Case Study

Emma the Sleep Company – A Global Startup

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Dissertation written under the supervision of Professor Nuno Cardeal

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Abstract

Title: Emma the Sleep Company – A Global Startup
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This dissertation aims to understand how Emma - The Sleep Company, a successful German Start-up, was able to start its internationalization since an early stage of its existence and how it has been capable to become the leader d2c sleep brand worldwide. Furthermore, the main goal is to recognize how the company setup influenced its entry decisions and partnership development, what role their resources and capabilities had throughout that process, and what kind of barriers are in the way of born global firms (BGFs).

It is possible to conclude that the combination between a diversified network of partners, together with the innovation capabilities and a company culture based on teamworking and proactiveness, ultimately leads to a path of success and great conquers, giving the firm a competitive edge on the international market.

Nevertheless, the global reach has exposed Emma to some concerns regarding future growth opportunities, as the company performed under target in mature markets like US, while its supply chain suffered, especially in Europe, due to an increase in the number of orders. Emma is currently working to address those risks, while the global mattress market becomes more and more fragmentated.

Resumo

Título: Emma the Sleep Company - Uma Startup Global
Autor: Alberto de Luca

Esta dissertação tem como objetivo compreender como a Emma - The Sleep Company, uma bem-sucedida startup alemã, conseguiu iniciar sua internacionalização desde os estágios iniciais de sua existência e como foi capaz de se tornar a líder mundial em marcas de sono d2c. Além disso, o principal objetivo é reconhecer como a configuração da empresa influenciou suas decisões de entrada e desenvolvimento de parcerias, que papel seus recursos e capacidades tiveram ao longo desse processo e que tipo de barreiras existem para empresas globais (BGFs).

É possível concluir que a combinação entre uma rede diversificada de parceiros, juntamente com as capacidades de inovação e uma cultura empresarial baseada em trabalho em equipe e proatividade, leva, em última instância, a um caminho de sucesso e grandes conquistas, dando à empresa uma vantagem competitiva no mercado internacional.

No entanto, o alcance global expôs a Emma a algumas preocupações em relação às oportunidades de crescimento futuro, já que a empresa teve desempenho abaixo do esperado em mercados maduros como os EUA, enquanto sua cadeia de suprimentos sofreu, especialmente na Europa, devido a um aumento no número de pedidos.

A Emma está trabalhando atualmente para abordar esses riscos, enquanto o mercado global de colchões se torna cada vez mais fragmentado.

Acknolowdegements

First, I want to thank my parents, for giving me the chance to complete my studies and for their continuous support, turning the bad moments in opportunities to do better and improve. To you all my gratitude, forever.

To my friends, Carlo, Luca, Matteo, and my cousin Sofia who always inspired me with their companionship and support in these years and make me a better person every day.

To my two sisters, who I look up to for their choices in life, and who make me proud and full of joy.

Finally, to Noemi, a very special person, who teaches me every day to be kind and to see life as an incredible gift.

History

Emma The Sleep Company was founded in 2013 by Manuel Muller and Dennis Schmoltzi with the mission to improve people's sleep and disrupt the online mattress industry. Initially, the founders built an online d2c marketplace for bedding in Germany, Dormando. Dormando's goal was to sell third-party mattresses brands, giving transparency to products prices and features.
However, the first business model had problems being profitable, hence, Dennis and Manuel started questioning the value proposition. While they were studying the market more intensely, they acknowledged that, in US, another d2c mattress company named Casper was hitting 20 million in sales just in 10 months. Casper designed and produced its brand-its-own mattresses in house, shipping them in a box, and selling them on an own online website. Targeted customer pains were an excessive array of alternatives- and prices-to choose from, an often-complicated set up, and a difficult and worrying return process: considering those unserved needs, it seemed worth for the two entrepreneurs to give it a try.

Dennis and Manuel consequently launched their second Brand, Emma, during December 2015. In the home market, the entry strategy consisted in targeting the mass segment with a "one size fits all" model, offering quality materials at an affordable price, and building a network of logistic partners for the production, shipment, and storage of the goods. To acquire traffic, the founders leveraged on the flexibility of the e-commerce model, dimensioning marketing expenses to keep up with growth while being sustainable financially.

In the same year, Emma expanded first in UK and then in the EU, taking in each country, the same steps used in the German market: with a focus on the e-commerce business, the founders limited the expenses, this time distributing investments in more local marketing channels and leveraging as much as possible similarities and economies of scale. Right after, and following the success of the first market entries, further launches involved overseas and more distant countries like USA, China, and India in 2018, Brazil, Mexico, Australia, and Canada in 2019, and finally Japan, Singapore, South Korea, and New Zealand in 2020. Emma became soon a Born Global Startup, with a presence in all the 10 largest markets for mattress consumption in just few years from its opening.

In the following year, Haniel acquired 50,1% of the Global firm, consolidating its presence in the furniture industry after the acquisition of the mattress textile holding Bekaert textiles in 2015. This provided Emma with a new financial stability, unlocking other partnerships and further investments in marketing and product innovation: from this point, Emma was able to develop its global retail network, reaching quickly more than 200 collaborations and 3500 physical sales touchpoints, at the same moment, the company revamped its portfolio with new launches, targeted specifically for both country and channel. In this period, the company also focused its Brand strategy: “becoming the leading d2c Sleep-Tech by 2025”, and developing consequently the Emma Motion series, awarded as the most innovative “Smart Bed” in Europe, to showcase its cutting-edge capabilities.
Thanks to this diversified internationalization strategy, involving geographical expansion, continuous product, and marketing investments with partnership network development, in 2022 Emma confirmed its 8^{th} year of profitable growth, reaching a Net Yearly Revenue of 873 million Euros.

However, in the last couple of years, despite the exiting financial results, the increase in demand produced also more strain on the already vulnerable supply chain. Moreover, this was further compounded with an increasing technical debt in keeping up with upcoming order volumes. As a result, the firm experienced a rise in product returns, which represent a threat to its future growth and profitability, other than affecting its global reputation. This said, a detailed inquiry on the firm international strategy holds significant value as the company's actions towards these threads could either pave the way for growth or lead to its downfall, particularly in the unique international landscape of the mattress industry. Will Emma be able to maintain its sustainable competitive advantage while experiencing this transition phase?

The world mattress market

The global mattress market has recently been sizable, with a value of nearly US$ 34 billion in 2021. The mattresses world consumption is concentrated in only ten countries, namely the United States (30%), China (30%), India (3%), UK (3%), Canada (3%), France (3%), Brazil (3%), Germany (3%), Australia (2%), and Italy (2%). Over the past decade, the mattress consumption has been on the rise globally, starting from US$ 24 billion in 2012 and growing at an annual rate of about 4% until 2021. This growth can be attributed to increasing spending power in emerging markets, as well as changing consumer preferences, which place a greater emphasis on sleep quality. Despite the negative impact of Covid-19 on many industries, the mattress market fared relatively well. This is due to the increasing importance of sleep and home life, as well as the compensation for the online mattress market's growth during the pandemic: in fact, the online market is today the major disruptor in the industry: online sales for mattress increased sharply in 2019 and 2020, together with the popularity of the "mattress-in-a-box" concept.

This trend was the cause for the sales highlights of 2021, when the e-commerce market increased 24% compared to 2020, reaching a value of $US15.8 billion. Of those 15.8 billion, around 8 billion were from USA and Canada, where online sales increased in percentage, compared to in store sales (37% of retail market). In those countries, E-tailers (like Amazon, i.e.) increased their presence in the segment, together with pioneer online mattress companies, as Casper, Nectar Sleep, or Purple.

in 2022 USA consolidated its large e-commerce incidence and saw an additional 4% increase in the customer average order value, with clients being more prone to spend for Sleep products.

The second largest area for online mattress sales is Asia Pacific, with China leading the sales and accounting for about $US 3.8 billion at the end of 2021, however, significant differences in customer preferences and a competitive market make it a difficult option for most e-commerce western companies - to be highlighted, the China exit of Amazon in 2019.In general, the growth in the area is high, with South Korea leading the online purchase penetration (30%), and India increasing its customer base and having potential to become the future third online mattress market for dimension, after China and USA.

Finally, Europe is featuring an e-commerce incidence of 18%, accounting for $US 2.3 billion. United Kingdom and Germany are the largest markets, whit France following at a distance.

Worldwide, customer preferences are highly differentiated: North America, South and North Europe, South America, Asia, and Australia are different for the degree of technology, design, and materials that clients prefer. However, despite local differences, the strong reputational impact on customer satisfaction is a shared factor, as customers look mostly for improvements in performance in products they test while they are asleep.

