Ten-to-Ten: The Reborn of Traditional Commerce

A Case on Marketing Strategies for Small Retailers

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Abstract

The Portuguese retail market is characterized by high competition, evolution of distribution channels in terms of opportunities and decrease of consumer's loyalty. In Portugal the main formats used by retailers are super and hypermarket, which in large part responsible for the disappearing of traditional small retailers. However, in the last years the market has witnessed the reborn of traditional commerce, even by the two main players. The mentioned trends have lead companies to find ways to differentiate from competition, and lock consumers in. Ten-to-ten was one of the first companies that appeared under this format, by 2009, and since then it has been able to grow in the city of Lisbon, but at the same time has struggled with obstacles on their path. The managers of the company were in front of a difficult decision of whether to consolidate the brand in Lisbon and overcome important obstacles or go to Porto while main competitors are still on an early stage on that city.

Resumo

O mercado retalhista Português caracteriza-se por elevada competição, evolução das oportunidades em canais de distribuição e pelo decrescimento na lealdade dos consumidores. Em Portugal os principais formatos usados pelos retalhistas são os super e híper mercados, que são em grande parte responsáveis pelo desaparecimento dos pequenos mercados tradicionais. No entanto, os últimos anos testemunharam o renascimento do comércio tradicional, até por parte dos dois principais concorrentes do mercado português. As tendências já mencionadas levaram as empresas a encontrar formas de se diferenciarem dos concorrentes, e fidelizar os clientes. O Ten-to-ten foi uma das primeiras empresas deste formato, aparecendo em 2009, e desde então tem conseguido crescer em Lisboa, deparando-se ao mesmo com obstáculos no seu caminho. Os gestores da empresa estavam diante de uma difícil decisão de consolidar a marca em Lisboa e ultrapassar obstáculos urgentes, ou expandir para o Porto, onde os principais concorrentes estavam ainda numa fase inicial de expansão.

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It was morning and Beatriz Capaz and Pedro Capaz, wife and husband, were having coffee before going to the office for another work day, while they were discussing the future of Ten-to-ten, a discussion that had been going on since the beginning of that week. It was March 2015, and they already had six stores, with the seventh almost ready for opening, in Chiado, Lisbon. But they knew that 2015 was going to be a crucial year for the company. They knew that the new store was going to be extremely important to put Ten-to-ten on the map.

By this date, Ten-to-ten was getting positive results from all its stores, but there were also some problems. Beatriz Capaz explained:

"Our stores are having impressive growth rates since the moment our company began, but we know that there is a lack of awareness from Lisbon's habitants, and we also know that sometimes they enter the store and do not understand who we actually are. They just have a wrong idea when they enter the store, and leave right after."

Ten-to-ten was in 2008, year of foundation, a small retailer that wished to innovate in the retail market in Portugal, by bringing back the concept of traditional groceries. The company was now evaluating their options: Going to another city (Porto), or continue focusing their growth only in Lisbon?

By the end of the year of 2015, surely they would have more conditions to perspective their future and accomplish that objective.

Ten-to-ten - How it began

Back in 2008, the retail market was becoming saturated by super and hypermarkets and companies were turning eyes into other types of businesses. Beatriz and Pedro Capaz witnessed on their travels around the world that small traditional retail chains were being successful and saw that as an unexplored concept in Portugal.

Traditional commerce was going through difficult times in Portugal, with several small businesses disappearing due to fierce competition imposed by the big retail chains (**Exhibit 1**), as well as the economical crisis that affected Portugal back then. Usually, these small businesses are owned by local families and don't have any differentiating factor, both in terms of product offer (most of times the best offer is fresh products like fruit and vegetables) as well as in-store appearance. The stores are not very attractive, and the prices are higher than the ones found in the big retail surfaces.

In addition, the consumer behaviour was changing in Portugal. Consumers had less time each day due to the amount of work of their professional lives and there was a necessity of finding ways to manage time for necessary diary purchases. Thus, there was a need of convenience search by consumers (**Exhibit 2**).

For these reasons, in September 2009, the first store of Ten-to-ten was opened in Telheiras, Lisbon. They have chosen this place for two important reasons: It is a residential area in Lisbon, where there is a live neighbourhood spirit, with lots of activity both from small commerce and people that like to walk around and socialize with neighbours; and it was also an emotional choice, because Beatriz and Pedro lived in Telheiras and they had an emotional link to the neighbourhood. The goal was to build a retail chain and therefore this was not going to be their only store. After the success of the first store, the company expanded throughout Lisbon (**Exhibit 3**).

The Competitive Environment

In the past, traditional stores dominated the Portuguese market with a percentage of 86%, whereas supermarkets and hypermarkets together hold only 14%. However, with the evolution of the market environment and the appearance of new competitors in the 90's due to the modern trade "boom", hypermarkets began to dominate (42%) and traditional stores decreased their share of market to only 29%. Turning the year of 2000, supermarket formats started to increase their presence (37%), mainly due to legislation imposed towards hypermarkets, and discount stores appeared as a threat to the other retailers. Traditional stores continued to lose power to only 15%. Supermarkets continued their growth until 2010, where they already represented 47% of the market (**Exhibit 1**)

The retail market in Portugal was, in 2014, mainly dominated by two major brands: Continente and Pingo Doce[1]. These two competitors accounted for almost 50% of the market shares of the Portuguese retail market (**Exhibit 4**), and operated mainly through supermarket and hypermarket formats.

Despite the continuous decrease of traditional stores, there was a necessity of convenience on consumers (**Exhibit 2**). This necessity was proven to be correct when SONAE and Jerónimo Martins[1] opened, by almost the same time as Ten-to-ten, traditional stores called Meu Super and Amanhecer, respectively.

[1] Continente and Pingo Doce are the two leaders of the Portuguese food retail market and belong to the SONAE Group and Jerónimo Martins, respectively, which are both Portuguese groups.

Meu Super was positioned similarly to Ten-to-ten. The objective was to have proximity stores in highly active areas. The stores sizes were within $100m^2$ and $500m^2$ and the product offer variety was wide, at competitive prices. The in-store organization was similar to Ten-to-ten. In addition, Meu Super was selling private labelled products, unlike Ten-to-ten. These products were sold under the same private brand of Continente. Meu Super had, by 2015, more than 100 stores expanded throughout the country, being the biggest concentration in Lisbon (more than 30). In Porto, the company had less than 10 stores.

Amanhecer was the corresponding brand of Meu Super, but from the Jerónimo Martins group. This company appeared in 2009 in Portugal and positioning was on quality products at fair prices, on convenient locations. Amanhecer had fewer stores in Lisbon than Meu Super, by 2015. The store sizes varied between $100m^2$ and $400m^2$, and by 2015 the company had already 150 stores spread through the whole country, but in Lisbon the locations were not very convenient (mostly on touristic areas).

Both companies expanded through franchise deals. The strategy was to build partnerships with small groceries, by making these stores operate under the name of Meu Super or Amanhecer, adapting to its business model but maintaining their traditional approaches. This way they could enjoy the best of modern distribution and combine it with the proximity that traditional commerce offers to local consumers.

Additionally, Minipreço was a retail chain focused on a proximity strategy by having (mostly) small stores located in active areas. However, their main positioning was on price and not as much on service/experience. They were not interested on delivering an experience to consumers, but rather be able to offer them products at low prices. Minipreço had more than 500 stores spread through Portugal, with significant concentrations in Lisbon and Porto.

The market was also characterized by a battle for the loyalty of consumers, since 7 out of 10 consumers would not repeat the next purchase on the same retailer. Pingo Doce was the brand that was being more successful in consumer retention, by 2014[2].

A Service Oriented Strategy

Just like the main competitors mentioned previously, Ten-to-ten positioned as a convenient supermarket. All companies had the objective of being located close to consumers and offer products that suited diary practical purchases, at convenient times.

[2] Nielsen report on Portuguese Shopper Behaviour in 2014

This was why a part of the positioning of Ten-to-ten was "your daily store". In fact, the name of the company is a representation of the opening and closing hours of all stores of the company (10am to 10pm). Although the main competitors also had similar schedules, Ten-to-ten was the only company whose stores stayed opened until 10pm, every day, including weekends and holidays. The competitors' stores were open until 9.30pm, and within each company there were changes on the schedules, from store to store. Some of the stores only had reduced working hours on weekends and holidays. However, to compensate the earlier closing, opening hours were before 10am.

In addition, the main focus of the company was the in-store experience, differentiating from competition by positioning as "we serve emotions", offering a complex service, from special promotions to staff behaviour or the interior design of the stores.

Ten-to-ten was not focused on differentiating from competition by price, but instead by creating value and delivering an optimal solution for their daily needs. In order to accomplish this goal, it was critical that consumers come to the store, being the main reason why the company focused their communication and promotion campaigns activities inside the stores. Most of these campaigns were used with references to the number 10 (10% discounts, for example), being this another way to make consumers understand the positioning of the company as convenient, and increase recommendation rates, mostly through the power of word-of-mouth.

Although competitors have invested on online platforms and e-commerce in order to improve convenience for their clients, by providing direct distribution on their homes, this was not an investment that interested Ten-to-ten, since they were only focused on offering an experience to local residents of the neighbourhood, and therefore, e-commerce would only represent a contradiction to the strategy of the company, namely to the choice of location and in-store activities, failing the purpose of value creation.

As said, the main purpose of the Ten-to-ten was to create emotions on consumers. This was done through three rational bases: Innovation, Quality and Proximity.

Innovation

Innovation was one of the main drivers of Ten-to-ten's strategy. They were trying to recall the traditional emotion of the old neighbourhood store. The goal of the company was to modernize that concept and give it a contemporary look by having a modern and stylish designed store where consumers could feel like home. The interior of the store was organized by departments and each department had its own colour (**Exhibit 4**). In addition, they also had products and communication campaigns that would remind the consumers of the old traditions of the country. For example, they did a campaign to sell chestnuts for São Martinho[3], and it was a success with consumers, because Ten-to-ten was able to awaken a traditional feeling on the neighbourhood, celebrating this event with their customers.

Quality

Ten-to-ten used quality to enhance trust on consumers. They could guarantee it, by ensuring consumers that they would find the same quality products that they could find in any other retailer, or better. The managers knew that if they could assure consumers the value of their products they would gain their trust.

One particular action performed every year is the Christmas campaign where they offer a special catalogue in which there are several suggested recipes for Christmas courses and all the ingredients that consumers need in order to cook. They can find all ingredients in the stores. In addition, the ingredients for each recipe can be purchased at different prices, but always ensuring quality for such an important event for consumers, and making them believe that they can trust on the company. This campaign has been such a success that some clients collect the catalogue every year (**Exhibit 6**).

Proximity

Proximity was the rational factor used to drive comfort on consumers. Ten-to-ten focused their strategy on creating a familiar in-store environment. They wanted to be seen as friends and know the people that lived in the neighbourhood.

The store in Telheiras has an area near the entry door where clients can leave their dogs while they are inside. This is due to the fact that Telheiras is a neighbourhood with several green areas and where lots of people like to walk their pets around. This action was a way to say to consumers that they can stop by at any time of the day, even if it is when they are walking their dogs and remember, or get a call from a familiar saying that they need to buy something.

In addition, the managers of Ten-to-ten state:

[3] São Martinho is an annual tradition in Portugal, that happens in Autumn (November 11th), and usually people eat chestnuts to celebrate it.

