide to follow e-business strategies. Moreover, the best way for SMEs to internationalize and adopt an e-business model is gradually to gain experience on each step.

Teaching Note

Learning Objectives

Futah's case study aims to evaluate an SME internationalization process and the impact of an e-business format adoption. It fits perfectly with international strategy management or strategy and management courses that cover international management topics. The theoretical concepts exploited do not need any specific background as they can be learned in those courses.

The case study can be used as a practical example of an SME's rationale behind its choice of entry mode and strategy. It shows the challenges faced by a small company, the resources needed, and how the external environment influences the internationalization choice and e-business adoption. It suits both undergraduates and masters who are studying international strategy, providing them with precious insights on the application of theoretical frameworks to the real world.

From an educational standpoint, it allows students to better understand how theoretical concepts can be used according to the firms' characteristics. Not only the small firms' characteristics will be highlighted, but also the internationalization process followed according to those characteristics. Moreover, the literature review pointed out the internationalization processes SMEs can follow, the role of the Internet on this process and on e-business management, and how adopting an e-business format influences the internationalization method chosen.

Overall, students will be able to:

- Understand SMEs key characteristics and its challenges when trying to grow (financial, time...).
- Apply managerial skills when evaluating Futah's internationalization decision and its path chosen.
- Reflect on the SMEs motivations to internationalize.
- Assess different internationalization methods, approaches followed and entry modes.
- Formulate strategies where SMEs can benefit from using Internet.
- Understand how the Internet impacted internationalization processes.
- Approach SMEs drivers that lead to adopting e-businesses.
- Get exposure to several marketing strategies when expanding overseas.

Assignment Questions

The following questions are suggested in order to help students prepare for in-class discussion:

1. Describe Futah's internationalization process.
2. What marketing efforts did Futah pursue to establish a strong brand value?
3. In your opinion, should Futah adopt an e-business format? What could be its benefits and drawbacks?
4. One of Futah's considered next steps is entering the Spanish market. If you could advise sales manager Catarina, what would you recommend?

Class Plan

1. At the time Futah was founded, how were beach towels seen in the Portuguese market? How did Futah change the beach towel concept?
2. What were the main benefits of Futah's physical stores? What were the main channels used by Futah?
3. Futah decided to internationalize from the start. What is your evaluation of this decision?
4. Characterize the path followed by Futah in its internationalization process.
5. Futah believed its hardest challenge was to make the brand as known worldwide as in Portugal. How did the company address this challenge?
6. How did digitalization contribute to Futah's internationalization process?
7. Looking into the barriers for SMEs to adopt e-businesses, do you believe Futah to be able to adopt an e-business format?
8. How did Covid-19 impact Futah's business?
9. Futah believes the Spanish market could be exploited in the future. What is your assessment of this possibility?
10. What other alternatives for future expansion could Futah pursue?
11. What are your recommendations for the managers of Futah?

The Plan described above is applicable for a traditional 90-minute class.

In the first fifteen minutes the professor should make a case study overview, identifying the main characters, industry and issues addressed. It can show the following video: 3 beach towel

sizes, multiple uses and the finest cotton, handloomed by experienced artisans. – YouTube, so that students who do not know the brand, get a better visualization.

On the next 75 minutes it should cover two main topics: Futah's internationalization process and its e-business adoption.

Firstly, the professor should ask students to answer questions 1 and 2 regarding Futah's mission to turn beach towels into fashion accessories and its selling channels. These questions should be answered in 15 minutes and can be done in pairs of students.

After understanding Futah's strategy, the instructor should focus on the company's internationalization process. As this is one of the main concepts to be exploited, the class can be divided into groups of 3 to 5 people to discuss what they prepared at home. For questions 3 to 5, the time should be 25 minutes.

Next, the e-business adoption concept should be developed. In this stage, the professor can ask students to raise hands if they believe digitalization to benefit SMEs' internationalization and to justify. After 7 minutes, the professor can ask and discuss questions 6 and 7 in 10 minutes.

Finally, Futah's future should be discussed, asking students' contributions. Questions 8 to 11 can be used to address this aspect. This discussion cannot be longer than 11 minutes to ensure 7 minutes are left to conclude and present the next class agenda.

Analysis

1. At the time Futah was founded, how were beach towels seen in the Portuguese market?
How did Futah change the beach towel concept?

Portugal is known for its wonderful beaches, and its pleasant weather. So, beach fashion should be highly valuable in the country.

More and more tourists travel to Portugal as a summer destination spreading the beachwear fashion culture. Thus, companies interested in this area are increasing.

When Futah was found there were already appearing firms targeting the beachwear industry. However, beach towels were not a consumer fashion concern, being very basic, without much

aesthetic development. Most products were heavy, did not dry well, and were not easy to transport.

Futah appeared with a new product aiming at changing the consumer mindset. Four factors influence consumer behavior¹²: psychological, personal, social, and cultural. Futah appealed to the psychological factor by motivating the consumer to buy a lighter beach towel, weighting 300gr, made in Tunisia with 100% Egyptian cotton. This towel was designed to dry fast, resist UV rays and be easy to transport. It could be used as a regular beach towel or a pareo and had different sizes creating a positive brand perception. Futah focused on many technical characteristics to enhance its towels' functions attracting consumers. Additionally, each towel model was named according to an iconic Portuguese beach, which can be seen as a social factor. The firm relied on the certification by OEKO-TEX and the fabric bags packaging to relate with the consumers' new sustainable lifestyle, connecting to the personal factor. Finally, the design, personalization, and stamping were made in Portugal which could raise a cultural factor since the Portuguese culture values national products. Futah was able to turn simple standardized beach towels, into fashionable products perceived as swimwear. This was achieved through psychological, social, and cultural (targeting nationality and sustainability), and functional dimensions. Therefore, being capable of creating a differentiated premium-priced beach towel, by developing a strong brand image with a sustainability association. The partnerships and marketing efforts alongside with a fast and practical delivery service contributed to this effort.

2. What were the main benefits of Futah's physical stores? What were the main channels used by Futah?

Futah opened its first "showroom" in Lisbon, near Santos. Then in 2015, it opened its first store in Campo de Ourique and in 2020 its second store in Chiado. Both stores allowed Futah to showcase its products and were strategically positioned in tourist locations, capturing the foreigners' attention, and making them spread the brand to the world. Bricks and mortar stores permitted Futah to display its values, creating a brand identity. Physical stores enhance consumers' quality perception due to their positive atmosphere and lower shopping risk¹³. For instance, the Chiado store was decorated around Nature, one of Futah's major values. These

¹² Kotler et al., 2008.

¹³ Hult et al., 2019.

stores permitted Futah to create an offline positioning, where consumers could discover, touch, and see the products. This would decrease consumers' fear of products uncertainty¹⁴. The service quality that employees offered also increases customer satisfaction, generating word-of-mouth and enhancing customer loyalty and the repurchase rate. Therefore, not surprisingly, those physical stores contributed to 34% of Futah's total sales, 20% from Chiado, and 14% from Campo de Ourique.

According to Case Exhibit 8, partnerships contributed with 22% of Futah's sales, followed by retailers with 21%, the website with 14%, and exports that added up 9%.

Exports and the website present lower sales, pointing out the gap between Futah's offline and online performance. These percentages show the encouraging impact physical stores have on sales. Yet, also show how online channels are not being efficient. Although online sales grew during the pandemic, they are still low, especially for a company whose target is worldwide consumers.

Subsequently, Futah is failing to make its brand known globally. Physical stores, either own stores, partnerships, or retailers offer the opportunity to connect with customers, allowing them to understand the brand's concept. Despite giving free shipping, having an efficient delivery process, and adapting to each customer's world region, online selling cannot engage consumers. Hence, online channels are not yet up to Futah's internationalization goals.