"In the mattress industry, customers test features while they are asleep. Consequently, they are not aware of product features, hence trust and reputation play a fundamental role in determining a product success. "

Andreas Dietrich Westendörpf, CTO

In 2022, clients returned to in-person shopping, demonstrating that Covid was the main reason for their behavioral change. In fact, around 69% of customers, told to have not visited brick and mortar stores due to Covid. Consequently, Brick and mortal offline sales recovered, especially in countries where the traditional channel was relatively important and the e commerce incidence was lower than average, like in most of the South-European countries.

Business Models

In terms of entry mode and scale strategy, different actors can be differentiated in the industry:

-E-tailers (pure e-commerce companies). This category includes marketplaces (like Amazon), not specialized in furniture, specialist furniture and furnishing web stores, and specialists in sleep products. They are companies that operate solely online and do not have a physical presence.
-Brick and Click companies (dealers with physical stores & websites, B2C) are operating both through digital stores and e-commerce. This group including retail chains and independent retailers. Those companies understood the importance of implementing a digital strategy to vertically integrate and launch their sales online. Relevant examples are Mattress firm and Sleep Numbers.
-Non-furniture specialist chains. They are large multichannel dealers selling online and offline, both accessories, furniture, or electronics, like Lidl in Germany and Darty in the U.S. Lidl, for example, offered in Germany the" Meraiso mattress" in 2015 at an excellent price-performance ratio, competing with more expensive technical mattresses from specialist retailers and online companies like Emma. In general, non-specialist chains are increasing their presence in the market.
-Online mattress companies (D2C) are like e-tailers, but they focus on selling products directly to consumers without any intermediaries. They typically have a lower overhead cost

since they do not need to maintain a physical storefront or rely on third-party retailers. Examples of D2C mattress companies include Purple and Nectar.

Each type of business model has its own advantages and disadvantages. E-tailers and online D2C companies have lower overhead costs, allowing them to offer more competitive pricing. Brick and click companies have the advantage of providing customers with a physical store to visit and try products before making a purchase. Non-furniture specialist chains can leverage their existing customer base to sell mattresses and other products.

Market trends and competitive landscape

The diffusion of new ways of making business has substantially changed the customers buying journey during the last years: apart from new sales channels, today delivery options are also differentiated, with clients buying online and collecting products in store or receiving them at a specific address. Market players are responding to this business expansion with a thought omnichannel strategy, trying to be present in all the journey contact-points with the aim of driving clients to the online, or offline, purchase.
Moreover, fast delivery is becoming an important response to client pressures for performance: product availability and fulfilment are becoming consequently more required: being responsive to clients' requests, having products "ready" in stock and providing delivery-on-the-floor and assembly services are, nowadays, key requirements in the industry. Finally, clients' reviews can easily harm reputation: a negative comment on platforms such as Trustpilot can influence massively the sale performance of the future. However, also the opposite is true, with clients giving more importance to well-being and self-care, a trend that was reinforced during the pandemic. Speaking about services, today customers are used to withdrawal rights and paid money back, often present in the companies offer package, together with the now industry standard of 100 nights trials, which gives them the opportunity to be quickly refunded if they don't like the product.

Regarding companies set up, delivery and pick up, together with packing and warehousing services, represent a major cost in the sector, together with the cost of production. Companies relying on 3PL, mainly online mattress companies, are more flexible in entering new markets as they are keeping low direct investments but are more affected by the performance of their

partners: end to end logistic management requires methods to control for efficiency and efficacy.
Many players prefer to design their products internally and outsource the production stage: however, PU foam producers suffered low production capacity during the pandemic, and many suppliers shutted down their operations. Even if today bottlenecks in production capacity are less frequent than in the lockdown, in high season periods, producers still face several challenges to keep up with the schedule.

Finally, technological progress allowed companies to shift from the one-size-fits-all mattress to a product based on a “layer customization”: adding new layers made of different materials it is possible to adapt the mattress to a different firmness, and consequently, to a different market need. In addition, market players are investing in research and development, studying new technologies as new types of foam, micro coils, and zippered covers, other than introducing in their portfolio new product categories such as beds, pillows, or duvets.
Finally, many players are looking at the Sleep economy as an opportunity to sell complementary goods, such as lights, sleep technology tracking systems- even using AI-medical devices or ambience optimization devices. Overall, the Sleep Tech is expected to be valued at US$ 27.1 billion by 2025.

Competing in the international arena.

Competing in the home market for Emma was not easy, as it had to face a strong direct competitor, the d2c mattress online company Bett1.
“Bett1 got a very high score in product quality, and more than that, it acquired a strong market power by disrupting the buyer customer journey since 2004, when it was founded”.

Anas Zandaki, Head of Sweden

Moreover, German customers were not spending usually more than 200 euros for a mattress, hence the more techy and expensive option that Emma was introducing required time to gain traction. To find new growth opportunities, Emma expanded first in UK in 2016. This country shared many cultural similarities with Germany, as the attention for Sleep quality and the higher online incidence compared to other regions, but preferences were peculiar enough to give Emma the opportunity to target its offer with a new "Hybrid" mattress, combining memory foam with pocket springs.

"When we enter a new country, we first understand the needs and preferences of the customers and adjust the product accordingly."

Dennis Schmoltzi, CEO

After launching in the UK, where Emma was soon elected locally with best mattress in the country award, it expanded to France, in this way tapping into the three largest markets in Europe, Germany, France and UK. This decision led to a tremendous surge in growth, with a tenfold increase in performance within just a few months. As a result, Emma was able to entry into more European countries, with the primary goal of expanding its global customer base and unlocking new future growth opportunities. For the entry strategy, a first market potential assessment was conducted, looking both at "traditional factors" as GDP or Competitors Analysis, together with more sectorial e-commerce parameters, like internet penetration rate and e-commerce market size. Emma decided contextually not to expand in Lithuania, Estonia, or in the Balkan area, even if GDP increased sharply in those regions.

"One of the strengths of our international expansion is that we are followers. We take in consideration market education. We would need to spend much money in marketing to educate customers to make an expensive purchase online, then we only expand when the customers are already conscious."

Anas Zandaki, Head of Sweden

In fact, the company follower strategy strictly relates to the utilization of established local marketing channels to attract customers to its website or to other online or offline stores. Emma mainly targets "aware" customers, through various channels, including Facebook and Google ads, affiliates, email marketing, YouTube, and social media platforms such as Instagram. Marketing channels are based on performance, meaning that the company is spending accordingly with the traffic that is generated online. From a financial perspective, modular marketing expenses helped the company operating its new countries on a breakeven basis, avoiding large direct investments to reduce the entry risk, giving the time to study the market and define the best investment channels for performance in each location. At the same time, limiting the spending and focusing on market knowledge, Emma focused on building strong, independent local businesses with an average margin of 20%, easily outperforming other European competitors' performances. In fact, at the beginning of 2020, Casper announced its exit from the European market.

"It was a matter of time before we saw revenues consolidating in the European market, at that time, many competitors were running with cash outflows and a highly unsustainable spending."

Dennis Schmoltzi, CEO

Running out from this market consolidation, Emma implemented other global strategic actions to disrupt the business and expand the market: first, the company expanded its presence in new sales channels, selling its products to third party vendors, as e-commerce platforms like Amazon, Wayfair, Lidl, and other non-furniture specialist stores, as well as marketplaces such as Westwing. Secondly, it enlarged its scope of business including the B2B sector: partnering with retailers such as Jisk and Home 24 allowed the company to diversify its revenue streams beyond just e-commerce sales, expanding its reach and gaining exposure to a wider customer base that before was not aware of the brand.
Finally, the new offline segment expansion allowed the company to diversify its portfolio, offering the opportunity to leverage new strong innovation capabilities: for instance, the research and development team developed the Emma Essentials sub-brand to offer lower-end products in the Amazon platform, while it developed other new lines, the Emma Helix, Emma Diamond, and Emma Smart, exclusively for the retail sector. New product ideas came also from the expansion itself, looking at local competitors' offerings.

This portfolio and channel expansion was followed by entries in more strategic overseas countries. Between 2018 and 2019, launching China, India, USA and Canada, Brazil and Mexico, Emma made a step through being present in the most potential and strategic markets for mattress consumption. Despite geographical and cultural distances, these regions had a large customer base and significant growth potential in the mattress industry, however, some of them presented complex regulatory environments, challenging and intense competition, or language and culture barriers, increasing the risk of a failure. Brazil, for instance, required several months of legal procedures before it was possible to go live with the e-commerce platform, but the hurdles of launching the country were worth the effort, especially for the strategic position in the first unexplored south American market. In USA, instead, Emma struggled from the start with a highly competitive market, where strong rivals as Casper and

Nectar were lowering prices in the websites, while spending considerable amounts in marketing. Today, Emma is barely profitable in this country, and after different initiatives to scale in the offline market have showed to be also unsuccessful, the top management is internally deciding which direction to take. In markets like China, instead, Emma had to put in place new Branding strategies to present the product in a culturally diverse region, focusing on the communication and the new value proposition.
Finally, other market entries involved a blue ocean strategy: In countries like Chile, for example, Emma was able to fast acquire a relevant market share and consolidate its position in a market developing without fragmentation, here, was possible to increase the spend sooner, investing in tv channels and boosting a performance that was literally multiplying in a weekly basis.