"We encourage the employers that work in the stores to know consumers, and to treat children by their names because it will increase the sense of proximity, and parents usually appreciate that."

The campaign "Count to ten" was another example used to create interaction with consumers. They had to buy 10 products from different categories to receive a discount on the next time they went to the store. This campaign generated a lot of communication between consumers and employees, and it was considered funny by customers, that went around in the store counting what they were taking to reach the 10 products.

Different needs require different approaches

The fact that Ten-to-ten was concerned on being convenient to consumers and gaining their trust has resulted on having some differences from store to store. Due to knowledge that the company has acquired of consumer needs of each area, they found that some necessities differed, in terms of product search. For this reason, they adapted some capacities of the stores to local needs, keeping in mind the global strategy of the company.

In Telheiras, the biggest store was enlarged by 2015, for the creation of a better butcher area. This was suggested by consumer needs of having a butcher where the company could guarantee quality of meat and service, and compete in an area where the direct competition from butchers is very intense. Beatriz Capaz stated:

"We are very enthusiastic with the enlargement of the Telheiras store and we are investing a lot to have an excellent butcher, because we know the importance that it will have for our clients, as well as the great challenge of competing with the other butchers of the neighbourhood."

In Parque das Nações, the company perfected the distribution for fresh products, because local consumers find this category important and this store represented one of the areas with more consumers for Ten-to-ten, according to the managers. They made an agreement with the fresh products suppliers so that they go directly to the store, instead of having to wait for Ten-to-ten's truck. This allowed an arrival of the products early in the morning, the hours that better suited consumers.

Difficulties on creating awareness

Although Ten-to-ten had a defined service-oriented strategy, explained above, the company wasn't being able to be recognized by all potential consumers. The success achieved was with local consumers living on the areas where the stores existed. One possible explanation for this was the inexistence of communication campaigns outside the stores. The only communication that they had was through their Facebook page and their website. Another explanation was the fact that the company's stores were only located on areas where the majority of people that walks by are the local residents and workers/students. On the other hand, the main competitors of Ten-to-ten had more aggressive communication campaigns (like Minipreço), or had more visible locations (Meu Super and Amanhecer).

In fact, a survey made to a sample of Lisbon's habitants showed that only 37% knew Ten-to-ten, and from these, 11% have never bough anything on one of the company's stores. Moreover, when consumers were asked to say the top of mind companies that operate with small markets, Ten-to-ten was recalled but not significantly, and none for super and hyper markets (**Exhibit 7 and 8**).

Assortment and Price

The products of Ten-to-ten were sold under ten different categories, represented by ten ovals in the logotype, where each category had a different colour. The sizes also represent the importance and real size of the department inside the stores (**Exhibit 5**). The assortment was wide but it wasn't deep as in hyper markets, due the limitative size of each store. One way that the company used to differentiate from competition was by positioning as an exclusively manufacturer brands store. This also helped the company to maintain a healthy relation with suppliers, by not being interest on invest on their own private label. Competitors, on the other hand, were selling products under private labels. Meu Super and Amanhecer had products from Continente and Pingo Doce private labels, respectively, and Minipreço also had its own brand. In fact, in every 10 Portuguese, 8 believed that private labels have a better quality-price relation than the manufacturer brand (**Exhibit 9**), and in 2014 private labels already accounted for 35,7% of sales in Portugal[4], which represents a threat for suppliers and for companies that do not have their own brands.

Most products that Ten-to-ten offered were similar to the ones offered by competitors, that is, from known manufacturer labels, with high power and able to have their products sold by almost all retailers in the country. However, other products were manufactured by small suppliers. These suppliers were not being able to reach big distribution channels, or were not interested on that strategy. For these reasons, Ten-to-

[4] Barbosa, A. (2014). 8 on 10 Portuguese sees the distribution brand has a good alternative to manufacturer brand. *Nielsen (online).*

ten was able to have some products that were not common, allowing the company to be unique on a part of its offer, differentiating from the main competitors.

Although consumer perceptions on small retailers like Ten-to-ten, Amanhecer or Meu Super was that prices are usually higher than in other competitors like Minipreço, Continente or Pingo Doce, this is not true. A study was made to assess and compare the prices of a determined shopping basket including several products from different companies and the results show that the prices are similar between all stores and Ten-to-ten is not the most expensive brand (**Exhibit 10**). This contradicts the idea that Ten-to-ten is an expensive supermarket, expressed by the sample of consumers studied in the already mentioned survey (**Exhibit 11**).

Implications of the expansion

If Ten-to-ten expanded to Porto, there would be implications, mainly in distribution processes. The company had, by 2015, a warehouse where the suppliers delivered the products, instead of going directly to each store, which facilitated the distribution process. The company also acquired a truck that would do the distribution from the warehouse to all stores. However, moving to Porto would implicate the acquisition of a new warehouse and truck, if they wanted to have the same distribution process that they had in Lisbon. The other option was to restart the whole process, and have the distributors from the north of the country bringing the products directly to each store. Direct competitors had an advantage against Ten-to-ten because they could benefit from the distribution processes of the group they belong to, and this advantage worked both in Lisbon and in Porto.

Location - Being close to consumers

The choice of location is one of the most important decisions for a Retailer like Ten-to-ten and its main competitors. Many authors defend that the three most important decisions for retailers are "location, location and location"[5]. Convenience is one important factor for consumers, and location is one of the elements that belong to convenience. On a survey, five factors were studied to assess the different components of convenience: availability of information, location, accessibility, opening and closing schedules, and waiting times. The results showed that the most important component was location, followed by accessibility and waiting times (**Exhibit 12**).

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[5] Grewal, D., Kumar, V., and Levy, M. (2009) Customer Experience Management in Retailing: An Organizing Framework. *Journal of Retailing.* 85 (1). p.1–14.

The strategy for the location of each store is a thorough process that takes into account different factors. Until 2015, Ten-to-ten segmented the market in order to find socially active residential areas with active (employed or able to work) people belonging to social classes A and B[6], because these were the places where it would be more likely to find "early adopters", the main target of Ten-to-ten. Beatriz Capaz describes this target as:

"People from classes A and B who live in socially active residential areas. They are willing to try new things and be the first ones to do it, so that they can share the new experiences with their friends and family. They are usually very proactive and like to leave their comfort zone"

The Decision Making

The decision for the location of each store was constructed and perfected with experience that the years provided to the managers of Ten-to-ten. At the beginning, there were only few important factors for the decision but as time went by, other ones began to be taken into account, as the company got to know consumers with their existing stores.

The most important element that matters for the managers of the company is the analysis of the demographics of each area that they have considered for the stores. On **Exhibit 14** it is possible to observe that there were, in 2011, 1.024.519 (59.3%) active[7] individuals in the metropolitan area of Lisbon, based on the Census 2011 to the Portuguese population. This was the type of information that suited Ten-to-ten on their decisions. The managers analysed information from NIE (Portugal Statistics Institute) to assess the population that lives in a particular residential area. After this, they looked into the social activity inside that area and for places with commercial activity.

The company was focusing their location analysis on demographic information extracted from NIE and from physical site analysis or experience from previous stores. They didn't use technological methods like GIS[8] because it requires a considerable amount of investment and it is only a complement to the method they were using. Ten-to-ten was still a small company and it was a risk to invest on such technologies, when they could find the information using other methods that were equally effective.

[6] A - High Class, B - Medium-High Class, C -Medium Class
[7] Statistics Portugal Institute defines as: Population with less than 15 years old which are valid workforce available for the production of goods and services that contribute to the economic cycle (employed and unemployed)
[8] GIS is Geographical Information System - A system that analyses and organizes information about a particular geographical area.

In Telheiras, where the first store was opened, the served population was very substantial and therefore that one is their biggest. However, the second store in Telheiras (in the north of the neighbourhood), was meant to serve a smaller sized area, and for that, was the smaller store of the company, by 2015. Every time a new store was studied by the company, two important things were taken into account: the size of the population to be served and the availability of a space that could suit the necessities of the company. Typically, the sizes of Ten-to-ten's stores varied between $350m^2$ and $400m^2$, with exception of the store in Telheiras North, which was smaller.

With experience and knowledge of the consumer behaviour, the company realized that most people that went to the store were going just for a small amount of time and few necessary products, and due to that, they were leaving their cars parked in second line while they were inside. Managers noticed the importance that had for the company to be located in large streets where it was possible for consumers to leave their car. Moreover, customers had also to pay attention to the car and therefore the company also looked at this need by always looking for places where the visibility from inside out allowed the clients to have an eye on the exterior of the store to control their car.

Odivelas - Testing new consumers

Back in 2014, Ten-to-ten was studying the opening of a new store in Odivelas. The predominance on this area was from social class C[6], so this would be a new target and a test to the company. For this reason, they changed slightly the location strategy and decided to open a store in a place that was not an exact match of the other ones.

After the store was open, the results were positive, having an initial sharp growth. However, after a while, the growth level started to stabilize and the results were not as expected. The initial growth could be explained by the affluence of consumers from classes A and B, but as the majority of consumers were from class C, the growth stabilized. Consumers seemed to have a wrong idea about the company because soon they entered the store, would leave without assessing products and prices.

Chiado - Putting the company on the map

In 2015, Ten-to-ten was aiming at an important strategic move: opening a store in Chiado, one of the most important and busy areas of Lisbon. It is constantly crowded by tourists, local habitants, business people and students during the whole year.

The reason why the company wanted to open this store was to create awareness. A store located in such area would be easily noticed. This had a different decision making process and the previous mentioned factors were not exactly used, due to its objective. Opening a store in this area requires a higher amount of investment, compared to the other stores, mainly due to renting fees. This store had to be located in a busy street, near residential areas and where tourists and people could easily see the store: the chosen street was Rua da Misericórdia.

While tourism was an important trend for the 2015 retail sector success[9], the most important outcome of this store was that Lisbon's habitants would gain awareness about the company. With the awareness generation, it was going to be easier for Ten-to-ten to look for new places, similar to Odivelas, and have more success with the local habitants, that instead of being fully unaware of that store, would already have knowledge and more curiosity to go inside and assess its product offer.

The new store in Chiado was an important strategic step towards the maturity of the company and an opportunity to explore different consumers, instead of looking only for Early Adopters.

Porto and Location Decision

Moving the company into another city requires a restart of the decision process. Ten-to-ten does not have entire knowledge about how the market works in Porto. They have access to statistical information from INE that allows a demographic segmentation of the market. Porto was, in 2011, the fourth biggest city of Portugal, after Lisbon, Sintra and Vila Nova de Gaia. However, Porto and Vila Nova de Gaia[10] combined have more than 500 thousand habitants. In the metropolitan area of Porto, that includes both cities, the percentage of active people is 58.1% of the resident population (**Exhibit 13 and 14**).

In addition, the main competitors of Ten-to-ten were already operating in Porto, and will impose pressures over new entrants, like Ten-to-ten. The company has no longer first-mover advantage, like they did in Lisbon and that would difficult the penetration process. Moreover, both Amanhecer and Meu Super are stronger brands than Ten-to-ten, since they are associated to the two biggest groups acting in Portugal.