3. Futah decided to internationalize from the start. What is your evaluation of this decision?

Futah's decision to internationalize from the beginning was based on different aspects: managerial, environmental, and strategic¹⁵. Concerning the managerial factors, Futah's founders knew that going abroad meant facing new competitors, having international experience, and correctly assessing the market attractiveness. However, they wanted to make the brand known worldwide.

¹⁴ Hult et al., 2019.

¹⁵ Barber, Escriba-Estece, 2006; Olejnik et al., 2012; Kuivalainen et al., 2012.

Regarding environmental factors, product seasonality was the major aspect that encouraged going abroad.

Concerning the strategic factors, Futah did not rely on patents which constituted a barrier to expand overseas along with using distribution, direct sales, and agents without trying other business models like franchising. Moreover, the company's website needed improvement and there were operational issues in scaling the production due to the small size of suppliers creating a dilemma between delaying production or sacrificing quality since usually the products were finished by hand, making scaling the production impossible. The ability to increase brand recognition based on marketing efforts, without the right distributors, was also pondered.

Besides, Futah considered its lack of initial capital and human resources when internationalizing¹⁶ thus choosing exporting as an entry mode to grow without much investment.

Furthermore, many SMEs that internationalized at an earlier stage¹⁷ had higher exports volume concentration initially and showed a positive effect of speed on its international strategies¹⁸. The SWOT analysis conducted (TN Exhibit 2), pointed out the increased beachwear fashion worldwide and sustainability concerns as key factors influencing the decision to expand abroad. Moreover, Futah's products unique features allowed to differentiate from competition anywhere. The fact that international fairs with global distributors had become frequent also supported Futah's internationalization decision along with its partnerships with several brands.

I believe that the decision to internationalize was correct in order to overcome the product seasonality and be consistent with Futah's goal of being known worldwide. However, the timing might not have been the best. Futah did not have much international experience and lacked financial resources which could indicate a rushed decision concerning the entry mode. Perhaps if Futah had waited a little bit, it could use other business models like franchising, where it could benefit from sales and royalties and could gain from having a better offline positioning in other countries. In 2014 international sales accounted for 35% of Futah's total sales whereas in 2021 only around 20% of sales are international.

¹⁶ Krikštulytė and Korsakienė, 2016.

¹⁷ Acedo and Rodriguez-Serrano, 2020.

¹⁸ Chetty, Johanson and Martin, 2014.

Therefore, I consider that Futah's timing was not the best. A bit more time could have granted Futah enough knowledge to enter international markets differently.

4. Characterize the path followed by Futah in its internationalization process.

Futah started internationalizing immediately, being classified as a born-global company¹⁹, a typical model used when going for bigger scale and scope. In terms of process, Futah used its personal networks to expand, opting for a network approach that facilitates SMEs' expansion²⁰. This was a smart move, as networks facilitate knowledge acquisition, access to more resources, and have bigger international experience. The company went for direct exports as an entry mode using agents, distributors, and direct sales. Exporting requires little investment, but negatively impacts the firm's performance as its internationalization increases²¹. This is supported by the export sales percentage which represent only 9%.

Looking into agents, this channel is less costly than distributors and provides Futah the opportunity to control consumer interactions and the markets network. Futah used agents in the United States, the third biggest online consumer. However, it is not the best choice as it becomes hard to monitor the agent's work and the risk of unsold items is beared by Futah. In contrast, distributors are more advantageous since the risk of unsold items falls over them. Futah can use distributors' experience and knowledge, becoming easier to connect with new customers and avoid some costs. Despite having less control and direct interactions with customers, it is usually the best entry mode. Nonetheless, the countries where Futah used distributors represent a small percentage of its online sales. Concerning direct sales, it allows the company to have higher profit margins and direct contact with consumers. Countries where direct sales are present represent a big percentage of Futah's online sales, but this mode requires a heavier resources commitment.

Additionally, the company made some decisions affecting the internationalization process. It decided to enter countries with annual warm temperatures like Dubai to mitigate product seasonality and countries where beach fashion was already highly valuable like Brazil. Futah also chose to avoid markets with complex entry structures like Mexico. So, these countries

¹⁹ Olejnik, 2012.

²⁰ Morrish and Earl, 2020.

²¹ Lu and Beamish, 2001.

revealed to have insignificant influence on Futah's sales. According to Case Exhibit 1, these countries located in South America and Asia are also the ones with less access to Futah's physical stores. Moreover, in order to find the right distributors, the firm participated in international fairs, partnerships, collaborations, and events, increasing brand exposure and developing its internationalization process. This helped finding new networks, leading Futah to increase its presence in markets like the United States. Nonetheless, it was hard to find distributors that fulfilled the founders' criteria.

To conclude, Futah's internationalization process developed at different paces depending on the countries the company was entering, entry modes used, efforts made to succeed, and resources available.

5. Futah believed its hardest challenge was to make the brand as known worldwide as in Portugal. How did the company address this challenge?

Futah went for a global standardized strategy and tried to make its brand known through several efforts. The company participated in international fairs and events to find distributors that would take its brand to new markets. This rarely materialized, although it did with Sweden.

Moreover, Futah invested on social media such as Facebook and Instagram, reaching 48k likes and 58k followers by 2021, to increase its awareness. The company added new products to fight beach towels' seasonality and to enter the market in colder countries. But this did not solve the seasonality problem and those products represented only 15% of Futah's sales (Case Exhibit 16). It also used Google display and search optimization tools to show up on consumers' search engines. Additionally, the firm collaborated with influencers to enhance its engagement. Yet, Portugal was still its major client.

So, why is it so difficult for Futah to make its brand known?

Firstly, effective channels differ from country to country. Social media can have a huge impact on Eastern countries, but on Western countries, the impact is lower as these countries apply stricter criteria on content acceptance.

Secondly, the way of communicating is relevant since countries have cultural differences and some prefer a respectful tone while others can be more casual. These cultural differences are perceived by Hofstede's five cultural dimensions: power distance, uncertainty avoidance, collectivism, masculinity, and time orientation, and should be considered when advertising. Thus, many countries that do not know the brand do not pay attention to Futah if its ads are not in line with their cultural values.

Moreover, Futah's product endorsers might not have been well chosen. These endorsers should be consistent with the product category to ensure transfer of liking. Futah chose Sara Sampaio, a Portuguese model, and Maria Pombo, a Spanish influencer as endorsers, but it should focus on people more connected to the beach lifestyle like professional surfers or Kelly Bailey, a Portuguese actress involved with beachwear brands. With the correct product endorsers, it becomes easier to be known worldwide.

Besides, Futah's website lacks clients' feedback and reviews. Many buyers when purchasing online rely on feedback provided by previous customers to understand whether the product corresponds to their expectations. If the website lacks reviews, customers will be less prone to buy when not knowing the brand. Since they are not buying, they cannot act as publicists themselves, thus hindering the brand's expansion.

Finally, Futah's own stores which represent 34% of its sales are located only in Portugal. This supports the brand's fame in this country in comparison to the rest of the world. Physical stores promote Futah's brand image faster by representing a real "showcase" to the "real" world, allowing consumers to see, touch, and experiment products closely. Additionally, its sellers' role positively impacts Futah's image, generating valuable word-of-mouth by supporting consumers with the products' choice and information. The store environment speaks about Futah's lifestyle, engaging the customers. Even the fact that consumers can buy at the moment and then walk around town with the bags constitutes easier advertising.