During its expansion, Emma has increased also its local presence opening offices worldwide, to attract top talents, today, apart from Frankfurt, the company hubs are in Manila, Lisbon and Mexico, and Bucharest.

Company Branding and product assortment.

One of the defining characteristics of the Emma brand is its focus on innovation and technology. During 2022, the Brand was revisited in “Awaken your Best”, to evocate the company mission in producing goods which incorporate the latest advances in sleep science.

To keep a cohesive image, Emma has a set of brand guidelines, which include from the simplest rules around the use of the logo, colors, fonts, and imagery, to guidelines on the use of collaborations when a Brand campaign is launched, or on how to pursue PR activities in different countries. Those branding efforts help to create a linear Brand story between different product lines and regions, strengthening brand recognition and trust among consumers. In the context of new launches, the coordination of a global branding strategy allows Emma to reinforce its identity while building customer excitement:
during the introduction of the Emma Hybrid Mattress, for example, Emma launched an extensive marketing campaign across all its channels, from social media to email marketing, highlighting the unique features of the product and the company's commitment to quality and innovation. The branding emphasized the product's hybrid technology and how it was developed using customer feedback and research. This effort was also coordinated with

Emma's global expansion plans, with the hybrid version being launched in multiple countries consequently.

To create hype around its portfolio, Emma pushes a short product rotation, improving best sellers with new layers or materials to meet, or better, anticipate, new industry standards of performance and sustainability.
The portfolio is composed of more sub-brands, each internally potentially diversified per country specific needs.

- Emma One is an affordable product that features just two foam layers. It represents the entry level in most of European countries, like Italy, Spain, Germany, or Portugal.
- The Emma Original is the company's flagship line, featuring a three-layered foam design which provides support comfort and pressure relief.
- The Emma Hybrid is a mix of memory foam and springs, and target customers who prefer a more reactive mattress feeling.
  The Emma Climax Hybrid is a specific USA version, which offers 5 layers of foam plus one layer of pocketed springs, for more body support.
- The Emma Hybrid Clima includes all the features of the Hybrid version, but adds an active cooling system, that adapts the temperature of the mattress to the body.
- Emma Motion and Emma Zero Gravity target customers who want a unique and high-end sleep experience: by offering a premium product with a cutting-edge technology, the goal is to attract new early adopters interested to optimize their sleep, competing in the Sleep-tech.

While pushing continuous innovation, Emma constantly works to build a reputation for the quality of the portfolio, competing in context for product awards worldwide: in 2022, Emma received quality certifications in several countries, including Italy, Brazil, Germany, Belgium, Spain, and the UK.
Finally, the firm also actively protects the knowledge built in product development process: for instance, to safeguard the intellectual property of the Emma Motion, the company obtained a patent, describing the technology of the vacuum pump and protecting it from being copied by competitors.

Global Procurement, Logistics and Operations

"Our resilience and capacity to master growth stands from our diversified and global network of suppliers, which enabled us to scale and manage shortages during, for example, the lockdown period, but also, can be agile enough to adapt to our changing needs."

Dennis Schmoltzi, CEO

Despite the challenges posed by the Covid pandemic, Emma's network of global suppliers represented and still is an asset for the company. Given the complexity and vulnerability of a fully globalized supply chain, for factors as Covid, container shortages, war in Ukraine, or a fluctuating demand, but also constrains to serve the different regions and requirements, Emma transformed the supply chain from a global into a rather regional one: meaning that Europe, Americas, and East Asia are replenished independently. Furthermore, the company started to partly pool local operation capacities, to increase efficiencies and reduce redundant work. However, this does not solve the fact that, as the operations scale also regionally, it becomes increasingly important to prevent potential delivery failures: during peak seasons such as Black Friday, regional suppliers often struggle to keep up with demand, leading to backlogs of orders that can take weeks before being fulfilled. To address this issue, country teams have started collaborating more closely with localized suppliers: while this approach aligns with Emma's preference for local differentiation, it also introduces the need to avoid potentially misaligned product visions, and to align further on products and supply logistic costs and services. Today, the number of suppliers has risen to 180 in total, creating much complexity in the supply chain: while some of them can be defined strategical for the company, other are failing to keep up with the demand, or are delivering poor quality goods.

For logistic and last-mile services, Emma globally partners with third-party logistics (3PL) partners, warehousing entities, and carriers, which provide storing, packing, pick up, and delivery services. Using local logistic services is part of the strategy to ensure enough responsiveness to client requests: in fact, Emma communicates a standard lead time varying between 3 and 5 days to ship one of its mattresses, in each part of the world where is present. Emma monitors constantly partners 'performances thanks to an infrastructural connection

between the involved IT systems, making sure that online order tracking service are provided to the internal operational teams. By implementing such standards globally, Emma can maintain high-quality performances for its logistics and last-mile services, ensuring customer satisfaction and minimizing delivery-related complications.
However, this push for global standardization is in trade off with the limited capacity of the local dropshippers of processing adequately several increasing orders, and often a top level of service remains more a target than a reality.

"We are currently struggling with weak operational implementation, which means we are not able to provide the level of service we need. For example, we are not able to process orders in the way we need to, which is having a negative impact on Emma's current growth and profitability."

Moritz Doppstadt, Spot.consulting

Together with replenishment delays and scarce third-party logistics services, another reason for orders stuck is the technological debt accumulated in the past few years by the IT system. Depending just by one Order Management platform for all the order fulfillment the company is often exposed to shutdowns or errors. As a result, today, a more advanced IT infrastructure is being rolled out in stages by all countries. This implementation requires a relevant effort in the alignment of all the other third-party infrastructures. In this context, Dennis recently announced his shift in position from CEO to COO, with a closer responsibility on the internal restructuring process of the company.

Country and Global teams

Emma operates both Global and Country teams. Country teams, with their local knowledge and expertise, provide valuable insights into the cultural nuances and specificities of the markets in which they operate. On the other hand, global teams facilitate knowledge-sharing, coordination, and standardization across different countries, ensuring consistency in the brand image, operations, and processes. To make sure that those different objectives are matched, internal knowledge sharing, as the phrase "we are one team" describes perfectly, is embedded in the company DNA: sharing best practices between different "clusters" is not only required but is expected to be the normality at Emma. Often, to make this even more clear, Teams put in place some gamification around the topic of knowledge sharing, with online platforms giving public recognition to the best “content creators”. Finally, not only in the online environment, but most importantly in the Office, work in collaboration is motivated, with common spaces design, or fancy meeting rooms.

Finally, top management gives a constant direction to all the teams, to guide their performances though the most important topics. Global meetings like the “All Hands” and the “Town Hall”, where all “Emmies” participate and discuss about the Strategic pillars of the company, are obligatory.
In terms of composition, the Emma team is strong and diverse, made of high achieving individuals who thrive for excellence, both in groups and autonomously. Today, the company accounts for more than one thousand employees, speaking 75 different languages. Despite the motivation for working in such a company, a high turnover is seen in the last years.

Appendix

Exhibit 1 — Word. Mattress sales and e-commerce mattress sales by country/region, 2019-2022. US$

	Mattress sales (US$ Mill.)				E-commerce sales (incidence, %)				E-commerce sales (US$ Mill.)			
	2019	2020	2021	2022*	2019	2020	2021	2022*	2019	2020	2021	2022*
USA and Canada	17,782	18,106	20,534	21,577	26	35	37	37	4,709	6,326	7,614	7,952
China	20,859	21,350	25,060	23,852	11	14	15	16	2,294	2,937	3,818	3,780
Europe	11,236	11,218	13,290	13,070	13	17	19	18	1,476	1,919	2,476	2,326
South Korea	1,020	1,096	1,233	1,221	23	29	29	30	235	314	362	362
India	1,826	1,711	1,869	2,010	4	5	6	7	68	84	104	131
Other Asia	3,416	3,390	3,823	3,767	12	15	17	17	392	517	653	637
Others	5,414	5,270	6,693	6,967	11	12	12	11	612	626	803	766
World	**61,553**	**62,141**	**72,231**	**72,495**	**16**	**20**	**22**	**22**	**9,787**	**12,723**	**15,830**	**15,954**