Although Porto represents a restart for the location decision of Ten-to-ten, it is still the second Portuguese city in importance, and it is still an opportunity in terms of potential consumer market. Competition is already acting there, but their presence is not

[9] Deloitte (2014). Receitas globais do sector do retalho crescem apesar do contexto económico
[10] The two cities are only separated by the Douro river, and may be considered together for companies that want to invest in Porto, due to the small distance that separates both cities.

as intense as it is in Lisbon, and there might still be space for other companies like Ten-to-ten in Porto.

What Results?

In 2015, Ten-to-ten was a company still on the growing phase. They were still targeting Early Adopters, but they were growing at an impressive two digits rate, and they were studying other potential targets instead of focusing on one specific target.

According to the Nielsen report, the company had a market share of 0.1% in the category of less than 1,000 m2 in Lisbon, with the sum of all their stores.

All stores experienced unexpected two digits growth rates since their opening. And another important feature was that the stores improve with maturity. Their best performing store was the first one in Telheiras, the second one was the second store, and so on. They have been able to mature all stores and lock-in consumers everywhere. With exception of the stabilization of the store in Odivelas, previously discussed, they are an example of how it is possible to innovate and compete in the retail business.

Future and Conclusion

After 2015, the future of Ten-to-ten was going to be directly related with the success of their existing stores and with the results of the new Chiado store. If they were able to be successful and generate high levels of awareness it would be easier for the company to find new locations for the stores and gain new customers.

The company had, by 2015, seven stores across Lisbon but they needed to analyse their options: Moving to Porto or continue the expansion in Lisbon. In Porto they already lost first mover advantage, but it is still the second most important city, and it may still be possible to repeat the success that they have achieved in Lisbon, but should they consolidate the business in Lisbon, or should they start thinking about the expansion in the short term, while the competition in Porto is still on an early stage?

Literature Review

The location choice for a new retailer store is acknowledged by many authors to be one of the most important decisions for the company. Grewal et al. (2009) defends "location, location, location" as the three most important decisions for Retailers, that will be the key for success. The importance of this Retail-Mix component is, therefore, implicit for any Retailer that aims to expand its business across a City, Country or Continent.

This part of the Thesis has the goal of complementing the concepts that were studied with this case by looking at previous research made, and relate it with Ten-to-ten's decisions on location for their stores. This literature review will then be based on four important topics: The importance of location, the survival of small retailers, the decision making process, and a discussion on convenience.

Importance of Location

The choice of a place to implement a business requires a certain amount of time to analyze several factors which affect that place. One of the reasons why this is an important decision for any company is the fact that it is a long term decision, that cannot be modified easily. It is attached to high amounts of money invested whether the company purchases the building/land or pays a monthly rent.

For this reason, a wrong location decision may incur in losses for the company, from loss of sales, to loss of suppliers and even to difficulties in hiring the workforce. On the other hand, a perfect location choice might be transformed in a competitive sustainable advantage relatively to competition. This is due to the fact that each location has local specific conditions that affect the companies that establish there (Porter 1995).

But the choice of the location does not weight only the costs, it also includes other factors that are important and have impact on the potential area. The existence of parking for employees, the renting rates, the availability of labour force and the amount of time that is required for approval are factors that seem to have relevant importance for companies that look for a new location (Kimelberg and Williams 2011). However, those are factors that matter in a "general" perspective, because if the focus is on Retailers solely, the most important factors when the decision of location is on the table are more related with costs of the land and rental, the predictability and times of the permit, infrastructure of the building and traffic information of that area (Kimelberg and Williams 2011).

Porter (1995) complements the importance that location has by stating the relevance for companies and specifically for retailers, of the population density and the demographics of a region. Places next to populated areas are much more important for companies, that will then have to study the characteristics of that population and find ways to answer the needs by being able to focus their business model in the local necessities of their target.

The Survival of Small Retailers

The main threat to small retailers like Ten-to-ten is fierce competition mainly by the big retailers acting in the same area and therefore it is important to assess if there is previous research regarding this topic.

In Uruguay, Borraz et al. (2013) have studied the impact that supermarkets have on smaller shops and concluded that there is indeed a small interference (but significant) with the probability of exit of a small shop after the entering of a supermarket in the near area (between 0,6% and 2%). However, the effect varies depending on the type of shop, that is, the line of business of the small retailer.

On another perspective, Igami (2011) studied the effect that the entrance of a new big supermarket have on existing competition and concluded that the effect is different depending on the size of the retailer. Surprisingly, the study revealed that the effect may even be positive for small retailers and that the negative effects are more likely to affect other big supermarkets. This is due to the fact that a if a new big retailer enter the market, it will compete directly with other big retailers and not with the smaller ones. One possible explanation for this situation is the consumer's image of different types of retailers, that is, consumers see different uses for small and big retailers. Consumers go to each type of retailer to satisfy different needs.

The Decision Making Process

Due to the importance of location and the detailed analysis that it requires, the decision making process has extreme importance and needs to have the minimum of failures as possible. For this reason, generally there two types of analysis that can be made: Physical visits to the place (through consumer surveys, for example); and Statistical models based on informatic technology (GIS - Geographical Information System) (Wood and Tasker 2007, Carlson 2000)

The two previously mentioned methods of site evaluation have advantages and disadvantages and therefore there is not a single right or wrong method. Both of them offer different perspectives to the company that the neither one of them can offer by itself (Carlson 2000).

Going directly to the physical place allows the company to get qualitative research about several important factors for the final decision and even more, it may provide more elements that consumers find important and that the company did not take into account. It may also provide more details about local competition. Basically, the site visit presents a better overview of the whole catchment − potential area of the new store and all the factors that affect the visit of the targeted consumers to the store, like competition, residential areas, parking availability and consumer behaviour (Wood and Tasker 2007, Carlson 2000).

On the other hand, statistical methods can also provide alternative types of information. They can give a more general perspective of the whole area and it is has been developing throughout the years. It can also cross information between different factors that would be more difficult to find in the physical place. These models can provide data from the past and therefore the company can monitor the evolution of the potential area. However, the biggest failure of these models is related to the lack of detailed analysis to the micro-environment of the area (Wood and Tasker 2007, Carlson 2000).

Convenience

Convenience is a characteristic that is acknowledged to be important to consumers, and it is generally perceived as a benefit that has the goal of allowing consumers to save time and effort costs. Several research has already been made about convenience but it is a topic that appears to have different interpretations from consumer to consumer (Berry et. al., 2002).

The concept of convenience was already demonstrated by some studies to be different between products and services (Berry et. al., 2002). Consumers go to a Ten-to-ten store to purchase products, but what matters for this company is the service convenience and not the product offer by itself. For this reason, the focus of the survey made was to study convenience from the service perspective. Berry et. al. (2002) studied service convenience in five different categories: Decision convenience, Access convenience, Transaction convenience, Benefit convenience and Post benefit convenience.

- ✓ Decision Convenience: Time and effort that consumers dedicate to seek information about a service, or company, for example, through Internet.
- ✓ Access Convenience: This category is related with how the consumer will access the company. It includes location, schedule hours or parking availability, for example.
- ✓ Transaction Convenience: Here is included the moment where the consumer exchanges the service for money (usually). Waiting time is one explanation for high abandonment rates of a company, although not the only one.
- ✓ Benefit Convenience: Time and effort spent to experience the service, which is not very relevant for Ten-to-ten, unless this part is included before the transaction moment, when the consumer is inside the store and exposed to the in-store experience.
- ✓ Post Benefit Convenience: The "after benefit" experience where consumers have to re-contact the company, to repair a product, for example, or to exchange it. This category was studied in the survey because it is not very relevant in the case of a small retailer like Ten-to-ten.

Teaching Note

"Ten-to-ten: The Reborn of Traditional Commerce", was prepared by Luís Miguel Mello under the supervision of Professor Paulo Marcos. It was prepared as a basis of class discussion and not as an endorsement, a source of a primary data, or an illustration of effective or ineffective management.

The case is based on real experiences and information, but some proprietary data has been disguised to preserve confidentiality, keeping the essential facts and relationships intact.

For the case resolution and a better understanding of the concepts approached, the following additional readings may be consulted:

1. *Literature Review made with the purpose of support for the Case Study and the discussion about the Retail Environment and Location Importance.*
2. *Lindon, D., Lendrevie, J., Lévy, J., Dionísio, P., Rodrigues, J., MERCATOR XXI - Teoria e Prática do Marketing, 13th edition.*
3. *Kotler, P., Keller, K., Marketing Management, 14th edition.*

Synopsis

The Portuguese market is characterized for domination from super and hypermarkets since these formats appeared in the end of the past century. However, the last years have been marked by the reborn of Traditional Commerce. This type of commerce decreased its presence along the last years and now it seems that companies are turning their eyes against it again. This has been proved when the main players of the retail Portuguese market launched their own traditional market chains.

The first store of Ten-to-ten was opened in 2009, by Beatriz and Pedro Capaz, wife and husband, and the company has been growing since then. They had, by middle of 2015, seven stores across Lisbon and convenience and service were the main drivers of their strategy to attract customers to their stores. The company's target was the Early Adopters but they were also starting to test other targets with higher price sensitivity.

However, the company started to engage in difficulties when more competitors entered the market with similar business concepts. In addition, the company was not being able to create brand awareness on consumers and the perceptions of the company were not the pretended by the company. Customers were seeing Ten-to-ten as an expensive store, although the prices were at the same level as the competitors'.

Beatriz and Pedro were facing a dilemma on 2015. They had to decide whether they should continue their expansion in Lisbon and concentrate on creating the right awareness on consumers or expand to Porto, the second most important city in Portugal, where the competitors were already beginning to establish, to make sure they can diminish entry barriers while the market in the city is still on a early stage.

Suggested Assignment Questions

After reading the Case Study, students are expected to prepare and discuss the following questions:

1. Analyse the current situation of Ten-to-ten (10 Minutes)
2. Explain how the Location decision is related with the STP strategy of the company (15 Minutes)
3. Draw a positioning map based on the information provided on the Case Study (Include price study and survey) on the factors Price x Service (15 Minutes)
4. How is the company developing its activities to successfully satisfy their consumers? (15 Minutes)
5. How has the company survived so far in this difficult and competitive sector? (15 Minutes)
6. Taking into consideration the survey results presented on the Case Study, what may the company be doing wrongly, and what suggestions do you have? (10 Minutes)
7. What is, in your opinion, the best expansion option for the company? Discuss both possibilities (10 Minutes)

Teaching Objectives

1. Understand the competitive retail environment in Portugal and what different formats that companies are using.
2. Discuss and understand how the Marketing Strategy of a retailer is affected by competition analysis and knowledge about consumer's needs.
3. Highlight how unexplored details on the Marketing Strategy have negative impact on consumer's perceptions about the brand.
4. Analyze the Critical Success Factors that allow the company to survive and how can it build Sustainable Competitive Advantages against competition.
5. Explore the importance of Location and its decision making process as well as how it is directed related with the Marketing Strategy of the company.
6. Assess what are the factors that influence the expansion decision of Ten-to-ten.

Use of the Case

This Case Study can be used under different Marketing class purposes. Two important concepts may be approached as basis for discussion: Retail-Mix and STP strategies of a small retailer, including the importance and relation of each with Location Decision. In addition, other concepts should be added in order to complete and increase the dynamic of the discussion such as the Success and Differentiating Factors, and understand the importance of Consumer Perceptions towards a brand/company.