Becoming a global brand is challenging as consumers have different cultural values and communication channels. To make the brand known, especially when selling through online channels, it is important to connect with the right endorsers transmitting Futah's lifestyle and to ask for feedback to understand the customers' brand perception and manage their expectations. These last two steps help consumers recall the brand and encourage others to get

to know it. In contrast, physical stores allow easier and faster brand recognition, although they are not available everywhere.

6. How did digitalization contribute to Futah's internationalization process?

Digitalization changed SMEs' internationalization processes decision. Futah sold only through online channels at first, mostly using its website. Selling online increases SMEs' export performance because it facilitates customers acquisition and market response by offering a simple delivery process. Therefore, increasing the birth of born-global firms. Digitalization helped Futah obtain local market knowledge faster, cheaper, and without depending on local distributors. Futah's online sales reinforce the idea that this last channel was the worst entry mode. Besides, the company used social media to promote its brand and used SEO tools, which increased the interaction with consumers worldwide with little investment and helped monitor competition.

Additionally, digitalization made it easier to find new networks and develop strategic alliances, creating new partnerships like with UberEats to deliver products available in-store, and discover new suppliers as it happened with Futah's blankets. This eased the way to overcome operational struggles and internationalize, competing with bigger companies. It also allowed to better analyze its sales, deciding which markets to enter and to drop such as Sweden and the United Kingdom, and enhanced customer analysis in terms of needs and wants, which led to the development of product line extension. Digitalization also decreased market entry costs and reduced the uncertainty when entering foreign markets. Internally, digital tools improved delivery times, supply chain processes, communication between distributors, better stock management, and other competences, helping the brand grow internationally.

Although exports and Futah's website constitute the lowest revenue sources for the company, these channels play an important role in Futah's internationalization process, especially as a tool to make the brand known.

Without the website, Futah would have to rely only on distributors to achieve a global scale, which would be much costly and harder to monitor. It would be tougher to assess which countries did the company sell more and which products were best sellers. Futah would not interact directly with foreign consumers unless it opened its own stores which takes much

longer. This would constitute a major obstacle as it would be harder to be known and probably it would create a bigger gap between national and international sales. Futah probably would only invest in countries where beachwear fashion was already relevant and would miss the opportunity to develop countries where today there are loyal customers.

7. Looking into the barriers for SMEs to adopt e-businesses, do you believe Futah to be able to adopt an e-business format?

Futah's goal has always been to expand internationally using digitalization. However, its revenues demonstrate that although digital technologies increase brand awareness, they do not contribute towards growing sales unless the brand is already known. Nevertheless, SMEs using e-business models have a better chance of competing with larger companies.

Therefore, Futah should assess its IT-business process integration and infrastructure to determine whether the e-business format would be beneficial for international sales, and consider changing its internal systems, by evaluating the level of compromise of its resources.

Major SMEs' barriers to adopt an e-business format²² are lack of skills, time, and staff, which seem to be Futah's case, as it has four employees with separate roles in the company and without any international experience. Although, Futah was founded nine years ago, it is relatively new to the swimwear industry and barely uses disruptive technologies.

SMEs that adopted e-business formats and did not take advantage of international markets²³ have been known to fail. Thus, Futah's decision must be carefully planned out so that its internationalization objective is not affected. Currently, Futah uses emails as inter and intra-firm communication, runs a website to reach a greater audience and is trying to adopt e-commerce. This, however, has not been very successful as observed by Futah's online sales small percentage.

Hence, Futah will not be able to adopt an e-business format as its e-commerce is not well established and has not had the right experience or resources to evolve its digitalization. Therefore, the adoption of an e-business format would lead to an increase in the competition as

²² Maguire et al., 2007.

²³ Lecerf and Omrani, 2020.

Futah would connect its suppliers to customers more easily, leading to a forward integration threat. Also, this would require further resources to be assigned that could jeopardize Futah's growth.

8. How did Covid-19 impact Futah's business?

According to Case Exhibit 2, the pandemic stopped Futah's evolution, returning to revenues lower than 2018. As physical stores were closed, online sales increased substantially worldwide. Thus, Futah's revenues decreased since its website represented a small percentage of its sales. With physical stores closed, retailers reduced orders, which reflected on the sales decrease. International fairs were canceled preventing Futah from continuing its internationalization process and finding new distributors. The sales drop reflects the importance of physical stores for Futah. In fact, Futah's store in Chiado opened during covid-19 and one year later, revenues were 17% higher than in 2020, with 20% of total sales coming from this store.

Futah's supply chain was also impacted. Concerning production, factories temporarily stopped, and suppliers could not fulfill several orders, postponing the 2021 summer collection which arrived later than expected. Besides, DPD and FedEx delivery services were delayed causing a holdup on accepting more orders.

Although Covid-19 brought challenges affecting Futah's performance, it allowed for a positive change. Due to production delays, Futah decided to plan its collections ahead, one year before, facilitating scaling its business. Futah's beach towels are seasonal and when its orders are low, suppliers can start producing the next collection, having more time for larger quantities.

Despite representing a small percentage of Futah's sales, online sales increased in most countries. Website users strongly grew from countries like Canada and China. These website visits improved so much that by mid-2021 they reached almost the same as the whole 2020.

Futah also expanded its delivering services, partnering with UberEats to deliver the products from physical stores.

Covid-19 showed how important Futah's physical stores are. Without these channels, revenues suffered a major drop even with online sales increasing. The pandemic also permitted to identify possible improvement areas like planning and producing earlier.

9. Futah believes the Spanish market could be exploited in the future. What is your assessment of this possibility?

The Spanish market represents the second largest of Futah's total revenues accounting for almost 9% in 2021. This market could be explored as its consumers are similar to the Portuguese ones but with a higher purchasing power. Besides, demand for Futah's products in Spain have been increasing as it can be seen by the rise of Spanish users on the company's website. The size of Spain's population has a lot of potential. Moreover, it is located next to Portugal sharing the same cultural beliefs in terms of dress code, social standards such as consumers environmental concern, and similar language. It is characterized by its hot weather and beautiful beaches, being one of the sunniest countries in the world having a high and larger beach season being the perfect ally for Futah to expand.

This country is characterized by a strong economy, rising domestic demand, and cheap labor, thus being easy for Futah to open a store there. Additionally, textiles and apparel are one of Spain's major industries. Spain has a lot of tourism, constituting 11% of its economy, which can be beneficial for Futah to spread its name and brand awareness worldwide.

Also, Futah has already enhanced its brand engagement with the Spanish consumers by collaborating with the influencer Maria Pombo, participating in the international fair Momad Madrid and partnering with Fergus hotels, a Spanish hotel chain. Spanish consumers who also follow portuguese influencers can get to know the brand. However, more effort should be done to benefit fully from this market since Spanish people use social media a lot.

Concerning logistics, Spain is the nearest market from Portugal and there are no tariffs or border restrictions. With a similar language and only one hour time difference it becomes easy to manage inventory, monitor suppliers and assess orders fulfillment, requiring few resources which is very advantageous for a small company.

In terms of distribution channels, Futah sells directly to Spain and is present in one of the major retailers – El Corte Inglés. Furthermore, the company’s website is available in Spanish. The pandemic promoted the use of e-commerce, increasing the number of Futah’s website users specially from Spain. These channels can be enhanced and might complement Futah’s physical presence. Also, Spain allows to collect data from any individual with more than 14 years old. So, Futah can use its channels to collect and analyze data, being better prepared when entering the market.