Exhibit 2 — Share of e-commerce mattress sales by country, 2019-2020

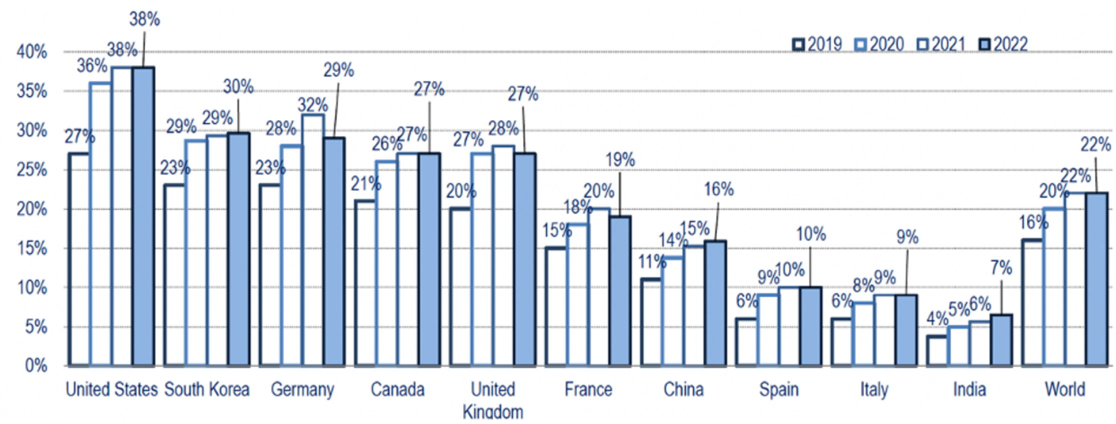
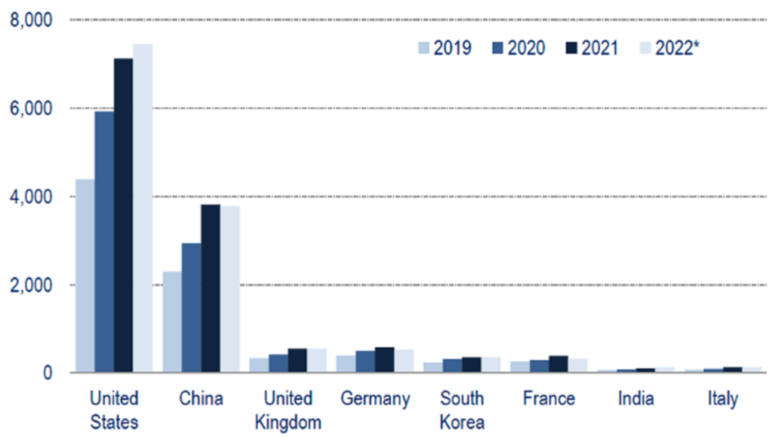


Exhibit 3 — Online mattress sales by country 2019-2022

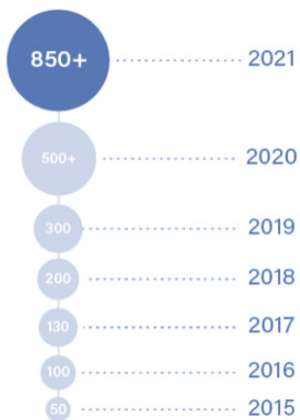


Source: CSIL, https://www.worldfurnitureonline.com/report/e-commerce-in-the-mattress-industry/

Exhibit 4 — Emma Regional Expansion, 2015-2020

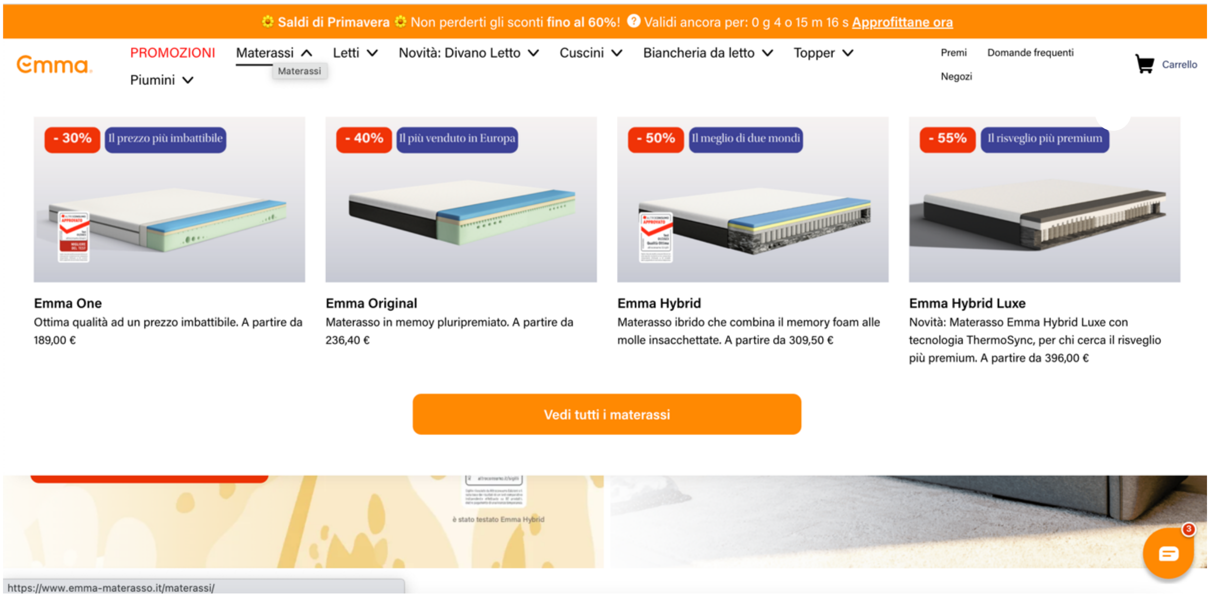
Exhibit 5 — Emma Net Revenue, 2015- 2022, Million €

Exhibit 6 — Emma Employees, 2015-2021



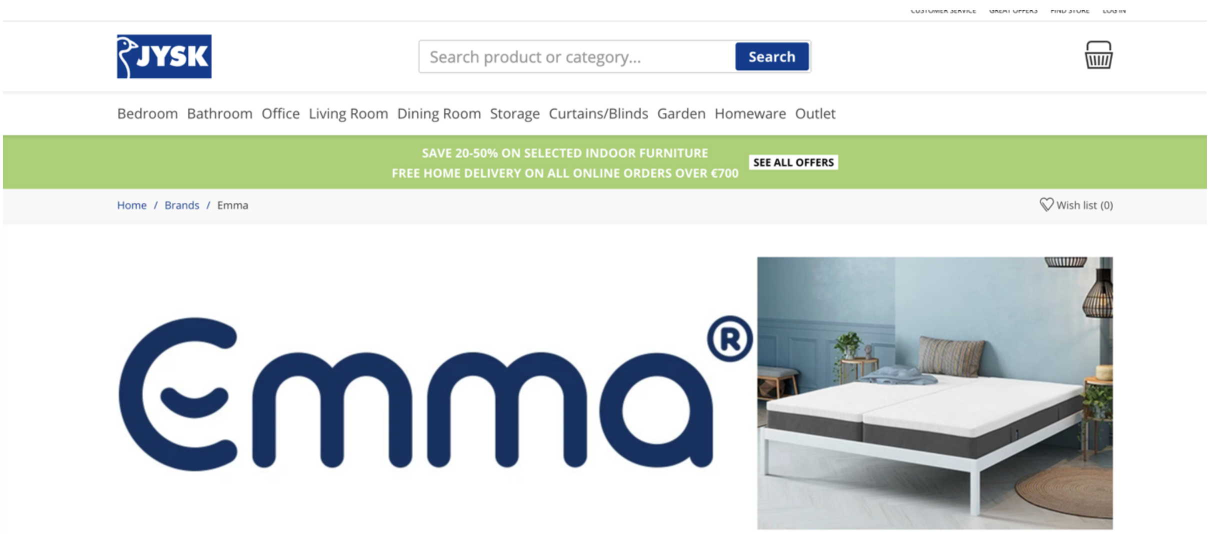
Source: Emma

Exhibit 7 — Mattress Portfolio in the Italian Website



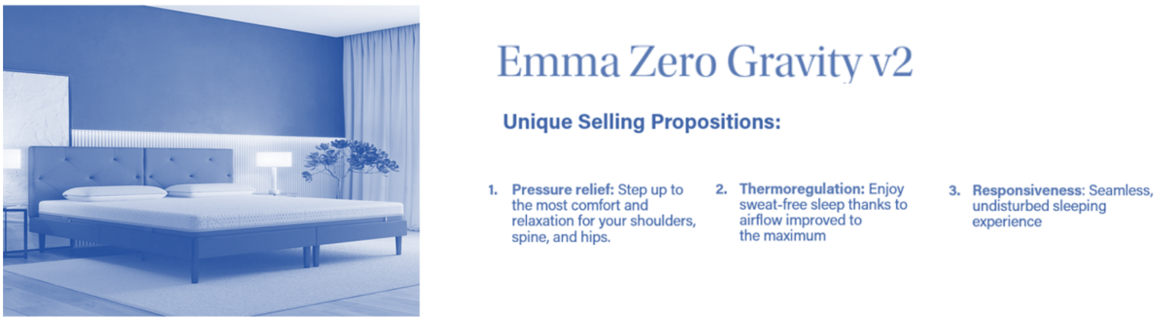
Source: https://www.emma-materasso.it/

Exhibit 8 — Partner Page on the Jisk Website



Source: https://jysk.ie/brands/emma

Exhibit 9 — Emma Mattresses, Good Better Best set up example.