Relevant Theory

1. Retail-Mix elements: Location, Assortment, Pricing, Promotion, Service and In-store Management
2. STP: Segmentation Target and Positioning
3. SWOT analysis: Strengths, Weaknesses, Opportunities and Threats
4. Critical Success Factors
5. VRIO Model: Sustainable Competitive Advantages
6. Location Decision Making
7. Positioning maps
8. Marketing Communication

Analysis and Discussion

1. Analyze the current situation of Ten-to-ten.

The aim of this question is to assess the situation of the company from an internal and external perspective, expecting from students a SWOT analysis. Based on the information provided on the Case Study, students will have an overview of where is the company performing well and where the results aren't positive, as well as what opportunities and threats the market imposes. This question serves as departure point for the rest of the class discussion.

Strengths

<u>Business Differentiation:</u> Through the service oriented strategy described in the case study, consumers are able to clearly identify a Ten-to-ten store, and differentiate it from the remaining competitors, because of the uniqueness of their in-store environment and the service-oriented activities.

Convenience: Convenience is very important for consumers, as showed on the case study. Ten-to-ten is being able to be convenient mostly by locating stores close to consumer's homes, having in mind that location is the most important component of convenience. However, there are other important characteristics like accessibility and opening and closing hours, that the company has in mind to satisfy their customers.

Product Variety: Although the size of the stores limits the depth of the assortment, the company tries to offer variety in breath, by having products from 10 different departments on most stores.

Pricing Strategy: Although consumers perceive the company as expensive (proved in the survey made to support the case study), Ten-to-ten's prices are at the same level of the competitors, whether they are other convenient chains like Meu Super, or super and hypermarket chains, like Pingo Doce.

In-store Communication: The company's success is also related with communication actions, as explained in the case. Ten-to-ten uses special campaigns to create emotions on consumers and it has been one of the strengths of their strategy.

Weaknesses

Awareness: The biggest weakness of Ten-to-ten is awareness creation. The company is not being able to transmit the desired image to all segments, even in the residential areas where the company already exists. As proof, the store in Odivelas is not having desired results because it is located near a different segment, with less economical power. In addition, consumers perceive the company as "gourmet" and expensive.

Communication out-store: Ten-to-ten is being successful in the in-store promotions, but out-store communication is practically inexistent. Out-store communication is important to create awareness, and they are failing on this matter.

Distribution: Although the company has already invested in a warehouse and truck to improve the distribution process, the increase on the number of stores without a respective investment on distribution may have consequences on the arrival of the products to the stores.

Opportunities

Number of residential areas in Lisbon: Lisbon still has several unexplored residential areas for Ten-to-ten, and those areas represent opportunities for new stores and consolidation of the brand in the city.

Demand for convenience: As said previously, convenience is a very important characteristic for consumers, and Ten-to-ten's strategy aims to fulfil this necessity. For a company like Ten-to-ten, whose positioning is on convenience, this is an opportunity to engage consumers.

Expanding in Portugal: Portugal is an unexplored market for businesses like Ten-to-ten and if they are able to successfully consolidate their company in Lisbon, there is an opportunity for exploring cities like Porto, where they can repeat the strategy used in Lisbon.

Tourism: As explained on the case study, one of the important trends for the retailers' success is tourism. Being on areas frequently visited by tourists may be an important source of revenues and awareness for Ten-to-ten.

New segments: The segmentation performed by Ten-to-ten provides knowledge about other segments that can be targeted. These segments represent a growth opportunity and increase of customers.

Threats

Competition: As seen in the Competitive Environment description on the case study, the Portuguese market has several players in the retailing sector (food) and therefore it is a difficult market to compete in. Traditional businesses tend to disappear due to the main supermarket chains, like Continente, Pingo Doce or Mini Preço as some authors defend on the Literature Review. These chains are wider in assortment and all together are located in almost every corner of Lisbon. There is also a threat of new entries that may try to imitate the business model of Ten-to-ten, increasing the level of competition. It is possible to divide competition in four levels:

- Direct Competition (1st level): Companies that offer the same as Ten-to-ten, that is, other convenient traditional companies: Minipreço, Meu Super, Amanhecer and other traditional commerce.
- Direct Competition (2nd level): Big retail surfaces that are able to offer larger amounts of goods than Ten-to-ten and although it's mostly directed to other type of buying necessities (weekly or monthly shopping) they are still a valid option to consumers. Continente, Pingo Doce, Lidl, Intermarché and also Minipreço (bigger stores) are examples.
- Direct Competition (3rd level): These companies compete directly with departments of Ten-to-ten. For example, butchers compete with the butcher department,

groceries compete with the fresh products and other food products, health care stores compete with the health care department.

- Indirect Competition: The substitute services. For example, if a consumer wants to buy a snack to eat, he can go to a small coffee. So here we include all the substitute services, like restaurants, bars, coffees, etc.

Consumer Loyalty: Portuguese consumers are not loyal to a unique brand and this represents a threat to Ten-to-ten, whose goal is to lock in consumers. Only 3 out of 10 consumers return to the same supermarket after a purchase, which means that in the majority of cases, consumers change the place of purchase.

2. Explain how the Location decision is related with the STP strategy of the company.

The location choice is directly related with the STP strategy of Ten-to-ten. The Case study approaches the location decision making process and the remaining information presented is enough for the student to describe the STP strategy and make a relation with the location decision. He/she should be able to understand and explain the concept of Segmentation and identify some of the further presented segmenting criteria. In addition, it is also required that the student understands the dynamics that compose the Positioning definition, including brand, competitors and consumers.

Segmentation: Segmentation is used by companies to divide consumers into different segments where each group is composed by homogenous individuals. This way, the company knows the different necessities and behaviours of each segment and directs the strategy towards each group of consumers in order to satisfy their different needs.

Ten-to-ten segments the market by geographical areas, and then inside each area the managers study the social and demographic information, so that they can understand the behaviour of consumers from that area. For this, they use the following criteria:

Geographical:

- Residential areas - The most important criteria of segmentation of Ten-to-ten is division by geographical areas. Specifically, they look for residential areas.

Social:

- Social Status - Ten-to-ten is looking for areas where they can find Medium-High and High social class predominance (Income level), although they are starting to study the possibility of other classes.

- Actives - Another the criteria that the company uses to segment the market is by looking for Active people[7].

Life Style:

- Tradition lovers - People that respect and enjoy the traditions of Portugal.
- Socially active people - Consumers that like to socialize, whether it is friends, family or unknown people with whom they share experiences. Moreover, they like to share their experience through word-of-mouth, using online and offline tools.
- Convenience seekers - People that seek convenient options for their daily purchases.
- Workers - People that work during the whole day and have little time in the end of it to go shopping.

Target: As explained in the Case Study, the main target of Ten-to-ten is the "Early Adopters": people that live in socially active residential areas in Lisbon, where the majority of people belong to medium-high and high social class. These people are more willing to look for, and try new and alternative ways for their daily activities, and in this case, shopping.

Positioning: "We serve emotions" and "Your daily store". The positioning of Ten-to-ten consolidates the message that they are trying to pass to the target: a convenient store that offers an experience by providing special treatment to the local consumers.

Expectations of consumers - Consumers expect from Ten-to-ten the access to quality products at competitive prices. Products will be constantly available and the offer is both food and non-food. Basically they can expect an alternative to any other supermarket, close to their homes, and with schedules that fit their professional life.

Brand - The brand has as main advantage the entire service offer, from the products available in the stores to the experience provided to consumers in terms of people interaction, promotion campaigns, in-store environment and other extra services (for example the dog "playground").

Competition differentiation - Ten-to-ten differentiates from competition for its familiar environment. They want to know local customers and provide them a sensation of familiarization that competitors don't provide. Moreover, the products offered are only from manufacturer brands, similar to the competition offer, but some are from small fabricants that don't want or can't reach the "big" distribution channels. Ten-to-ten does not have private label products.

Location: As it is possible to see in the STP strategy of Ten-to-ten, location is very related. The Case Study describes the decision making process of where the stores will be located. The primary criterion of segmentation is geographic. Then they look at each geographical area and analyse the remaining information, checking if it fits the strategy of the company. They look for areas where it likely to find the "Early Adopters" target, although (and as mentioned in the Case Study) they are already shifting to other targets besides this one.

Using the segmentation strategy they can find their main target and then have the stores close to it, being able to accomplish the desired positioning as a convenient store, using location which, as mentioned, is one of its main elements. Moreover, they use the knowledge from the different segments (geographical areas) to understand the necessities of each location and after they can adapt the service marketing activities, infrastructure and distribution processes across the stores.

The segmentation process allowed the company to find a place with a different segment, with less economical power, and the company used that information to open a store in Odivelas, to test a new target for the company. On the other hand, the store in Chiado deviates from this symbiosis between location and segmentation, because the objective of the company was not totally to satisfy a determined segment, but to create awareness, benefiting from one of the trends mentioned on the case study and that was also discussed on the previous SWOT analysis (tourism), although the objective is not only to take advantage from tourism but also from local habitants.

3. **Draw a positioning map based on the information provided on the Case Study (Include price study and survey) on the factors Price x Service.**

Assume the following shopping basket: 2L of Milk (Mimosa), 1kg of Lettuce and 1kg of Bananas, 2kg of Rice, 2 Packages of Oreos, 2L of Beer and 2L of Water. The recommended scale for the map is 1 to 5.

At this part of the class students will be asked to go directly to the case study and retrieve the information necessary to build a positioning map of Ten-to-ten and its main competitors. The description of the competitive environment should be enough for the students to have a general perspective of how the service from competition differs from

Ten-to-ten's. In addition, they will find the price information on the appendixes to compare this factor.

The answer may differentiate among students because of the interpretations of service. Some answers may be biased because the student knows the brand and has a different perception of the service. The shopping basket prices are provided in the appendix (**exhibit 11**). In addition, some students may use different scales for the map building.

After looking on the table for the values of the shopping basket for the main competitors of Ten-to-ten, the student has to attribute a value from a scale (1 to 5) to compare prices. This is the table with the prices and values:

Table 1 Value Attribution to Price and Service

Competitor	Ten-to-ten	Meu Super	Amanhecer	Minipreço
Price of Shopping Basket	14,20 €	12,74 €	15,72 €	13,57 €
Value Attribution to Economy	3	4	2	3
Value Attribution to Service	5	4	3	2

The Average price of the four competitors for this shopping basket is 14,06€ which means that this price will be used as the middle value to attribute the values from the scale of 1 to 5. These numbers will be attributed according to differences of 1€. Example: 14,20 - 14,06 = 0,14€ which is less than 1€ and therefore this price will be a 3 on the scale. The values are attributed on an inverse scale, that is, the highest value means that the price is economical (low) for consumers.

The service evaluation should include convenience and is presented on the case study based on the websites of the companies, and the physical visits to the competitor's stores as well as to Ten-to-ten's. Ten-to-ten is the only company whose website positioning is made only on the service through the emotions and convenience. The in-store environment, as mentioned throughout the case is very innovative and attractive and the company is focused on improving service to satisfy the consumers. The competitors like Meu Super and Amanhecer, are not that focused on positioning on service benefits and relation with consumers, but the visits to the stores allowed to understand the care provided to the in-store management and employee interaction. Both companies, although are not focused on this subject as Ten-to-ten is, provide a good service to consumers, although Amanhecer is less convenient in location (in Lisbon). Minipreço is concerned about convenience on its positioning, but mostly about price saving, and the in-store environment is less attractive than the remaining competitors, and for this reason it is the less graded company on service.