The PESTLE analysis (TN Exhibit 2), reinforces any expectation that potential future stores in Spain will grow at the same pace as the Portuguese ones, evolving gradually as the external conditions seem to be alike, but more favorable. Still, as a small enterprise lacking strong financial resources it is hard for Futah to open multiple stores in Spain. Therefore, Futah should be open to alternative entry modes such as Franchising in order to be able to expand faster in Spain and still have store control. This would have a very positive impact on Futah’s performance as its physical stores’ sales share demonstrate.

Consequently, the firm should exploit the Spanish market, opening a physical store, since its environment is overall beneficial. With sunny weather and a long beach season, Spain has a strong growth potential due to its stable government, cheaper labor, and increasing domestic consumer demand. Besides, Spanish consumers are concerned about the environment and the country has a very touristic culture, allowing Futah to spread its name worldwide. All considered Spain seems to be a great market where to complement the online business with bricks and mortar stores.

10. What other alternatives for future expansion could Futah pursue?

Futah developed its distribution network since its beginning. However, there was a significant difference between online and offline sales for different reasons, demonstrating Futah’s inconsistent strategy. Thus, to achieve its goal of becoming recognized worldwide, the company should define a clear plan.

Futah could focus further on online channels, depending less on offline ones. Futah followed a born-global approach, internationalizing from the beginning. An online core would allow easier connections with global clients, increasing brand recognition and competition monitoring. Its

physical presence would work only as a showroom for people to get to know its products. Futah would have to invest more on social media, ensuring a limitless reach, collaborating with influencers and product endorsers. The role of the Internet would be crucial to guarantee Futah's long-term success at a low-cost.

Alternatively, Futah could rely only on exports as its chosen entry mode, using agents, distributors, and direct sales to achieve its goal. The company would have to keep attending international fairs to find the right distributors that fulfill the company's criteria and be featured in major international retailers like El Corte Inglés. Consequently, this selling channel could be enhanced promoting the brand. The distributors would provide valuable home market insights helping Futah adapt to worldwide trends. Futah could partner with other brands, increasing its physical presence in those stores globally since partnerships are the second major sales channel. However, for this to work, Futah needs to have a consolidated distribution network.

Another option would be to solely concentrate on Futah's physical presence, as it is the channel responsible for most of its sales, while still using its online channels to support a small percentage of its users. The company could follow two different approaches. Regarding its entry mode, Futah could try franchising to expand. This would allow faster international growth without much investment, but with higher management needs. Concerning its own stores, the company could increase them gradually in each market. This would involve a slower, but more sustainable growth due to high commitment of resources. The firm should start by developing the Portuguese and Spanish markets. In Portugal Futah could open more stores in Lisbon and open its first store in Porto, Ericeira, Comporta, Algarve and in the islands Madeira and Azores. In Spain the prominent locations would be Madrid, Barcelona, Marbella, and others along Costa del Sol and the Canarias and Baleares Islands. Futah could use a van and go around Europe selling their products in iconic beaches as Vertty did.

Another alternative would be to balance its offline and online expansion. Futah could focus on developing its offline positioning, opening more stores gradually. The company could consider opening a store in Algarve, a touristic location, working as a showcase. Then, it could expand to Spain first to the continent and then to the islands and keep growing slowly. Simultaneously, Futah could look for new distributors increasing its international presence faster. All these efforts could increase Futah's financial resources which could be used to optimize its online channel. Futah's focus would be physical presence as this would provide customers with offline brand awareness which might turn them into website users.

11. What are your recommendations for the managers of Futah?

Futah has struggled in growing internationally from the start. Therefore, its managers should adapt their strategy.

From all potential alternatives, in question 10, I believe Futah should follow the last one, balancing offline and online positioning in order to grow, taking advantage of the offline to highlight its differentiated products and values and build the online customer base.

Because Futah is a small enterprise lacking financial and other resources and is not being able to find the right distributors, the best hypothesis to internationalize faster is selling more online. However, as it was learned, to sell products Futah needs to have strong offline positioning, selling to countries where the goods are already known. So, to be able to grow without relying on retailers, partnerships, and other stores, Futah needs to first develop its offline positioning boosting its website and exports sales. Thus, the business model that Futah should follow to ensure a successful future expansion abroad is to use its stores to turn its consumers into ambassadors that spread the brand's image and end up contributing to the online sales increase. The first step could be to open its own store in Spain.

Besides, Futah could invest in its other products beyond beach towels, which would allow to reach consumers in beachless countries. Futah could partner with other brands to build reputation on its products. For example, in the case of sports towels, the company could partner with tennis clubs worldwide. This would make the firm grow internationally without relying only on beach towels.

Also, Futah should optimize its website, including reviews, ratings, and a chatbox. Consumers who do not know Futah's products might struggle with choosing the model and size. Besides, buying online might concern customers about the delivery process and payment methods. Hence, providing ratings and reviews about its products, delivery service and payments would reduce consumers' uncertainty, making them more probable to buy. The chatbox could provide consumers with more information about Futah's values, the company, and the products' features, helping their choice.

In conclusion, Futah needs to focus on its offline engagement and then on its online channels. I advise the managers to focus gradually on expanding, balancing offline and online positioning rather than expanding everywhere at once. Then, Futah might increase its success overseas.

Conclusion

Futah presents a situation where both online and offline positioning have an important role in an SME internationalization process. Although digitalization has changed SMEs' internationalization processes, sometimes it is not enough to guarantee success. This case study aims at studying the SMEs' internationalization process, the role digitalization has on it and how can SMEs conciliate online and offline positioning to achieve their goals. Futah is an example of a company that could change the consumer's mindset turning non-customers into customers but then failed at making the brand known worldwide because of not engaging enough with the customer. The company decided to internationalize from the start without having enough knowledge about different markets or resources which puts the timing into question. Therefore, online sales were low. Nonetheless, Futah decided correctly on using online channels as they allow the company to collect data more easily, become more reachable and provide a cheaper exposure. In theory, Futah's online strategy could be considered adequate due to its different advantages such as overcoming financial constraints and creating a fairer competition environment whereas offline positioning did not appear to have an impact. However, it permitted Futah to grow, even during the pandemic, where the firm's stores represented the major revenues source. Indeed, offline exposure engages the consumers in ways that online is still not capable of. Its offline positioning has a huge impact on making the brand sell and so it should be Futah's core strategy. The online channel should complement its offline one.

By developing this dissertation, I could have a deeper understanding of the strategies used by SMEs to internationalize. The literature review prepared allowed to collect several studies that were applied to evaluate Futah's internationalization process decision. The importance of offline exposure in small companies' internationalization was what surprised me the most. In such a digitalized world I was not expecting that offline was as important as online channels for SMEs to grow abroad.

However, time allowing, I would have liked to have the opportunity to explore the e-business adoption impact on Futah's and SMEs business.

In conclusion, Futah's decisions and constraints allowed for a better understanding of the interplay between offline and online positionings.

Appendixes

Case Exhibits

Exhibit 1. Futah's retailers around the world.



Exhibit 2. Futah's total annual sales volume.