Source: Emma

Exhibit 10 — Emma Order quantity by Country, D2C (first 8), Jan 2018-May 2023

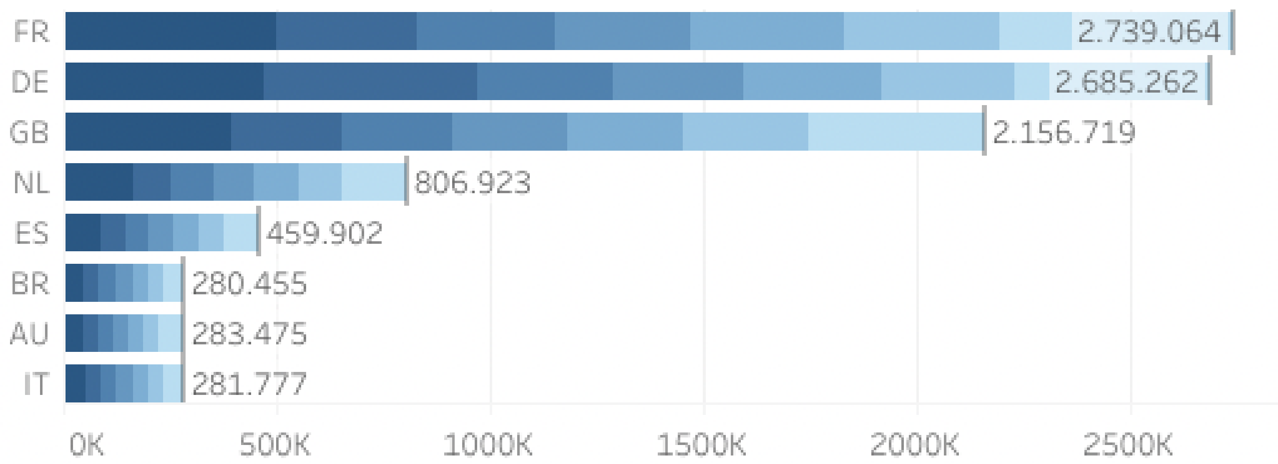


Exhibit 11 — Emma Order quantity by year, D2C channel, 2016-2022

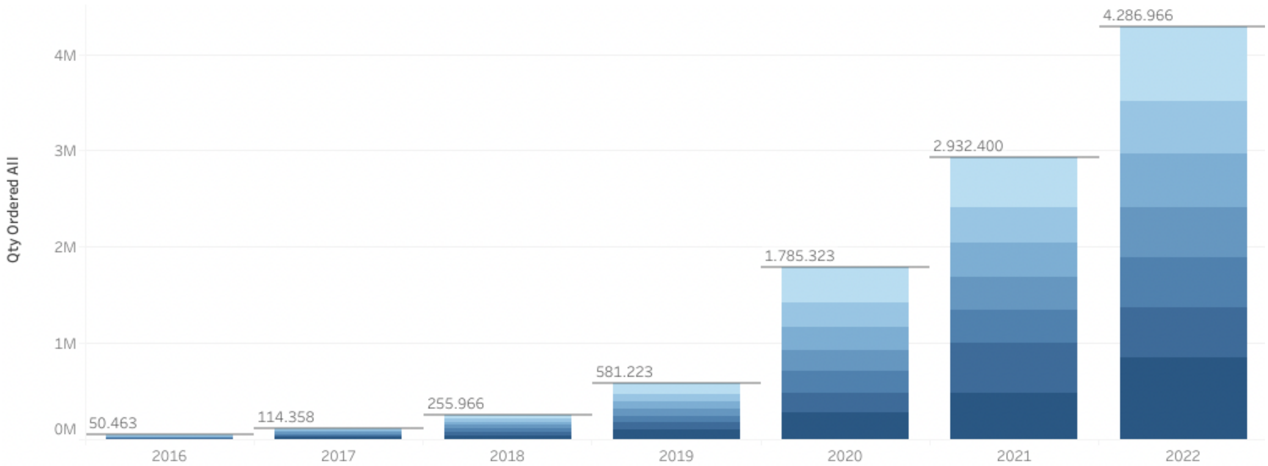


Exhibit 12 — Emma Order Quantity by top Retailers. Jan 2018- May 2023

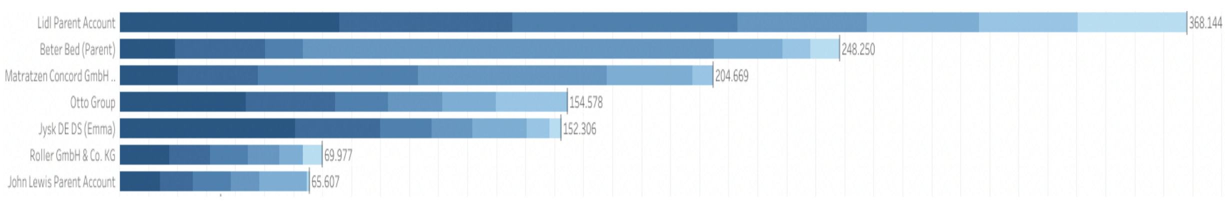
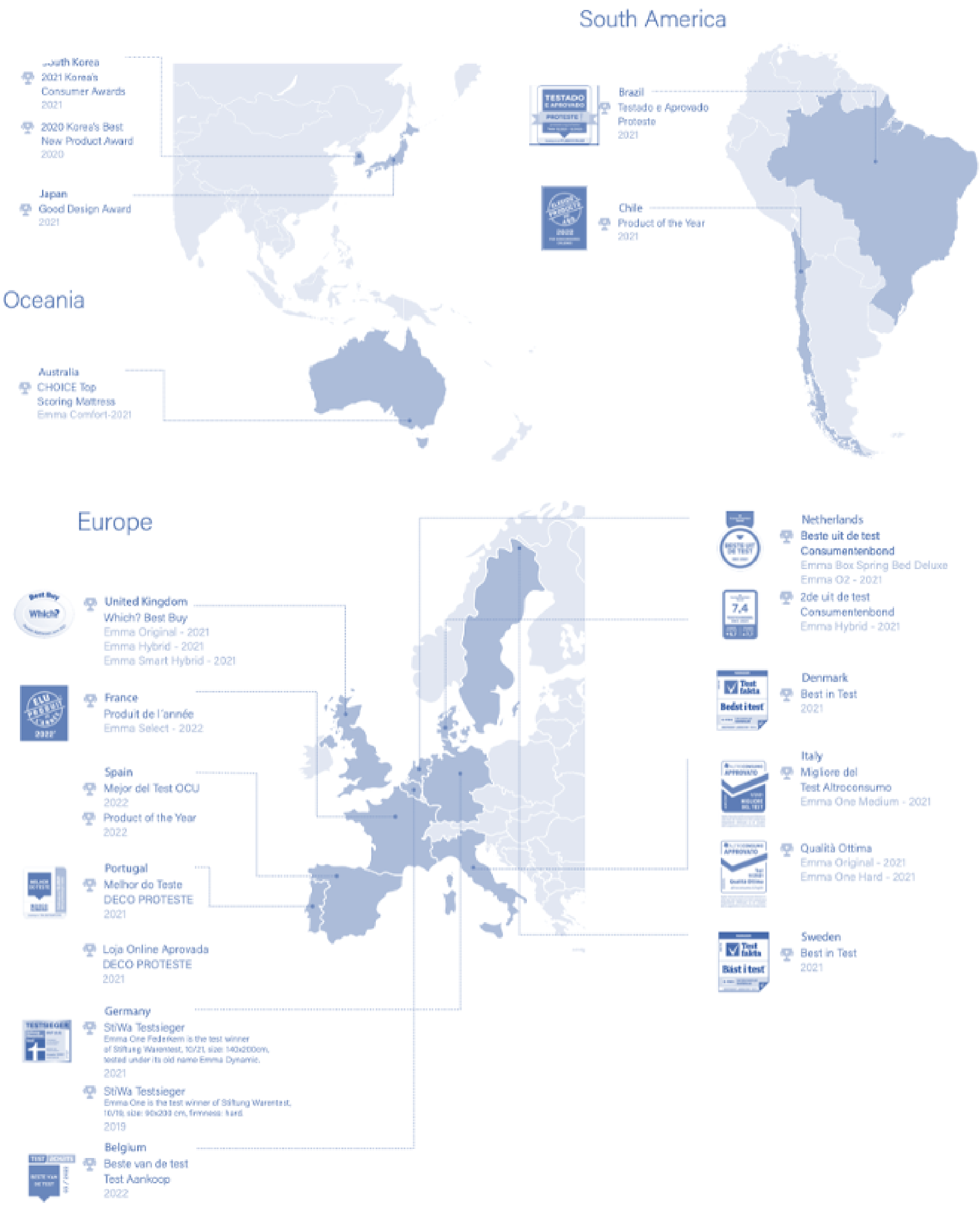


Exhibit 13 — Emma product awards by Continent, 2020-2022



Source: Emma

Literature review

Porter 5 Forces

The Porter Five Forces (Porter, 1980) is a common framework for analyzing the competitiveness of an industry. According to Porter, “the collective strength of the forces determines the ultimate profit potential in the industry”.