Taking the table into consideration, the positioning map of Ten-to-ten against the three main competitors is the following:

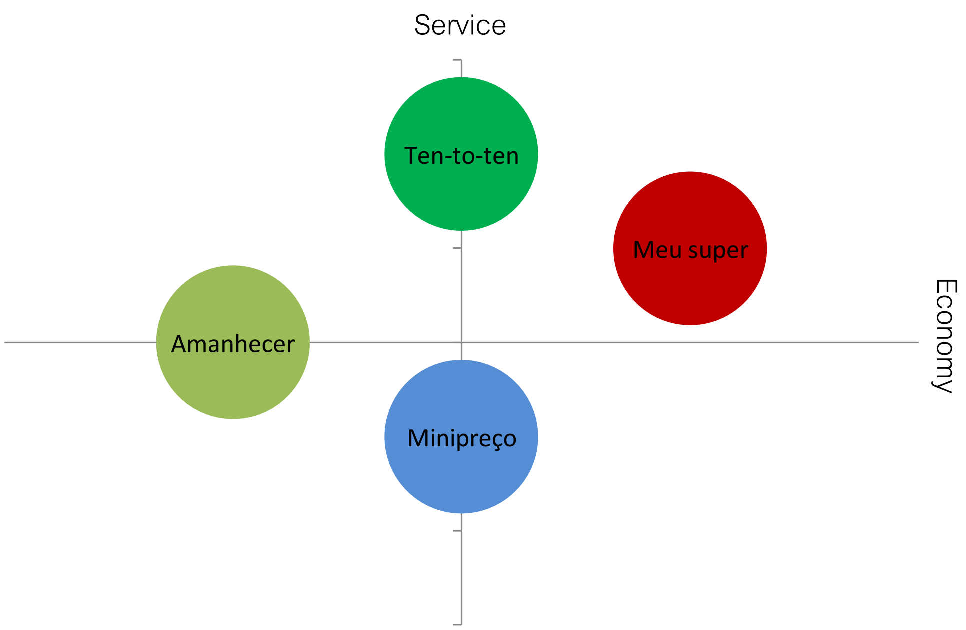

Illustration 1 Positioning Map

4. How is the company developing its activities to successfully satisfy their consumers?

At this part of the discussion the student should be able to describe the Retail-mix of Ten-to-ten. Authors have different approaches to Retailing-Mix components and for this reason there is more than one way to analyse the strategy of the company, and consequently, this question (Dabija et. al 2009). For the purpose of this particular case, the strategy analysis was based on the following six components:

- Location

As mentioned on the Case Study and Literature Review, the three most important decisions for a retailer are "location, location and location". This affirmation confirms the importance that location has for a company like Ten-to-ten. Particularly to companies like Ten-to-ten, Meu Super or Amanhecer, the importance is even higher for the fact that one of their objectives is to be physically close to consumers.

It is possible to identify three attraction areas for a store. The primary area is the one that is closer to the store and it represents 60% to 80% of the customers of that point-of-sales. The secondary area represents 15% to 25% and the tertiary the remaining consumers. The strategy of Ten-to-ten is directed to the primary area of attraction. These areas are defined by distance/time proximity to the point-of-sale.

The location choice is one of the most important decisions for a company, as the Literature Review shows. A bad location choice may result on losses for the company, but a perfect choice of location may be transformed into a sustainable competitive advantage. This decision is affected by several factors, from the demographics of the local population, passing through the costs determined by the location, to the psychological and social factors. The case study shows that Ten-to-ten takes into account several factors for this decision. The most important is the analysis of demographics of each location, followed by the availability of a place that can fit the necessary size for the store in order to serve the size of the target population. According to the behavioural analysis of the consumers, the company also started to take into account other factors that would satisfy better their competitors, like the placement of the stores on large streets with good visibility from the inside out, providing consumers the possibility of parking their cars in second line and control it from the inside.

- Assortment

The assortment refers to the areas/departments that the company offers inside the stores. The assortment of Ten-to-ten is related with the company's name and therefore, there are 10 different departments, as mentioned on the Case Study and represented on the company's logotype. The strategy of assortment is decided around two dimensions: Width and Depth. Width is the variety of products the store offers to consumers and Depth is the variation of products within each category. Having these concepts into consideration, retailers can opt for a strategy:

- ✓ Defensive: Large in width and narrow in depth
- ✓ Offensive: Narrow width but very deep
- ✓ Attraction: Large in width and relatively deep
- ✓ Breakdown: Narrow width and depth

Usually, small markets have an assortment policy based on Breakdown strategy, but Ten-to-ten is relatively wide on their product offer, as explained in the Assortment characterization. For this reason, the product strategy can be considered Defensive, which is a strategy mostly used by supermarkets.

In addition, the product offer is only composed by manufacturer brands, since the company is not interested on investing on their own private brand, due to its positioning and also to improve their relation with suppliers, as explained on the Case Study. Another important fact about the assortment of the company, is that several products come from common manufacturers to competitors, but the company also has special products produced by other suppliers, that are not able to reach the big distribution channels, or that are not interested on these channels. The latter mentioned products are used by the company as a source of differentiation, since they are not easily found in other points-of-sale, represent a uniqueness factor for the company.

- Pricing

Ten-to-ten aims to offer customers access to dairy products at competitive prices. Although the Case Study shows that consumers believe the company is more expensive than competitors (through a survey to consumers), a pricing analysis contradicts these results by showing that a shopping basket of basic dairy products is possible to acquire at the same price as in the major competitors.

Unlike some competitors, Ten-to-ten does not use price on its positioning, or at least it is not an important part of the perception that they want to pass to the consumers. For example, Minipreço positions mostly through price. As mentioned on the STP strategy, Ten-to-ten is focused on offering a convenient solution through a specialized service aimed at creating emotions. Although basic products (towards which consumers are more sensible to price variations) are offered at competitive prices, other products (the special products mentioned on the assortment description) have higher prices. Ten-to-ten does not have a penetration or skimming defined pricing strategy, but rather a strategy of being competitive on the basic products, and increasing prices for unique products.

- Promotion

The communication strategy of a retailer is, usually, defined in order to achieve three general goals:

  - ✓ Brand Promotion: Increase brand awareness

- ✓ Create Traffic: Increase the number of consumers that go to the stores.
- ✓ Increase the Shopping Basket of Consumers: Try to get consumers to buy more and more often.

Ten-to-ten's communication strategy is mostly directed to the in-store experience and being the reason why the company has such low awareness from consumers, as showed on the results of the survey made as a support for this thesis. The only communications tools the company has out-store are the Facebook page and Website. This is not an aggressive communication strategy and therefore the company is not being able to promote their image throughout the city of Lisbon.

On the other hand, in-store activities have proven to be successful on consumers, and the aim of those campaigns is to create an emotional link with consumers and to increase the size of the shopping basket. Examples of this are the Chestnut and the Count to Ten campaigns mentioned on the case study. With this strategy the company hopes to increase Word of Mouth and Recommendation rates. Word of Mouth is a powerful communication tool, and nowadays it benefits from offline and online expansion, and Ten-to-ten is trying to take advantage of this.

- Service

This component of strategy may be a strong differentiating factor against competition. The service deliver begins when the consumer starts its interaction with the store. In the case of Ten-to-ten the service is one of the most important components of its strategy. It is the main part of its positioning and the company directs its activities in order to create a service that can create an emotional link with the client. The service strategy of a company can be analyzed through the following topics:

- ✓ Distribution channels: Which formats is the company using to sell its products/services. In the case of Ten-to-ten, the deliver is solely through physical stores. The company does not use online channels to reach customers.
- ✓ Staff Behaviour: The moment when the consumer interacts with the staff is very important because it is a touching point where consumer will build an image of the company's "actors", and if the staff is not well trained, that might lead to negative results on brand perceptions. The case study of Ten-to-ten shows that this company is concerned about how their employees interact with consumers and that is why they are trained to treat consumers

with a personalized approach, catching their attention by knowing their names, increasing the value of the company and positive brand perceptions. Employees are one of the most important parts of the service strategy of Ten-to-ten and contribute directly for its positioning as "we serve emotions".

- ✓ Distribution Logistics: In order to answer to different necessities according to the locations, companies have to adapt distribution logistics. Ten-to-ten is not an exception to this. The company has a warehouse and a truck in Lisbon, which does the distribution to all stores of the company. However, as explained in the Case Study, the company has to make some alterations to its logistics to satisfy consumers according to different location shopping behaviour.
- ✓ Extras: The company complements its service by creating a familiar environment to consumers and one example of this is the "dog friendly" complementary service offered on some stores.

- In-store Management

The final part of the strategy refers to the in-store environment. The in-store environment can also be part of the communication of the company. It includes the physical evidences of the stores, since the shelves layout, to the interior design and product organization inside the stores.

Ten-to-ten is very careful with this part of their strategy because the aim is to create a familiar environment inside every store. For this, they have an innovator design, as seen in the appendixes of the case study. Moreover, the products are carefully organized by departments and identified by different colours to facilitate consumers to recognise each department.

5. How has the company survived so far in this competitive sector?

In order to answer this question, it is expected that students know what are Critical Success Factors and Sustainable Competitive Advantages and how to differentiate both concepts. One possible framework to analyze the Sustainable Competitive Advantages is the VRIO model.

Ten-to-ten has survived so far due to the positive results achieved on all stores. However, there are reasons behind this success, and the good performance of the company may be explained by a good strategy developed around the critical success factors.

These factors are the areas where the company has to invest in order to be successful, and are based on the mission and objectives of the company. Borman and Janssen (2014) defended the variance of CSFs across different areas of action and moments in time. Ten-to-ten aims to create a market chain with the goal of being convenient and create emotions on consumers. Having this is mind, the critical success factors are the following:

Table 2 Critical Success Factors

Convenience	Emotions
• **Location**	• **People**
• **Supply Chain**	• **Consumer Knowledge**
	• **In-store Communication**

For a company whose positioning is on convenience, location should be a critical factor, and at the same time, for a retailer, the Literature Review shows that it is probably the most important factor. In addition, all the process from the supplier to the product arrival to the store is critical, since the company must assure that consumers will find what they want, when they want, and with quality guarantee. On the other hand, Ten-to-ten also positions on emotions through a service oriented strategy. Three factors were considered critical for this matter. People are the most important part of the service, because they are responsible for the most important touching point between consumer and organization. Moreover, the company needs to understand needs and behaviours of customers, so that it is possible to direct activities for their satisfaction. One of the most important activities for Ten-to-ten transmit emotions to consumers is through special in-store communication campaigns.