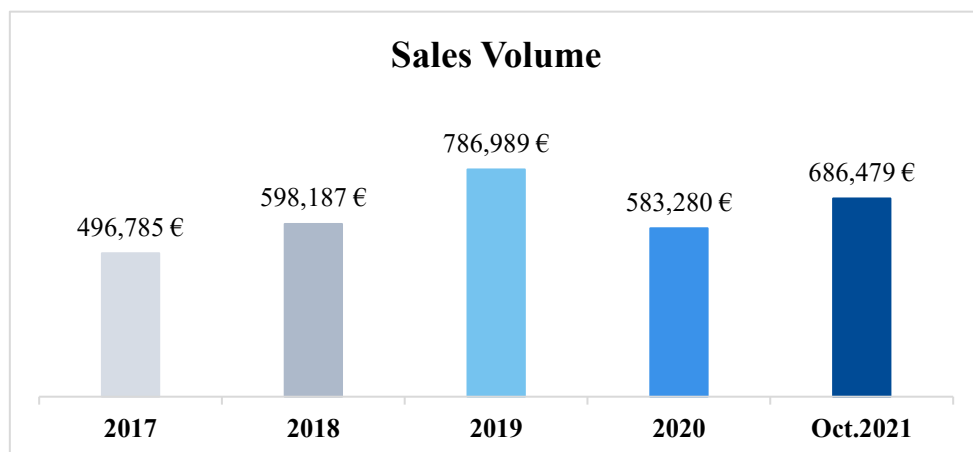


Table based on data provided by Futah.

Exhibit 3. Vicentina and Nazaré Beach Towels.



Vicentina Coral Single Towel

SOLD OUT

39€

Double face beach towel. Gift of a Futah bag

ADD TO CART CUSTOMIZE WISHLIST

Other colors



- SPECIFICATIONS +

- WHAT MAKES A FUTAH DIFFERENT? +

- FREE SHIPPING & RETURNS +

- FUTAH GIFTS +



Nazaré Verdant Green Single Towel

34€

Gift of a Futah bag

ADD TO CART CUSTOMIZE WISHLIST

Other colors



Other shapes



- ABOUT THE BEACH +

- SPECIFICATIONS +

- WHAT MAKES A FUTAH DIFFERENT? +

- FREE SHIPPING & RETURNS +

- FUTAH GIFTS +

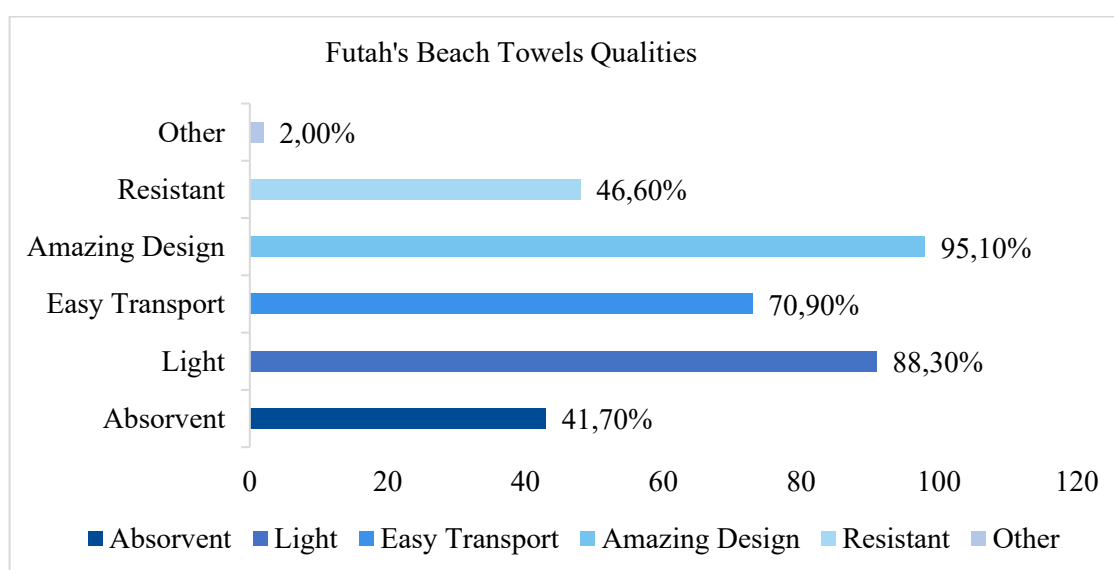
Exhibit 4. Towel models purchased online.

Towel Models (Ranking by 2021 sales)	2020 (End of the year)	2021 (Until 6 Oct.)	Difference of revenues (Euros)
1. Sporting Clube de Portugal Oficial Towel*	0.70%	6.87%	+15,297.03€
2. Nazaré Blue Individual Towel	1.87%	2.22%	-340.37€
3. Zavial Blue Individual Towel	0.00%	1.93%	+4,931.63€
4. Nazaré Black Individual Towel	0.95%	1.61%	+1,071.24€
5. Zavial Coral Individual Towel	0.00%	1.59%	+4,050.00€
6. Nazaré Green Individual Towel	0.79%	1.57%	+1,468.29€
7. Vicentina Coral Individual Towel	0.00%	1.52%	+3,894.00€
8. Nazaré Mocha Individual Towel	0.85%	1.52%	+1,179.32€
9. Zavial Green Individual Towel	0.00%	1.42%	+3,616.03 €
10. Nazaré Black Towel Large	1.16%	1.32%	-343.20€

* In 2021 Sporting C.P won the national football championship.

Table based on data provided by Futah.

Exhibit 5. Selected information from a client survey.



Ranking based on an October 2021 online survey of 103 clients.

Exhibit 6. Futah store opens in Campo de Ourique.



Exhibit 7. Futah store opens in Chiado.

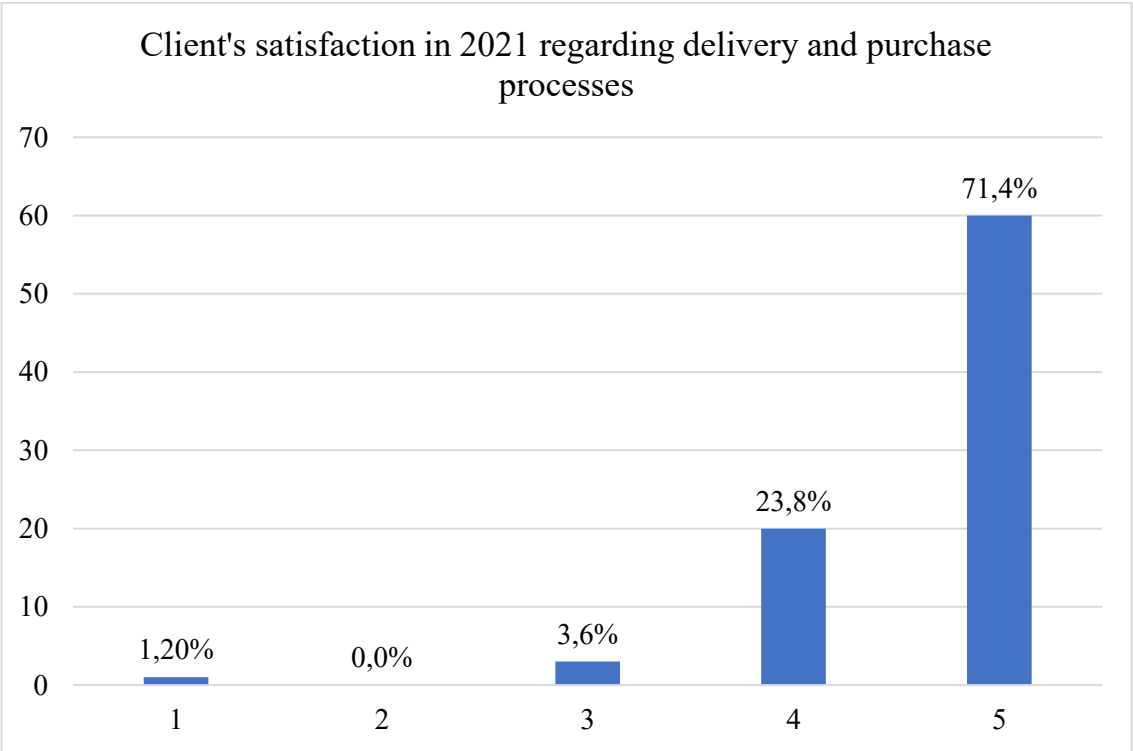


Exhibit 8. Revenue distribution according to selling points.