1. *Threat of new entrants:* Considers how easy or difficult it is for new companies to enter the industry. If there are low barriers to entry, such as low capital requirements or low regulatory barriers, then the threat of new entrants is high.

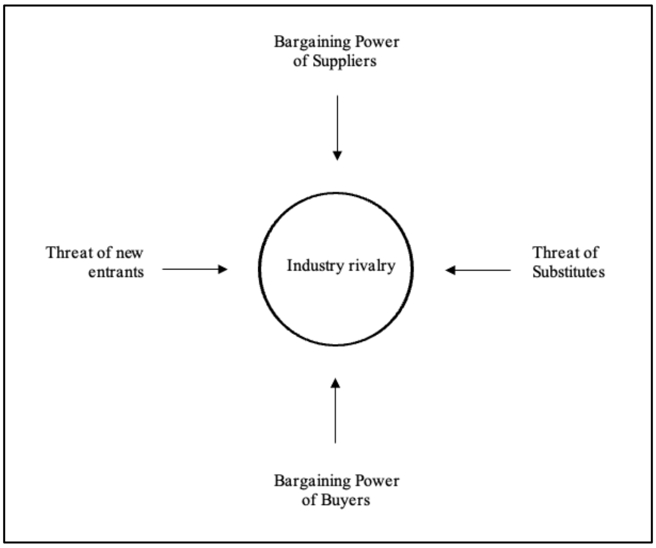
2. *Bargaining power of suppliers*: Regards the power that suppliers have over the industry. If there are few suppliers and they have a strong bargaining position, they can increase, for example, purchase prices.

3. *Bargaining power of buyers:* Contemplates the power that buyers have over the industry. If buyers have a strong bargaining position, they can demand lower prices and better quality.

4. *Threat of substitute products or services:* Assesses the extent to which customers can substitute the industry's products or services with alternatives. If there are many alternatives, this can limit the industry's pricing power.

5. *Intensity of competitive rivalry:* Estimates the intensity of competition within the industry. If there are many competitors and little differentiation, competition can be intense and reduce profitability.

Forces Driving Industry Competition, adapted from Porter (1980)



Industry life cycle theory and Startup development.

The Product Life Cycle theory developed by Vernon in 1991 is commonly used to determine the scope of an industry. The industry life cycle model typically identifies four stages:

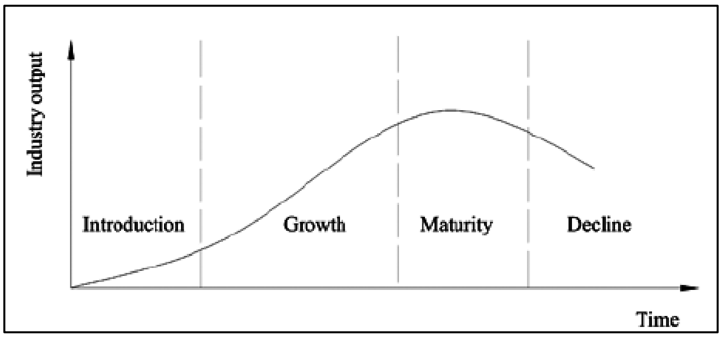
Introduction: At this stage, there is a lot of uncertainty and risk, as the market is untested. Because of uncertainty, companies may focus on domestic market development. However, some companies may choose to explore international opportunities early on to gain a global competitive advantage.

Growth: More companies enter the expanding market, and existing companies may increase their operations to capitalize on the growth opportunities. At this stage, companies fight for market share. In the meanwhile, more companies may turn to international markets to sustain their growth and expand their customer base.

Maturity or Consolidation: In the maturity stage, the industry reaches a state of stability. The rate of growth slows down, and the number of new entrants decreases. Companies may focus on improving efficiency and reducing costs to maintain profitability. In this stage, Companies focus on consolidating their market position.

Decline: Finally, the industry enters the decline stage, as demand falls and companies struggle to maintain profitability. At this stage, companies may exit the market or diversify into other areas. The decline stage can be slow and protracted, or it can be sudden and dramatic.

Industry life cycle



Regarding Startups, namely companies which are early adopters in the industry, they pass through all the phases starting to do business from the introduction phase, where they are still unprofitable, until when they start having more traction and pass the breakeven, to then advance in the scaling or growth phase. The most critical phase is the transition from the introduction to the growth or scaling phase (Picken, 2017). In periods of high growth, when the demand often exceeds the supply capacity, most new companies fail to accomplish their objectives and fail. (Sahlman, 1997). Picken identified 8 hurdles which are often responsible for the success, and then the competitive advantage, or the failure of a company. Those factors can be also relevant in the following phases, as the firm will experience the lack of those structural resources to compete in the developing industry.

1 Setting a direction and maintaining focus.

2 Positioning products/ services in an expanded market

3 Maintaining market/ client responsiveness.

4 Building an organization and management team.

5 Developing effective processes and infrastructures.

6 Building financial capability

7 Develop an appropriate culture.

8 Managing risks and vulnerability.

According to Picken (2017), “The eight hurdles of transition are essential steps in the growth and maturation of the entrepreneurial enterprise as it evolves from a nascent startup to an emerging organization positioned for sustained and profitable growth.”

From the Uppsala Model to International New Ventures.

The slow communication speed in the past, as well as language and cultural differences, made it harder to conduct business operations in foreign countries, which ultimately raised the level of perceived risk associated with such endeavors (Oviatt, McDougall,1994). Following this idea, the Uppsala Model, also referred to as the stage theory of internationalization (Johanson & Vahlne 1977, 1990) claims that firms gradually increase their involvement in international markets over time, passing through a series of stages as they gain experiential knowledge in the local markets: namely, irregular exporting, regular exporting, foreign sales subsidiary, foreign production, or manufacturing unit. Additionally, organizations start their operations abroad moving to culturally-geographically closer nations, to then expand in more distant ones after having consolidated their resources. Adapted to the firm internationalization process, the Transaction Cost Analysis (Hirsch, 1976) changes the orientation from the resources as a mean to the international expansion, to the structural governance of the firm, as a mean to lower the cost of international economic transactions. It suggests that when faced with a market decision, firms make a rational evaluation on the incurring costs: transaction costs increase when transactions are frequent, asset specific, and there is uncertainty, those factors guide the firm to a specific market entry, or exit.

However, In the last years, the global business environment underwent a change due to factors such as standardization of many markets, rise of financial prospects and the growth of a mobile workforce. As a result, more firms started to internationalize faster. Deterministic approaches as the Uppsala model and the TCA framework became less used to describe a new type of organization: an international new venture, or born global firm, is described as “Business organization that, from the inception, seeks to derive significant competitive advantage from the use and the sale of outputs in multiple countries” (Oviatt, McDougall 1994). Compared to MNEs, Born Global firms have less power and knowledge (Oviatt, McDougall 1994), hence they are leveraging networks to effectively navigate cultural and institutional differences or, for example, to gain access to local distribution. The Network Theory (Johanson & Mattson,1998) is then a powerful framework to describe how born global companies leverage formal and informal relationships to scale sales overseas. There are different types of International new ventures identified in the same literature (Oviatt, McDougall,1994):

-*New International Market makers (Quadrants 1 and 2)*
-*Geographically focused Start-ups (Quadrant 3)*
-*Global Start-ups (Quadrant 4)*

Types of International New Ventures, adapted from Oviatt, McDougall (1994)

Geographically Focused Start-ups Firms that coordinate more activities in the value chain, such as human resource management, inbound and outbound logistics, and marketing, being specialized in a specific geographic location, as a city, region, or country. Coordination of value chain activities: high N of Countries involved: low	**Global Start-ups** Firms that involve intense coordination efforts between different value chain activities, in different countries. Most of them are the result of a dislocation strategy as they seek resources which are also dislocated: as talents, primary goods, or markets. They make extensive use of Networks worldwide. Coordination of value chain activities: high N of Countries involved: high
Export/Import Startups Firms which focus on few activities in the value chain, mostly Inbound and outbound logistics, moving goods from markets where they are abundant to a market/few market which require them. Coordination of value chain activities: low N of Countries involved: high	**Multinational Traders** Export/Import startup which leverage their international network to expand their business whenever there is the opportunity of doing so. They are “continuously scanning” new market opportunities. Coordination of value chain activities: low N of Countries involved: high

Even if they are the most complicated to establish, Global Startups “Have the most sustainable competitive advantage due to the combination of historically unique, causally ambiguous, and socially complex inimitability with close network” (Oviatt, McDougall 1994).