However, the Critical Success Factors alone may not be enough for the success of a company. The critical factors may be common between competitors operating under the same competitive environment, so they are not differentiating one from another. Companies must find ways to create advantages against competition, and these advantages must be valuable to consumers and sustainable for the company. Using the VRIO model, here are the Sustainable Competitive Advantages of Ten-to-ten:

Table 3 Sustainable Competitive Advantages

Advantage	Valuable	Rare	Imitable	Organized To Capture Value
Unique Products	**Yes** - by exploring products from unknown producers	**Yes** - because the products are hard to find in competition	**Not on the short term** due to the rethinking of the distribution process, starting with the suppliers and ending with the store distribution of products	**Yes** - the company is treating these products as their special and unique products that are rare and high quality
Design (In-store)	**Yes** - it creates an innovative and familiar environment, exploring a different design	**Yes** - It is rare to find a supermarket with this in-store aspect	**Not on the short term** because it would require time and investment to change all stores	**Yes** - the company uses its in-store design to position as a familiar place, awaking positive feelings towards the company
Schedules	**Yes** - the company is exploring one of the most valued factors for consumers	**Yes** - The main competitors' stores close at 21h30 maximum and Ten-to-ten is the only store opened until 22h everyday	**Not on the short term** because it will implicate more hours of work for employees, which will result in more spending on salaries. It is a decision that takes time	**Yes** - The name of the company is a representation of the schedules and a reinforcement of the positioning as a convenient store

Barney (1995), explains the VRIO Model as a tool used to analyse if a capability or internal resource of the company can be converted into a sustainable competitive advantage. Each one is studied under four categories:

- Valuable: The capability is adding value by allowing exploration of opportunities and neutralizing threats, responding to the alterations in the competitive market.
- Rare: If the competitors also possess this capability, it won't be considered rare.
- Imitable: A resource is not considered imitable when the competitors incur in cost disadvantages to have the same capability.
- Organization: The company is organized to take the most advantage of its resources or capabilities.

Alternatively, students may use the VRIN model, which differentiates from the VRIO model on the last criteria. Instead of analyzing the organization to create value with the resource, it analyzes the non-substitutability, which means that other types of resources/capabilities will not be effective substitutes.

Taking the previous explanation into consideration, the capabilities presented on the Table represent sustainable competitive advantages where Ten-to-ten is being successful and creating a differentiation factor.

- Uniqueness of products: Special products that are sold in Ten-to-ten and aren't easy to find on other retailers.
- Design: The in-store design of each store which is one of the differentiating factors of the company and aims at creating a familiar and innovative environment.
- Schedules: Opening and closing schedules which allow consumers more time for their diary purchases, especially the closing hours.

6. Taking into consideration the survey results presented on the Case Study, what may the company be doing wrongly, and what suggestions do you have?

On this question the student should be able to understand what the weaknesses of the company’s strategy are, and relate it with the results from the survey provided on the appendixes. The objective is to discuss and recommend solution to improve the strategy. Some of the following aspects could be developed:

- Communication: One of the clear problems of Ten-to-ten is the awareness creation and the most important tool for it is communication. It has been explained that the company does not have out-store brand promotion and the results of this lack of investment are represented by the percentage of respondents to the survey that were unaware about the brand (73%), as well as for the fact that the company only appears few times as top of mind brand for small markets. Ten-to-ten must improve their communication by having an integrated marketing communication service with the objective of creating awareness by complementing the already existing in-store promotion with out-store activities having in mind the necessities of their segments, and the benefits that the company is offering to satisfy those needs.

- Digital: Related with the previous idea, the website of the company could be optimized for consumer research (search engine optimization) and with more information about the company. Online research is important for consumers and a practical website could be an important factor for customer acquisition.
- Positioning: According to the survey results, the company is being able to successfully position on service, as the answers to in-store environment and product organization confirm. However, the company is seen as more expensive than competition, although the price study contradicts this affirmation. This suggests that the company could change slightly their positioning and try to make consumers understand the right pricing strategy. Communication can also be an effective tool for this purpose, so that they can, for example, adapt the communication in Odivelas to price levels.
- Private Labels: Ten-to-ten could use this strategy to change perception as expensive. As mentioned and proved on the case study, private labels are becoming more attractive to consumers. They are seen as good quality alternatives to manufacturer brand. Some consumers even believe that private labels may exceed manufacturer brand in quality.

7. What is, in your opinion, the best expansion option for the company? Discuss both possibilities

The final question of this case is the discussion Case Study dilemma: should the company expand to Porto or should they increase their growth in Lisbon. To answer this question the student is expected to resume the case and add any relevant knowledge to understand advantages and disadvantages of the expansion. In the end he/she should formalize his/her preferred strategy, justified by the analysis made.

- Continue in Lisbon: The company is already aware of the market in Lisbon and consequently gained experience in the city. In addition, there are unexplored areas that represent growth opportunities for the company. This analysis has showed that the company still needs to consolidate the brand in Lisbon, because consumer's perceptions aren't still matching the company's value offer. Moreover, the changing in consumers' perceptions does not have immediate results and it is a time consuming process that the company should solve on the short term. The exploration in Lisbon will also allow the company to benefit from economies of scale on distribution logistics, due to the increase of accumulated space from all stores. Adding to this, if the company is able to consolidate the brand, it can target new segments (using the example of Odivelas) and increase the number of consumers. On the other hand, if the company decides to remain in Lisbon and postpone the expansion to Porto, the competitors, which are already entering that market, will create more entry barriers. Alternatively, if the company becomes a stronger brand in Lisbon, it will also be easier to overcome entry barriers in Porto.

Expansion to Porto: Porto is the second most important city in Portugal, and together with Vila Nova de Gaia form the second biggest area in number of habitants. Moving to Porto on the short term will represent an answer to the main competitors which already moved to Porto, which implicates the loss of First Mover Advantage for Ten-to-ten. The company has no experience in Porto and the only information they have is the statistical data provided by INE. On the other hand, this means a restart of the business in Porto and with the experience of Lisbon, the company can already overcome initial obstacles and mistakes that lead to negative results, regarding targeting. The company can start by targeting mass market, instead of concentrating on just a niche, or they can follow the niche strategy and position the brand just for this smaller target, consolidating the image of the company throughout the country. This move to Porto will also represent an opportunity to find new suppliers similar to the ones found in Lisbon that are able to provide unusual products. It will also require an investment on the distribution process in Porto because operating from Lisbon implicates difficulties on supply chain logistics. This is a risky decision which may result on losing control of a small company by stepping away from headquarters, although it may also represent a message that Ten-to-ten is becoming a stronger brand across the country.

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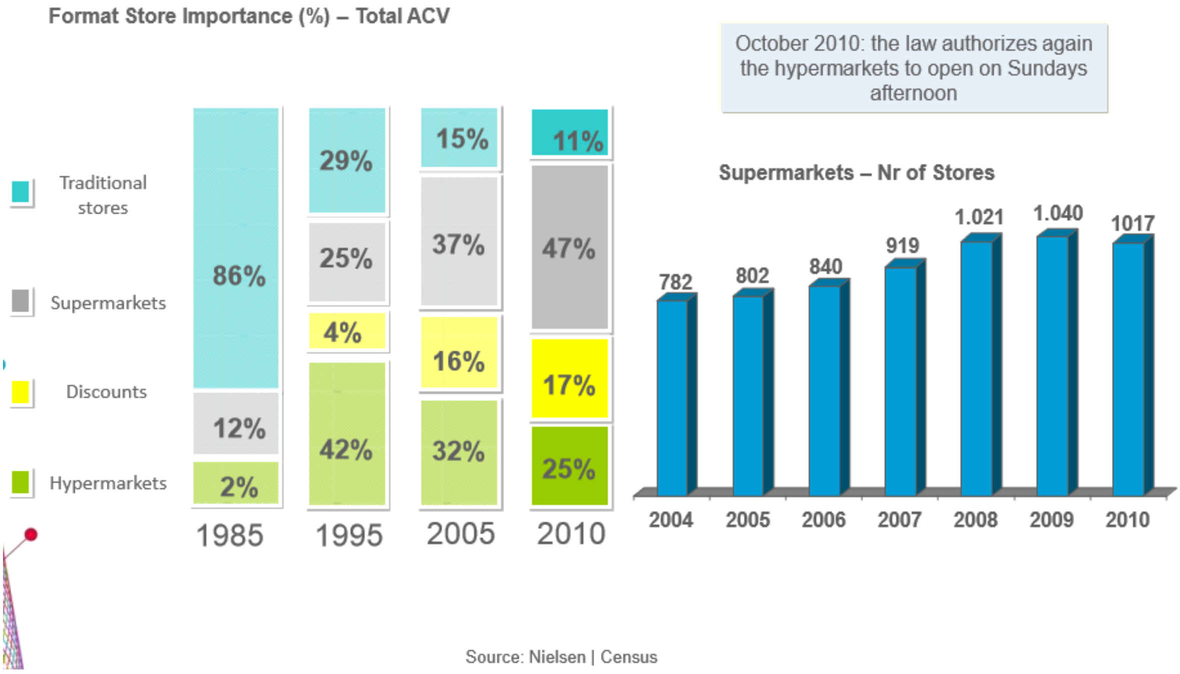
Exhibits CS

Exhibit 1



Source: Nielsen Portugal, May 2014: Portuguese Retail Overview

Exhibit 2

Based on the survey made to support this case study - See Exhibit A

Statistic	Convenience is a very important characteristic for me	Due to my professional life, I have few time left for shopping	I like to maximize my free time	I get stressed when I loose too much time on supermarket lines	I like to try new things	I get stressed when I don't find what I want easily on the supermarket	I am loyal to the same supermarket (or retail chain)	I prefer to go physically to the store (instead of buying online)
Min Value	3	1	3	3	1	1	1	1
Max Value	5	5	5	5	5	5	5	5
Mean	4.33	3.45	4.55	4.40	3.24	3.88	3.57	4.21
Variance	0.55	1.49	0.44	0.46	1.16	0.97	1.06	0.98
Standard Deviation	0.74	1.22	0.66	0.68	1.08	0.99	1.03	0.99
Total Responses	75	75	75	75	75	75	75	75

Source: Survey performed to a sample of consumers to analyze consumer behaviour and their knowledge about the Portuguese retail environment.

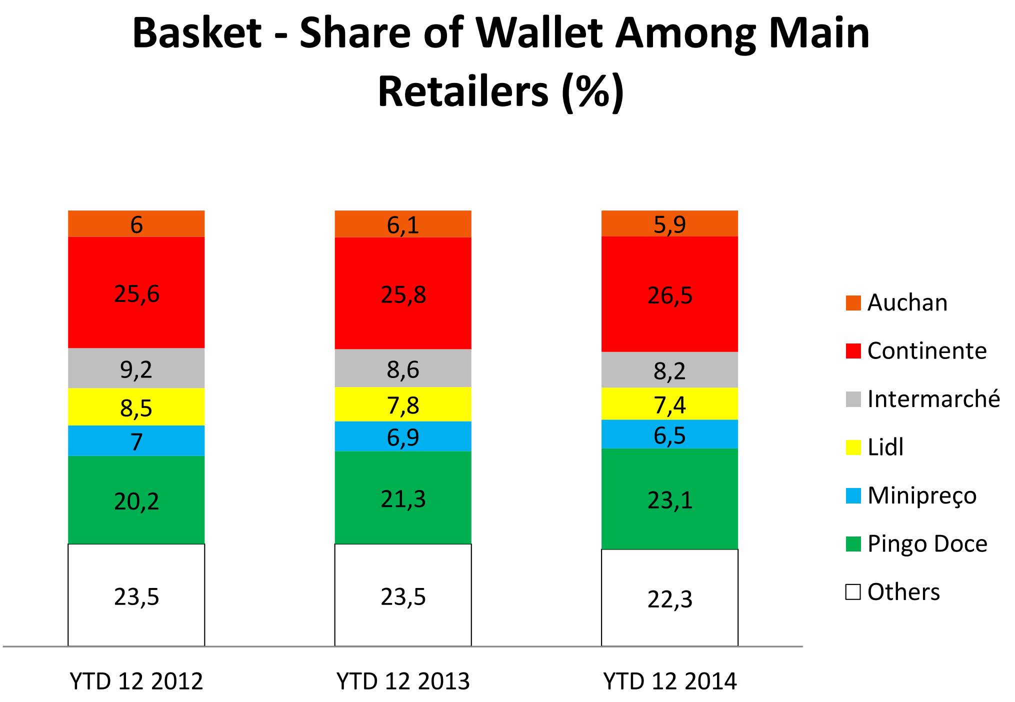
This part was to assess the necessity of convenience of consumers, particularly on questions 1, 2, 4 and 6. By looking at question 1, it is possible to see that convenience is in fact very important to consumers. Question 4 is also important to understand that consumers do not want to waste time on waiting lines and on question 6 the majority of the sample state that they don't like to be on places where the products are not easily found.