2021	Revenues (%)
Own Physical Stores	34%
Partnerships	22%
Retailers	21%
Online	14%
Exports	9%

Table based on data provided by Futah.

Exhibit 9. Clients’ assessment of delivery and purchase processes satisfaction.



Data based on an October 2021 online survey of 103 clients.

Exhibit 10. Futah partnership with NOS ALIVE.



Exhibit 11. Sara Sampaio selfie with Futah in 2015.



Exhibit 12. Futah’s winter line products: blankets and socks.



Exhibit 13. Product Revenue Distribution.

2021	Ranking according to revenues distribution
Beach Towels	84.5%
Surf Ponchos	8.3%
Accessories	3.6%
Clothing	2.4%
Blankets	0.8%
Socks	0.4%

Table based on data provided by Futah.

Exhibit 14. Vertty Towels.



COCONUT BEACH TOWEL

\$46.03 ~~\$57.83~~

[Size Guide >](#)

ADD TO CART

*Designed and manufactured in Portugal *

Keep Me Company. The COCONUT Beach Towel has been crafted to create a totally unique and eye-catching water-side fashion statement. The Vertty signature shape provides an original and practical approach to drying off - a statement like no other. The larger sizing means you'll never run short of space and will make this towel your new summer style staple.

Available in 7 colors.

WORLDWIDE SHIPPING

Express service delivered by DHL in 2 to 3 business days.
 Non-priority service delivered by the regular post office in 6 to 12 business days.

DESCRIPTION

90% Cotton 10% Polyester
 Larger size: 180 x 110 cm
 Lightweight: 620g

FEATURES






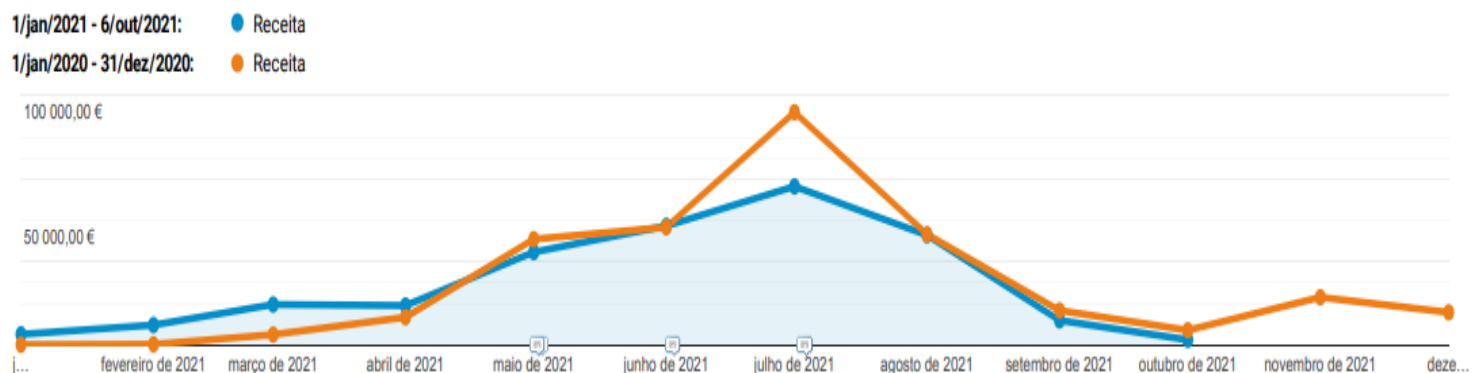
-  WATERPROOF POCKET
-  SAND REPELLENT
-  DRY FAST
-  UNIQUE SHAPE
-  LIGHT WEIGHT
-  ECO FRIENDLY

Exhibit 15. Chiara Ferragni with a Sun of a Beach towel.



Exhibit 16. Futah’s monthly revenues in 2020 and 2021.



Graph provided by Futah.

Exhibit 17. Top 10 countries according to % of Futah’s website users.

Country (Ranking)	% Of Website Users		
	2020 (End of the year)	2021 (Until 6 Oct.)	Difference of users (Units)
1. Portugal	72.24%	69.56%	-16,058
2. Spain	9.86%	15.98%	+8,185
3. United States	7.12%	3.04%	-7,681
4. Germany	3.28%	1.99%	-2,596
5. Canada	0.45%	1.34%	+1,340
6. France	1.02%	1.00%	-205
7. United Kingdom	1.05%	0.87%	-449
8. China	0.39%	0.80%	+581
9. Brazil	0.32%	0.54%	+294
10. Switzerland	0.49%	0.51%	-53
Rest of the world	3.78%	4.37%	-

Table based on data provided by Futah.

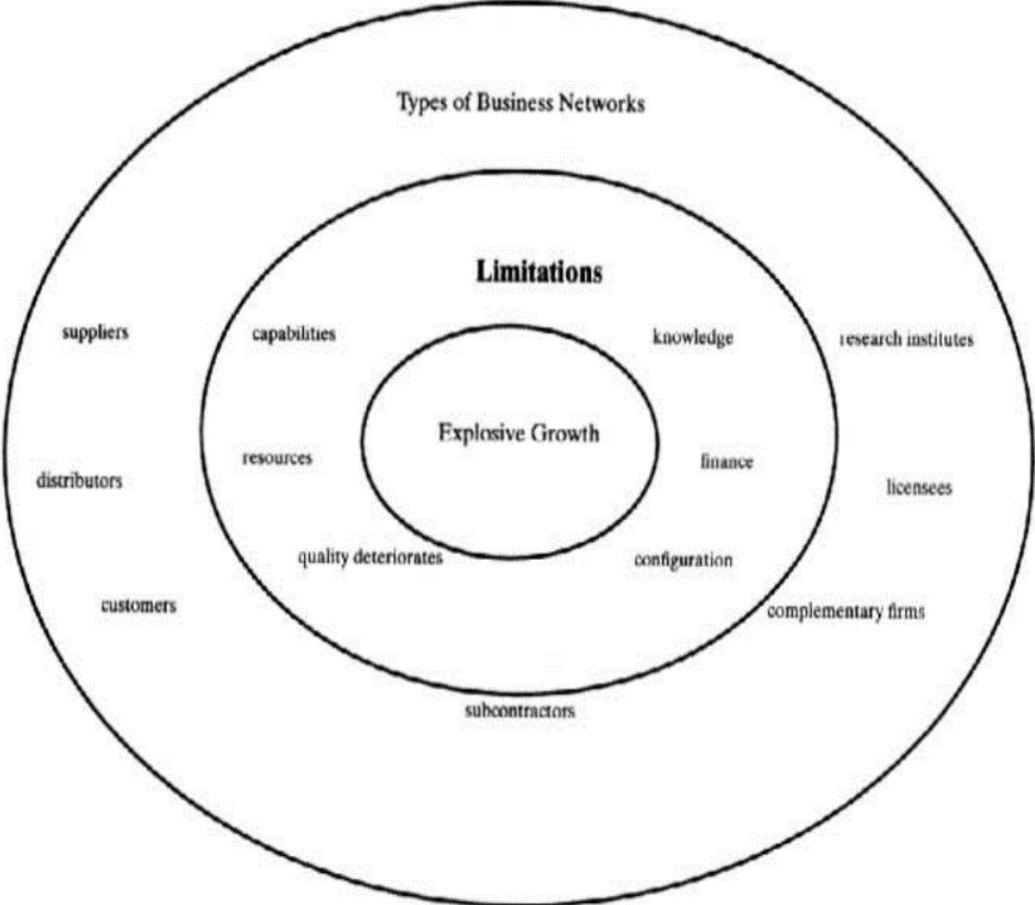
Exhibit 18. Top 10 countries according to % of Futah’s website revenues.