Sustainable Competitive Advantage and Internationalization Strategy

According to Barney (1991), a sustainable competitive advantage is achieved when a company possesses resources and capabilities that are valuable, rare, difficult to imitate, and exploitable by the organization. The VRIO model can then be used to assess the potential of these resources to create a sustainable advantage in the market. However, a company strategy, defined by Porter as "the creation of a unique and valuable position, involving a different set of activities" (Porter, 1996) often involves decisions which ask for a trade-off of resources, meaning a strategy has the consequence of diminishing certain capabilities or resources in favor of others. One of these tradeoffs, in the context of the international strategy of the firm, is represented by the degree of integration-responsiveness chosen by the firm in the expanded international markets. According to Levitt (1983), global markets are becoming increasingly homogeneous, and consumers' needs and preferences are converging, making it easier to standardize products and services. The author argues that companies should strive for global standardization to achieve economies of scale and cost savings. However, other authors have challenged Levitt's view and emphasized the importance of adaptation. For example, Jain (1989) argues that cultural, economic, and social differences across markets require companies to adapt their products, services, and marketing strategies to be successful in different regions. The I/R framework (Prahalad and Doz ,1987) suggests that companies need to balance integration and responsiveness to acquire a competitive advantage in the market. Integration refers to the degree to which a company's operations are standardized across different markets and countries. A highly integrated company will have consistent processes, products, and branding across all markets. On the other hand, responsiveness refers to the degree to which a company adapts its operations to local market conditions. A highly responsive company will tailor its products and processes to meet the unique needs of each market. The framework consequently identifies four strategic postures.

Integration-Responsiveness framework, Adapted from Prahalad and Doz (1987)

Global Strategy This strategy involves significant global coordination, with the firm standardizing its products, services, and operations across all markets. Global Integration: high Local adequacy: low	**Transnational Strategy** This strategy seeks to balance local adaptation with global coordination, with the firm customizing its products, services, and operations to meet local needs while also maintaining global consistency and efficiency. Global Integration: high Local adequacy: high
International Strategy This strategy involves focusing on specific regions rather than individual countries, with the firm customizing its products, services, and operations to meet the needs of that region. Global Integration: low Local adequacy: low	**Multidomestic Strategy** This strategy involves significant local adaptation, with independent subsidiaries customizing products, services, and operations to meet the unique needs of each local market. Global Integration: low Local adequacy: high

Teaching notes

This dissertation wants to bring relevant knowledge in the field of international business by answering the following questions:

-Address the level of attractiveness in the mattress market, together with the stage of maturity the industry is in, distinguishing developing vs developed countries. Finally, quickly describe the internationalization of Emma as a process, starting from the reasons why the company expanded globally.

-Describe in detail the international strategy of the Firm. Which is the tradeoff between localization and standardization? Which kind of Born Global company is Emma? Which are the resources Emma leverages to obtain a sustained competitive advantage internationally and how they depend by the international strategy?

- With the information collected in the case, determine which are the threads and opportunities Emma is facing in the international market, and provide suggestions on how the firm can leverage the positive trends while preventing the negative factors.

By answering the above questions, the dissertation hopes to bring relevant theory and practice together and expand the knowledge in the international business strategy field.

-Address the level of attractiveness in the mattress market, together with the stage of maturity the industry is in, distinguishing developing vs developed countries. Finally, quickly describe the internationalization of Emma as a process, starting from the reasons why the company expanded globally.

Thanks to the disrupting power of the direct-to-customer business model, the mattress market is today relatively easy to enter. In fact, an online platform is all that is required and can be established at a lower cost than a physical store. However, simply launching a D2C channel is not the same as building a comprehensive omnichannel presence that includes both online and offline channels. This requires significant investment in operational setup and capacity to supply global partners, to be present throughout the customer buying journey. Entering an established market like Europe with such a presence can be challenging, as evidenced by

Casper's recent exit. In addition, patents, exclusive partnership agreements, or price wars can discourage new global players from entering. Instead, a "Blue Ocean" strategy can be effective in a relatively underdeveloped country, where competition in many channels is not yet strong, however, regulatory environments that are less transparent and more complicated logistics processes can offset this advantage. Therefore, the threat of new entrants can be considered moderate for both clusters.

Today, despite the availability of other products that can replace a mattress, they cannot match the same level of comfort and support provided by this type of good. Therefore, the global demand for mattresses has remained stable over the years, and it is expected to grow even more due to the increasing importance attributed to sleep-related topics. The industry also offers potential complementary products, such as sleep apps and future AI applications like sleep sensors. These new technologies can enhance the industry's attractiveness and contribute to its growth potential. The sleep tech industry is expected to reach a value of US$ 27.1 billion by 2025, representing a new and attractive market segment that can increase the industry's profitability. Consequently, the Threat of substitute products or services can be described as low, while complementary products effects can be more relevant in developed countries like Europe and North America, and less in developing ones, featuring clients with a lower disposable income who may prefer more traditional options.

Customers have generally a wide variety of goods to choose from when purchasing a mattress and can easily make comparisons between product prices and features. This puts pressure on retail and online mattress companies to offer competitive services, but more importantly, to lower prices and continuously invest in new product development in order to differentiate their offer. Moreover, the need to focus on a qualitative customer experience is relevant to have success and win the customer loyalty; is also true, that different regions have different standards, with developing countries following for the availability of services. For example, In Italy, Emma keeps an average of 3-5 days for the delivery, while in countries like Chile, the lead time is around 10-15 days. Overall, the bargain power of clients in the industry is high.

There are many PU foam suppliers worldwide, and since transportation costs are not significant compared to cost of the goods, all market players must lower their prices to stay competitive. To try to offset this trend, suppliers often try to keep up with innovation, some of them offering new materials or layer customization options, at higher prices. Considering different market players, non-furniture specialist chains may have more bargaining power as they are able to purchase materials in larger quantities and may have established relationships with specific suppliers. On the other hand, e-tailers and online mattress companies may have less bargaining power as they typically operate on smaller scales and have less established relationships. Both in developing and developed countries, supplier power is between low and low-moderate.

Finally, the co-existence in the industry of non-specialist furniture stores chains, e-commerce companies, Brick and Click player and new entries from established suppliers which are developing own-branded products, have led to an increased competition in the global market, augmenting the level of fragmentation while reducing prices. New business models as the online mattress companies or d2c, which disrupts the industry offering services like free returns and trial nights, have also augmented the switching costs, from being relatively low due to the previous complex return logistics, to moderate. Globally, those factors have led to a highly competitive rivalry in developed countries, and a moderate rivalry in developing ones, for the fact that part of the demand is still under covered and new business models have not yet been able to totally disrupt the local markets.

Overall, the emergence of online mattress sales in 2019, which was further confirmed during the Covid pandemic, has contributed to the mattress industry's growth. However, moved by those opportunities, a high degree of market fragmentation and different business players competing both offline and online, have recently slowed this phenomenon, especially in today's more established markets like Europe and North America. While those regions can be then already considered mature mattress markets, Asia-Pacific and Latino America are still in a growth stage, with a strong increasing demand due to urbanization and infrastructural factors, together with rising disposable incomes and a less fragmented competitive landscape. Considering the 5 Forces analysis, the industry attractiveness is both moderate-high for developing and developed markets, but for different reasons: even if in the developing countries the market is more saturated, there is still room for growth and innovation thanks to new technologies and product differentiation options. In developing countries, instead, there is more capacity to disrupt the market, but challenges are represented by the regulatory framework and missing infrastructures. This difference implies diversified entry and expansion strategies in different regions, as the case of Emma testifies.

Looking at Emma's international expansion process through the lens of the Uppsala model, the initial move to expand into Poland, Austria, Switzerland, Netherlands, France, and UK was driven by the need to escape a highly competitive domestic market and avoid potential failure against rivals like Bett1. The firm initially targeted markets closer to the home country, both geographically and culturally, consolidating first its internal resources, as market knowledge and marketing expertise, but also financial power. In its second "stage" Emma expanded into more distant markets, both culturally and geographically, like Portugal, Italy, and Spain. As Emma gained more market power and financial resources, it was able to expand even in overseas countries. Here, the strategy was to differentiate the risk by targeting markets with potential for future growth while simultaneously competing in the most strategic markets at the time. This can be seen as the third stage of the Uppsala model, where firms expand into distant and dissimilar markets, taking calculated risks to achieve long-term growth. The Uppsala model is not completely obsolete to describe the very first choices of the Internationalization expansion of Emma, but also, is limited, as does not take in consideration important network effects and considerations about the Entrepreneurial decisions and the opportunistic aspects of the company international strategy.