Exhibit 3

Timeline with the opening of Ten-to-ten's stores, provided by the managers of the company:

Store Location	**Month and Year of Opening**
Telheiras	September 2009
Alto dos Moinhos	April 2010
Cascais	July 2010
Parque das Nações	December 2011
Telheiras North	April 2012
Odivelas	April 2014
Chiado	May 2015

Exhibit 4



Source: Nielsen Portugal, May 2014: Shopping Behaviour of Portuguese Consumers

Exhibit 5

Ten-to-ten's Logotype, represented by ten ovals, where each one represents a department that can be found inside any store of the company. The bigger the oval is, the more important it is for the company (in terms of size and relevance).

The departments:

Groceries	**Delicatessen**
Fresh Products	**Personal Care**
Bakery	**Home Care**
Frozen Products	**Tobacco Shop**
Refrigerated Products (Includes Butcher)	**Home Essentials**

Exhibit 6

Christmas campaign catalogues. Image provided by Ten-to-ten's managers

Exhibit 7

Based on the survey made to support this case study

Do you know the company Ten-to-ten, a small retailer in Lisbon?

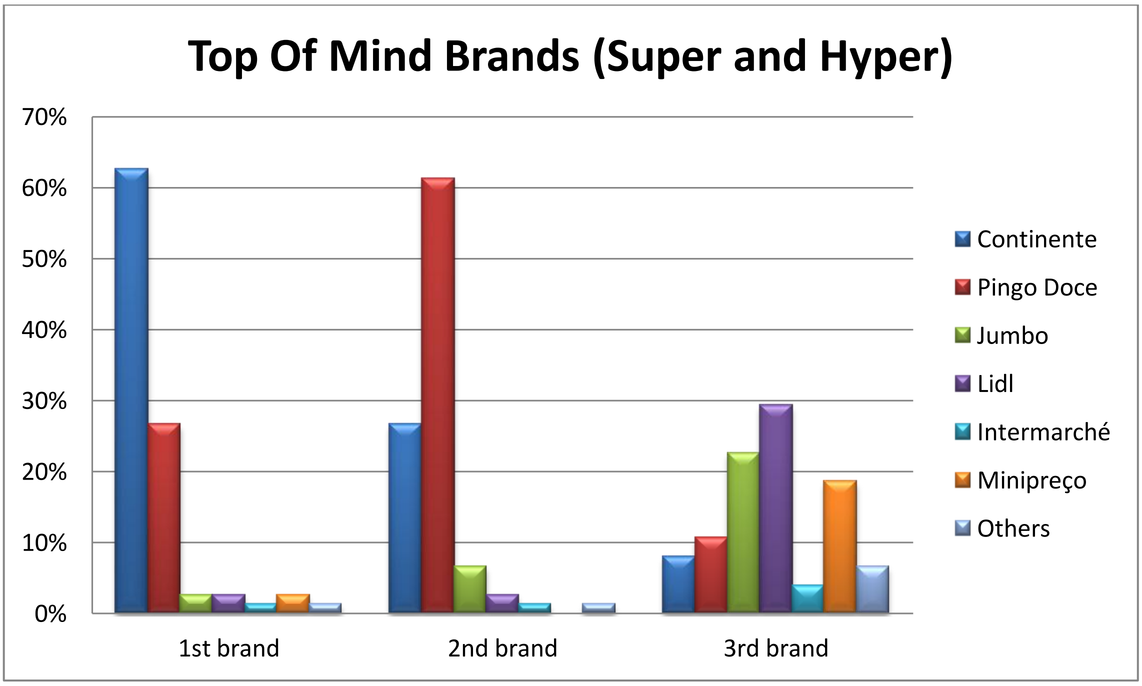
	Percentage
Yes	27%
No	73%
Total	1

Have you ever bought a product in any of its stores?

	Percentage
Yes	90%
No	10%
Total	1

Exhibit 8

Based on the survey to support this case study - See Exhibit A



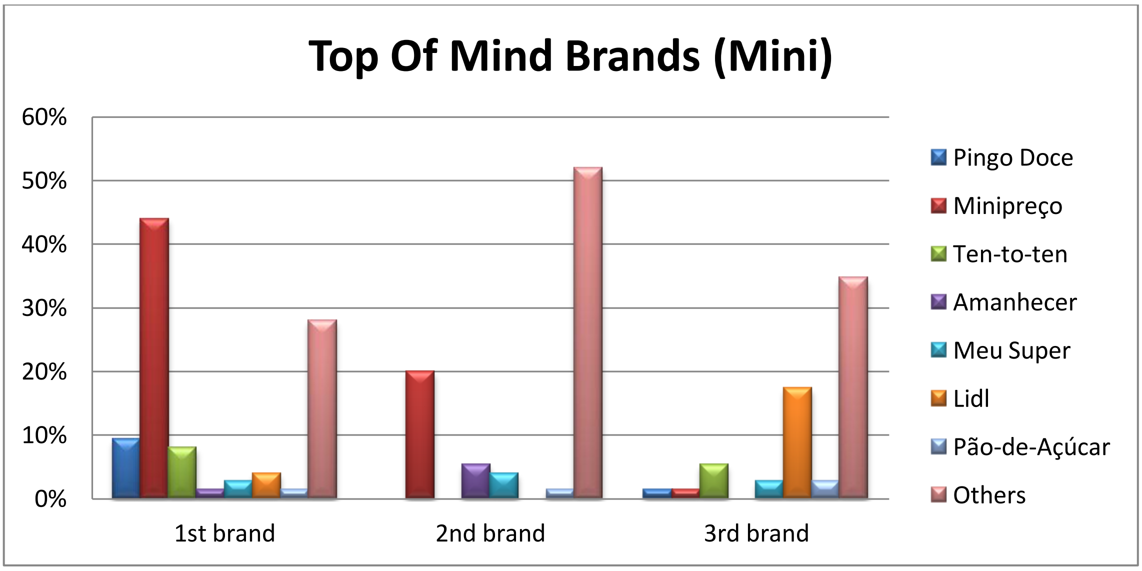
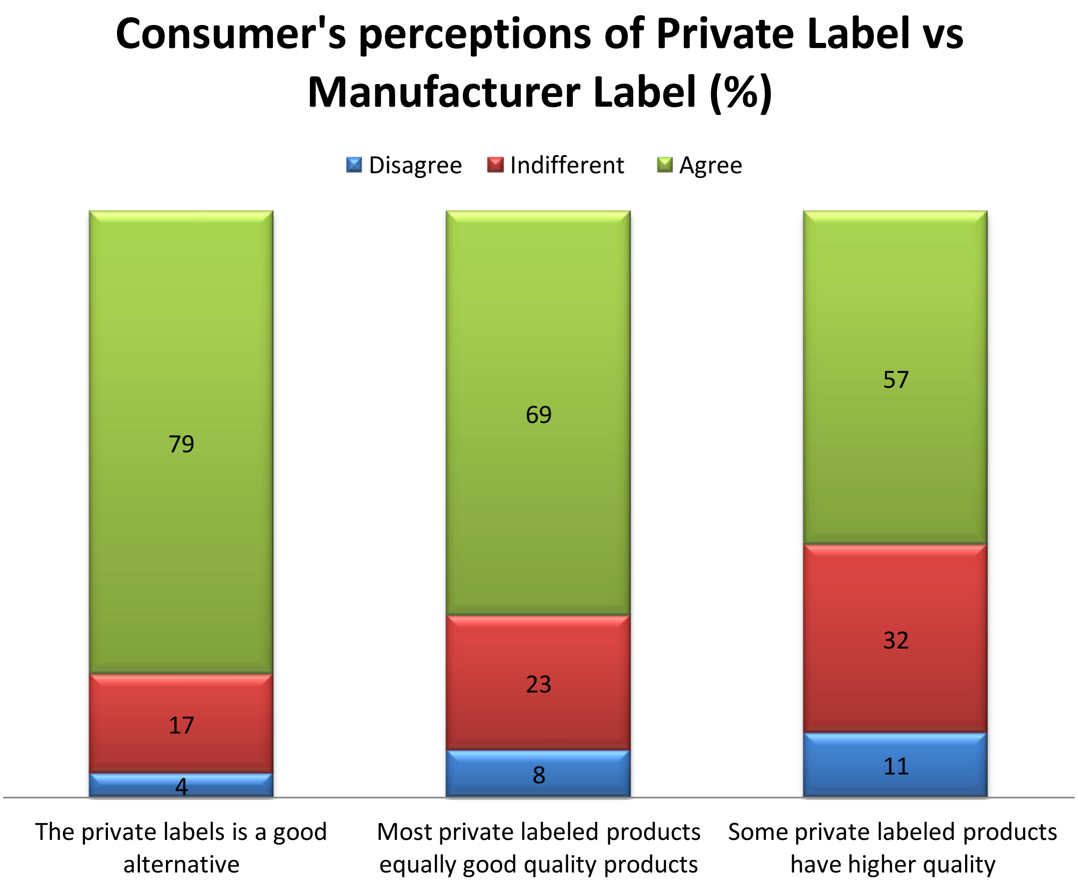


Exhibit 9



Source: Nielsen website article from 2014: "8 em cada 10 Portugueses vê a marca de distribuição como uma boa alternativa à do fabricante" (8 out of 10 Portuguese sees private labels as a better option to manufacturer's)

Exhibit 10

Market study: price comparison with competition. The basket was made of a set of convenient/basic and often bought products.