Country (Ranking)	% Of Website Sales		
	2020 (End of the year)	2021 (Until 6 Oct.)	Difference of revenues (Euros)
1. Portugal	82.15%	78.64%	-46,311.31€
2. Spain	7.05%	8.52%	+428.71€
3. United States	1.32%	0.64%	-2,295.00€
4. Germany	4.05%	4.77%	+79.81€
5. Canada	0.02%	0.13%	+269.68€
6. France	0.64%	0.90%	+345.20€
7. United Kingdom	1.48%	0.93%	-2,061.47€
8. China	0.00%	0.00%	-
9. Brazil	0.22%	0.18%	-217.99€
10. Switzerland	0.48%	0.87%	+745.70€
Rest of the world	2.59%	4.42%	-

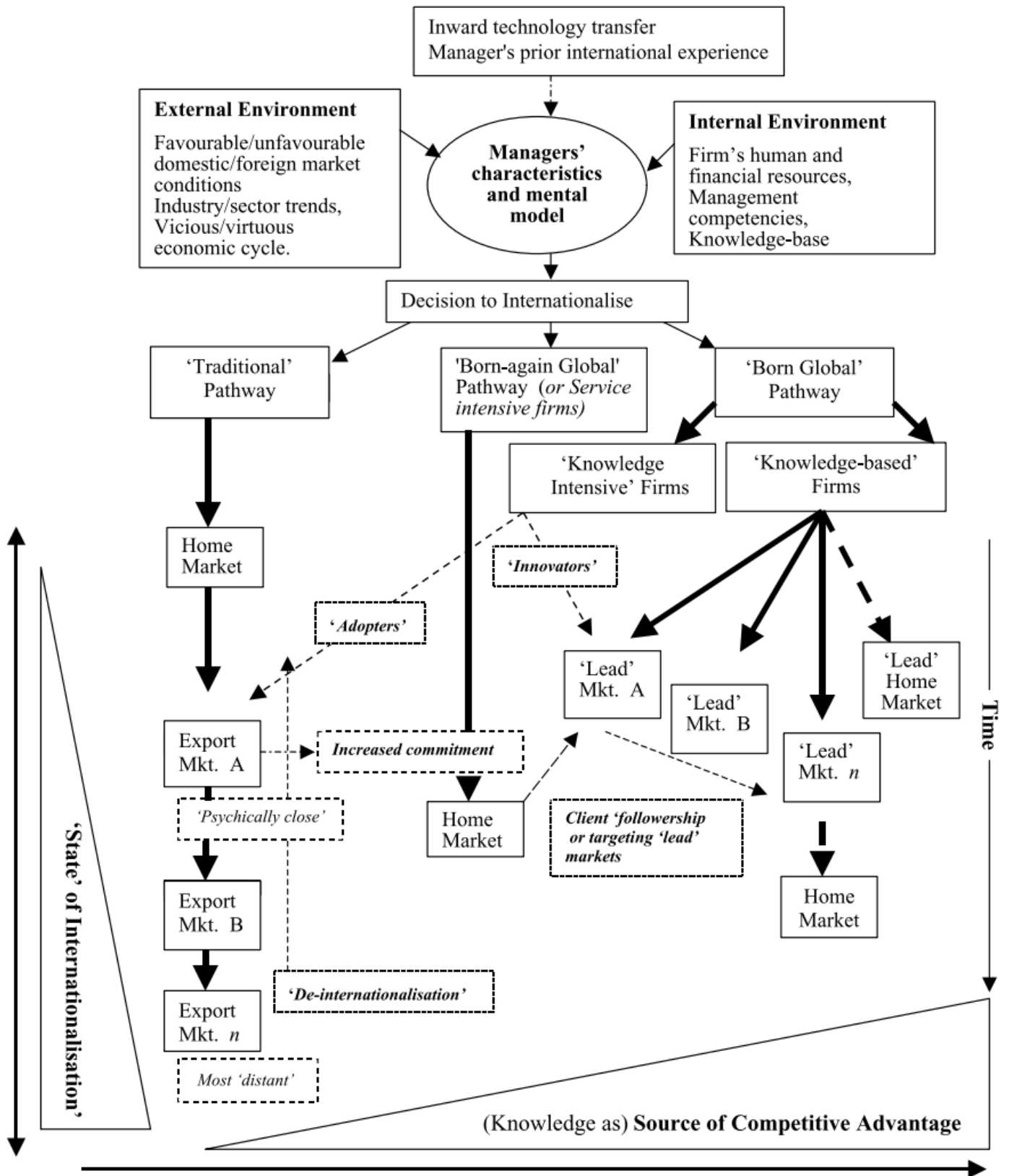
Table based on data provided by Futah.

Literature Review Exhibits

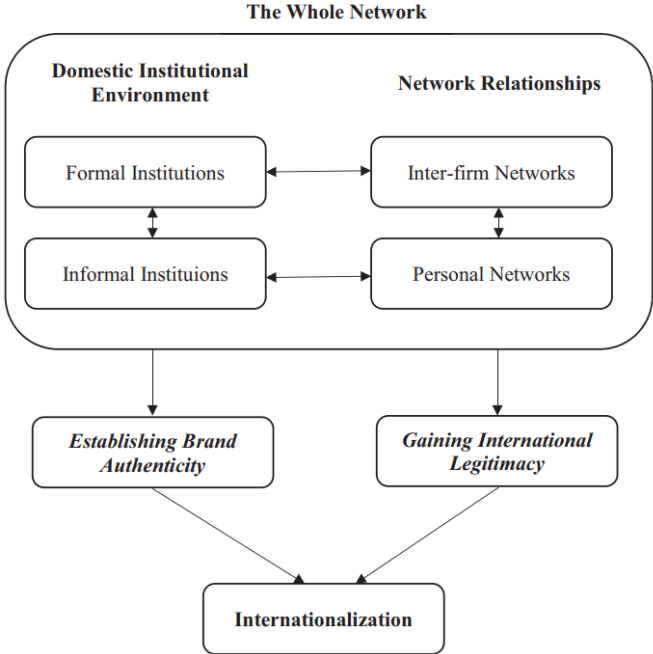
LR Exhibit 1. Limitations coming from international growth and types of business networks that help SMEs overcome them by Chetty, S. and Campbell-Hunt, C. (2003).