	Ten-to-ten	Meu super	Amanhecer	Minipreço	Continente	Pingo Doce
MILK	--	--	--	--	--	--
Matinal 1L	0,82 €	0,84 €	0,99 €	0,82 €	0,82 €	0,82 €
Mimosa 1L	0,64 €	0,64 €	0,80 €	0,64 €	0,64 €	0,64 €
FRUIT AND VEGETABLES	--	--	--	--	--	--
Lettuce (kg)	1,39 €	1,19 €	1,55 €	1,39 €	1,29 €	1,39 €
Tomatoes (kg)	1,49 €	1,39 €	1,99 €	1,99 €	1,29 €	1,99 €
Bananas (kg)	1,53 €	1,09 €	1,49 €	1,08 €	0,75 €	1,09 €
Oranges (kg)	0,99 €	0,55 €	1,05 €	0,95 €	1,40 €	0,99 €
RICE	--	--	--	--	--	--
Cigala 1kg	1,15 €	1,14 €	1,35 €	1,13 €	1,13 €	1,13 €
COOKIES	--	--	--	--	--	--
Oreos	1,29 €	1,29 €	1,45 €	1,24 €	1,24 €	1,24 €
Bolacha Maria	0,69 €	0,59 €	0,55 €	0,99 €	0,77 €	0,99 €
WATER	--	--	--	--	--	--
Luso 1L	0,57 €	0,57 €	0,75 €	0,55 €	0,55 €	0,55 €
BEER	--	--	--	--	--	--
Sagres 1L	1,99 €	1,59 €	1,99 €	1,99 €	1,99 €	1,99 €

Exhibit 11

Perceptions about Ten-to-ten, based on the survey made to support the case study - See Exhibit A

Statistic	Ten-to-ten's products are, generally, more expensive than the competitors'	Ten-to-ten is a "gourmet" store"	The variety of products offered on Ten-to-ten is short	Ten-to-ten is a small grocery	I go to Ten-to-ten for occasional diary purchases (I buy few products)	Ten-to-ten's stores differenciate from typical groceries for its innovative and modern in-store environment	Ten-to-ten's stores are pretty organized in terms of product distribution
Min Value	2	1	1	2	1	2	1
Max Value	5	5	5	5	5	5	5
Mean	4.05	3.25	3.30	3.55	3.85	4.05	3.80
Variance	0.79	1.78	1.17	1.00	2.24	1.10	1.01
Standard Deviation	0.89	1.33	1.08	1.00	1.50	1.05	1.01
Total Responses	20	20	20	20	20	20	20

Exhibit 12

Importance of the components of convenience where 1 is the most important and 5 the less important, based on the results of the survey made to support this case study - See Exhibit A

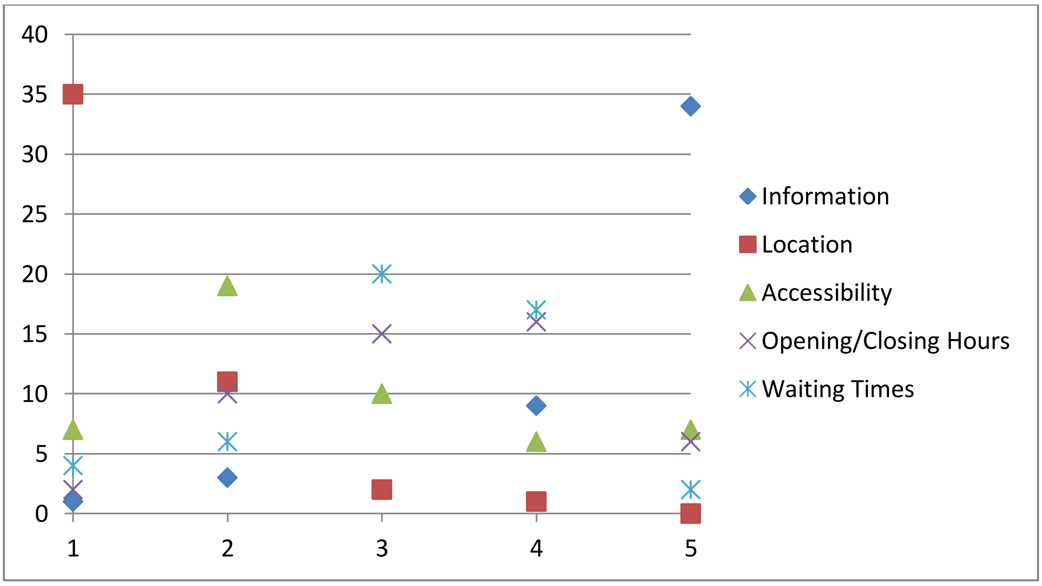
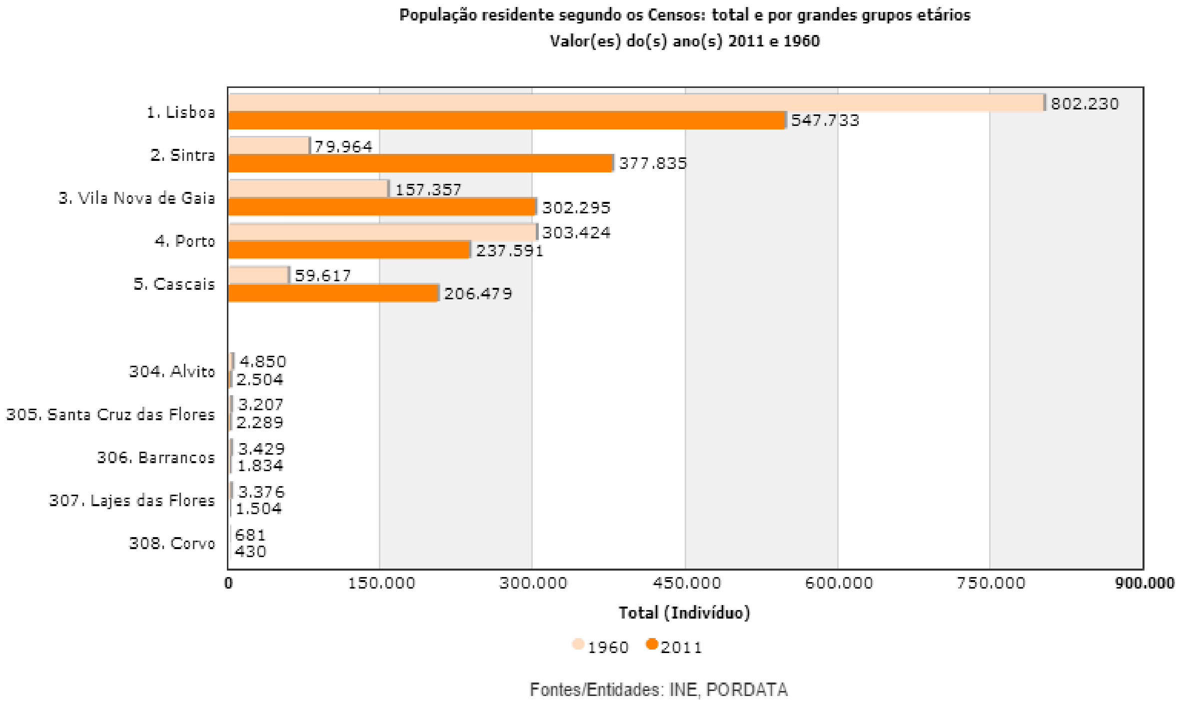


Exhibit 13



Source: INE/Pordata, based on Census 2011: Size of the resident population of the major Portuguese cities

Exhibit 14

Indivíduo

ver mais anos

Territórios	Total		12-14		15-24	
Anos	1981	2011	1981	2011	1981	2011
Minho-Lima	104.707	⊥104.124	2.998	⊥//	29.672	⊥9.6
Cávado	134.564	⊥203.581	4.505	⊥//	47.823	⊥19.6
Ave	199.647	⊥256.085	8.214	⊥//	72.700	⊥26.3
Grande Porto	513.498	⊥636.738	10.767	⊥//	137.204	⊥52.9
Tâmega	193.695	⊥256.397	10.131	⊥//	72.400	⊥31.7
Entre Douro e Vouga	108.843	⊥136.310	4.035	⊥//	35.877	⊥12.7
Douro	92.630	⊥85.174	3.081	⊥//	27.484	⊥7.1
Alto Trás-os-Montes	97.703	⊥77.656	2.800	⊥//	27.054	⊥5.9
Centro	934.553	⊥1.056.225	20.384	⊥//	235.876	⊥83.9
Lisboa	1.146.576	⊥1.405.058	7.472	⊥//	205.321	⊥111.
Grande Lisboa	890.923	⊥1.024.519	5.566	⊥//	155.885	⊥80.4
Península de Setúbal						

Fontes/Entidades: INE, PORDATA
Última actualização: 2015-03-10

Taxa - %

ver mais anos

Territórios	Total		15-24		25-34	
Anos	1981	2011	1981	2011	1981	2011
Minho-Lima	55,9	⊥49,0	68,3	⊥37,7	74,7	⊥89,6
Cávado	60,6	⊥59,4	73,6	⊥38,4	79,3	⊥90,6
Ave	67,1	⊥59,2	83,1	⊥42,1	87,3	⊥92,0
Grande Porto	62,2	⊥58,1	68,3	⊥37,9	83,1	⊥89,8
Tâmega	57,4	⊥56,3	70,7	⊥43,8	66,7	⊥87,8
Entre Douro e Vouga	64,7	⊥58,3	76,7	⊥40,3	80,2	⊥91,5
Douro	49,3	⊥47,7	58,8	⊥32,0	65,8	⊥84,4
Alto Trás-os-Montes	49,1	⊥42,8	55,2	⊥29,6	66,2	⊥83,5
Centro	53,3	⊥52,6	63,6	⊥35,1	74,2	⊥89,8
Lisboa	60,4	⊥58,9	56,5	⊥37,9	83,2	⊥90,2
Grande Lisboa	60,9	⊥59,3	56,1	⊥37,4	85,0	⊥90,0

Fontes/Entidades: INE, PORDATA
Última actualização: 2015-04-11

Source: INE/Pordata based on Census 2011: Active Population in Lisbon and Porto in individuals and percentage

Exhibit A - Survey Explanation

In order to complement information about the retail environment in Portugal, a survey has been performed to include extra information to support the concepts defended on the case. The survey has been used to support some affirmations and the results are shown on Exhibits 2, 8, 9, 12, and 13. The survey has three main goals:

- Test the "top of mind" brands of supermarkets in Portugal, to assess what are the main brands that come to mind to consumers' and see if Ten-to-ten is present on consumers' minds.
- See if consumers are aware of the existence of Ten-to-ten, and in the case they are, what is their perception about the brand, in several characteristics.
- Finally, study what are the most important factors for consumers in Convenience. That is, study what does convenience mean to consumers, and assess if this characteristics is important.

Sample Description (75 respondents finished the survey):

#	Answer		%
1	< 18		0%
2	19 - 25		77%
3	26 - 35		9%
4	36 - 45		5%
5	46 - 55		7%
6	> 56		1%
	Total		100%

Age of the respondents

#	Answer		%
1	Male		43%
2	Female		57%
	Total		100%

Gender of the respondents

In addition, the sample was mainly composed by university students (67%) and employed people (29%). The remaining percentage of respondents was unemployed.

Exhibits TN

Exhibit 1 - SWOT Analysis

Strengths	Weaknesses
• Business differentiation • Convenience: ✓ Opening and Closing Schedules ✓ Location Choice • Product Variety • Pricing Strategy • In-store Communication	• Brand Awareness (even within the places they are located) ✓ Wrong perceptions • Communication (out store) • Distribution (only one truck)
Opportunities	**Threats**
• Number of residential areas in Lisbon • Increasing necessity of Convenience • Expanding opportunities in Portugal • Tourism as a driver of sales for retailers • New segments • Private Labels	• Fierce Competition ✓ New entries (direct competitors) ✓ Existing Competitors • Consumer's Loyalty