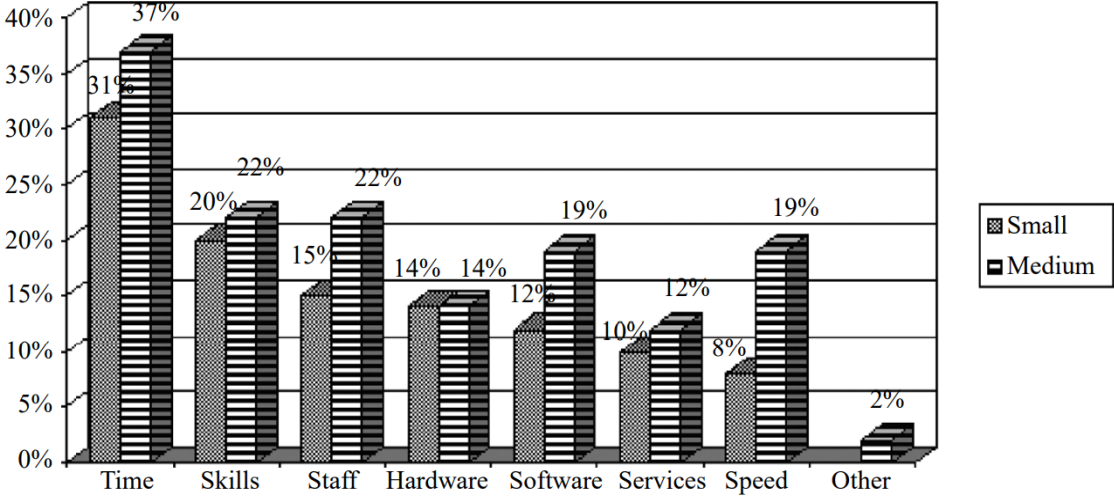
LR Exhibit 2. Model of a small enterprise internationalization by Jim bell, Rod Mcnaughton, Stephen Young, David Crick (2003).



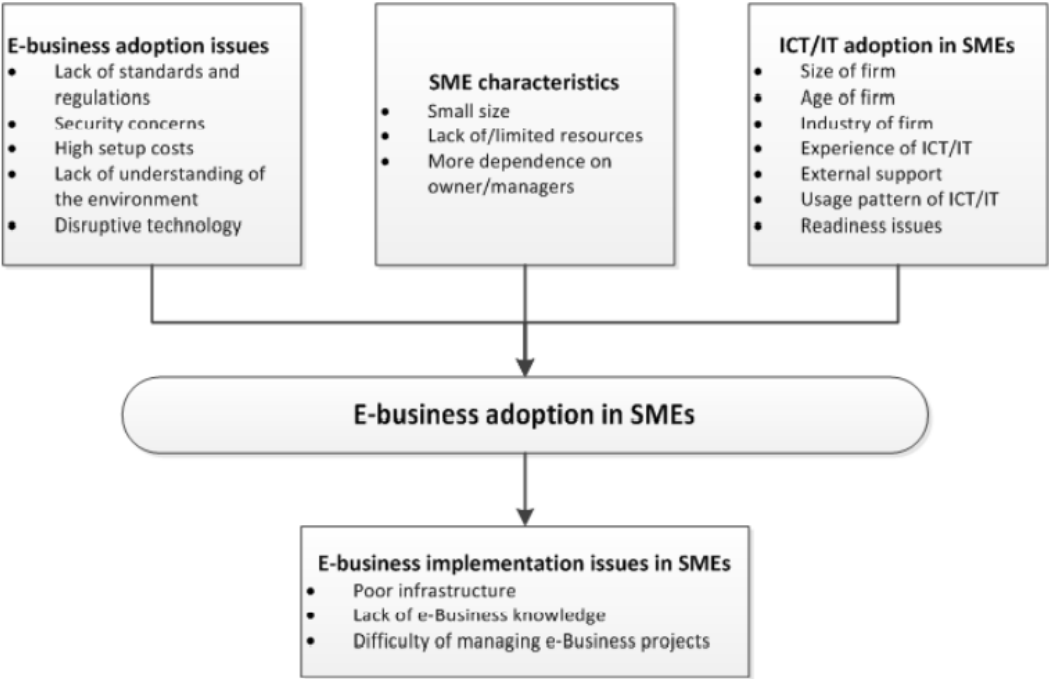
LR Exhibit 3. Network and institutional environmental-based internalization model by Sussie C. Morrish and Anna Earl (2020).



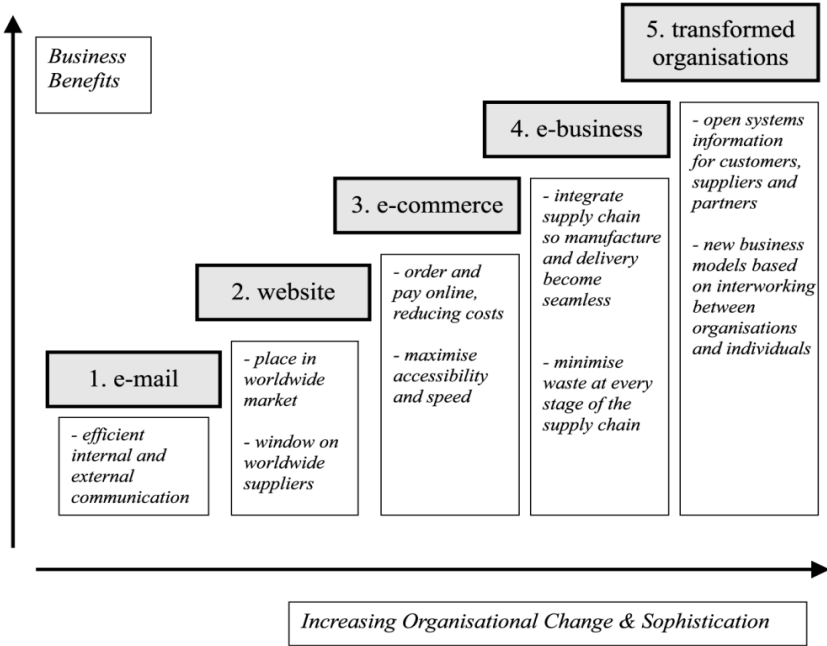
LR Exhibit 4. SMEs’ impediments when adopting e-businesses by Maguire et al. (2007).



LR Exhibit 5. Conceptual framework of SMEs’ barriers when adopting e-businesses by Chang and Dasgupta (2015)



LR Exhibit 6. SMEs’ “Adoption ladder” when adopting e-businesses by Martin and Matlay (2001).



Teaching Note Exhibits

Exhibit 1. Futah SWOT Analysis.

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> ➤ Founder’s mindset ➤ Sustainability concern ➤ Partnerships with brands increasing brand awareness ➤ The products unique features and design 	<ul style="list-style-type: none"> ➤ Lack of international experience ➤ Product seasonality ➤ Website needed improvement ➤ Difficulty in scaling the production ➤ Lack of different resources
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> ➤ Speed of exports volume ➤ Earlier entry – first-mover advantage ➤ International fairs with global distributors ➤ Increase concern for beachwear fashion ➤ Trying different business models 	<ul style="list-style-type: none"> ➤ New competitors ➤ Copyright infringement ➤ Not finding the right distributors

Exhibit 2. Spanish Market PESTLE.

Political	<ul style="list-style-type: none"> ➤ Trade agreement with Europe, no tariffs and border restrictions ➤ Stable Government ➤ Taxation policy slightly higher than in Portugal
Economical	<ul style="list-style-type: none"> ➤ High unemployment rate, leading to low labor cost ➤ Domestic consumer demand on the rise
Social	<ul style="list-style-type: none"> ➤ Consumers are more environmentally friendly ➤ Spain has an ageing population not being the perfect fit for Futah’s target ➤ Tourism constitutes 11% of the Spanish economy being part of its culture
Technological	<ul style="list-style-type: none"> ➤ Increase of e-commerce with the pandemic ➤ High use of social media ➤ Data collection through Google Analytics
Legal	<ul style="list-style-type: none"> ➤ Simple laws of employment similar to Portugal need to be complied by Futah ➤ Complex environmental legislation is already respected by Futah such as Paris agreement ➤ Laws regarding data protection are easier than in Portugal, being the minimum age of consent at 14 years old
Environmental	<ul style="list-style-type: none"> ➤ Use of ecological fabrics, 100% Egyptian cotton already used by Futah ➤ Collection with WWF launched ➤ Spain is one of the sunniest countries in the world having a high and larger beach season

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