Describe in detail the international strategy of the Firm. Which is the tradeoff between localization and standardization? Which kind of Born Global company is Emma? Which are the resources Emma leverages to obtain a sustained competitive advantage internationally and which is their correlation with the international strategy?

In the mattress market, as switching costs for customers are low and competitive rivalry is generally high, is not possible for any player to offer a unique "one size fits all" product without being penalized: adapting products and services to meet the unique needs and preferences of local customers is, consequently, a key differentiation factor, fundamental in attracting and retaining customers' demand. Regarding this aspect, Emma has demonstrated a high level of responsiveness to the needs of customers in different markets: for example, in UK, Emma developed a unique mattress line, Emma Hybrid, considering the country's cultural and ergonomic needs. Moreover, adequate market responsiveness requires not only a local product strategy, but a targeted marketing strategy too: with customized marketing channels, the goal is to "activate" customer specific needs and pain points, matching them with the right offer. This local focus is further compounded by leveraging local partnerships and product awards, thanks to whom, Emma today can be seen as a national mattress in different ways: first, local products awards winnings give the image of a national company, secondly, national supplies can testify that the product is made in the region, and finally, local PR or marketing projects often highlight the connection a customer has between Emma and any other country-related entity- a location, another company, i.e.

On the other side, Emma has also demonstrated a high level of standardization across its global operations. In fact, to create standardized products, the company must rely on the same technologies and manufacturing processes in all partners factories worldwide, ensuring that consistent quality and reliability are respected. Nevertheless, Emma has a centralized approach to marketing and branding, with a unified brand message and visual identity across all its markets. Marketing efforts worldwide are standardized and include performance marketing channel, SEO, social media, collaboration with PR agencies, and with marketing agencies for market research. Moreover, Emma looks for similarities between markets, adopting equivalent portfolio strategies when it is allowed. This helps increasing economies of scales and at the same time, simplifies the portfolio management across different countries. Particularly in logistic, collaborating with the same regional supplier means better contracts, and less management complexity, with the chance to even make that partner exclusive. Finally, the organizational structure, including global and country teams, and the company culture, expressed in the sentence “we are a team” reinforce the concept of working in a global company where knowledge is shared, and best practices are made public. As such, Emma can be categorized as a transnational company, which has adopted a hybrid approach to internationalization.

Regarding resources, they are key components of the transnational strategy of the firm, as they build the capabilities that make the strategy competitive: the capacity to be responsive in the markets is mainly led by three key related capabilities: designing the right product, building a network of partners to ship it and promote it, and choosing the best digital marketing strategy to attract clients to it. Is, in fact, in the country businesses that the company thrive to acquire market share, hence where it definitively works its knowledge-based resources: in order, product innovation, business and marketing knowledge. In specific, product innovation involves research and development, hence the constant screening of new technologies and their testing on new products (the company has its lab center in Frankfurt), marketing knowledge refers to all the learnings and shared knowledge about the right investments in the digital environment, built on the previous experience of Dormando and consolidated in the first years of Emma, finally, business knowledge is what is commonly related to as "Business Sense", the art of know how to do affairs, and being able to proactively set up the logistics and operations with just few meetings with a potential partner.

Finally, the capacity to coordinate these components in a global organizational structure is mostly due to the company culture and the quality of the people: as Emmies are a team of strong collaborators, who make active use of knowledge base platforms and periodical meetings to inform each other and keep the alignment. Above all, Dennis built himself the organizational design, and works daily to make it better. He also takes important decision like changing his own responsibilities to align with the priorities of the firm when necessary, as the case states clearly. Finally, the last resource of the company is its finances, which makes Emma eligible to make new investments in different areas, such as new owned retail stores, new marketing activities or PR projects worldwide.

Although marketing expertise can be described as rare, as the experience of Damando influenced the focus on definite targets and a clear scaling marketing strategy however, this knowledge is not inimitable, as other competitors can follow and make similar investments. Finally, Finance is not imitable, as the growth path of Emma was one of a kind, but this does not mean that there are no companies in the market which can afford big investments. Big players like Eve Sleep or Casper have this financial freedom nowadays. Considering the VRIO model, all resources are key asset for the company competitive international strategy, but only the Global Network, the Culture and the People, and Research and Development are creating a sustainable competitive advantage for Emma, as other than being valuable, they are rare, inimitable, and exploited by the organizational design.

Resource	V	R	I	O
Global Network	X	X	X	X
Culture & People	X	X	X	X
Research & Development	X	X	X	X
Marketing/ E-commerce expertise	X	X	O	X
Finance	X	O	X	X

Moreover, as Emma coordinates more activities in its value chain and its resources are geographically disperse, namely, the people and its global network of partners, the company can be described as a Global Startup, whose internationalization path is deeply rooted to the creation and sustainability of those competitive factors. According to Oviatt and McDougall, Global Startups are difficult to run, as a high degree of coordination is required to manage them. The internationalization of Emma is heavily reliant on global partnerships, which means that a step-by-step approach, as suggested by the Uppsala Model, does not fully capture its expansion path. Instead, it is important to understand why the company chose to expand into specific sectors and regions. For example, Emma's decision to enter the retail sector in Europe was driven by the consolidation of the e-commerce market and opportunities to partner with players like Jisk. Additionally, Emma requires the support of local e-commerce platforms, marketplaces, and other online players to successfully launch in a new country and scale its business model, this why the company did not expand regions as in the Balcans. Therefore, Emma's internationalization path should be viewed through a more nuanced lens that considers the specific opportunities and challenges in each market and the company's existing network of partners. While the Uppsala Model provides some insight into Emma's internationalization decisions, future research can shed more light on how the company's network influenced its expansion decisions.

- *With the information collected in the case, determine which are the threads and opportunities Emma is facing in the international market, and provide suggestions on how the firm can leverage the positive trends while preventing the negative factors.*

In terms of opportunities, Emma can tap into the lucrative Sleep-Tech market with new technological innovations such as Sleep Apps, medical services, sleep tracking systems, or acoustic and light devices. Expanding into this sector aligns with the company's international strategy of becoming the leading Sleep-Tech D2C by 2025 and would attract customers who recognize the quality of these solutions in improving sleep performance. This portfolio expansion would be particularly profitable in developed markets, such as Europe and US, possibly revamping the now consolidating industry life cycle in modern economies and giving the opportunity to the Startup to keep up with growth. Particularly in Europe, this strategy would benefit from the contextual opening of new flagship stores, offering, in this way, an in person custom experience to attract new demand.

In contrast to Europe, where Emma success justifies a further investment in the retail sector, in the US market, the company should consider to temporarily halting its retail partnerships and focus on just the e-commerce channel. In the traditional retail model in fact, there are several transaction costs associated with selling products. These costs include the cost of managing inventory, the cost of managing relationships with retail partners, the cost of maintaining physical storefronts, and the cost of managing customer returns and complaints. These costs can be substantial, and they can eat into a company's profit margins. By focusing on e-commerce and reducing its reliance on retail partnerships, Emma can avoid many of these transaction costs. E-commerce allows the company to manage inventory more efficiently, reducing the risk of overstocking or stockouts. It also allows the company to manage customer relationships more directly, reducing the need for intermediaries like retail partners. Moreover, by focusing on a niche market rather than trying to scale up quickly, Emma can reduce the risks associated with high direct investments. This approach can help the company to build a loyal customer base and differentiate itself from competitors, while preparing its future scaling strategy for a better future moment.

Regarding partnerships management, Emma should continue leverage on them, as they are the source of primary sustainable advantage for the firm, however, from the case is evicted that the network of Emma took shape with no clear assortment strategy per market, but in a very opportunistic approach, as the company needed to fast adapt the production keeping up with the increasing demand. The further development of new product categories, and the need to improve contemporary the services and delivery performances, made the network more and more complex, partly also due to conflicting targets. Nevertheless, there is currently too much manpower to manage the global/ local complexity, given the technical constraints of the company IT systems and interfaces, together with the setups of all external players like suppliers and retailers. Today, referring to the 8 hurdles Picken describes in his work, Emma lacks in developing effective processes and infrastructures and managing risk and vulnerability. This can negatively impact the network of Emma in the future, consequently limiting the competitive advantage the company has today. Given that Emma is already solving internally the IT issue, the other direction to follow is a clear network restructuring, with focus on reducing risks while increasing efficiencies effects in the long-term period. First, the company should not ramp up new partners which are not compliant with Emma Tech & processes requirements, while should increase focus and collaboration with more strategical regional partners. Secondly, it should reduce the redundancy in current setup, offboarding some of non-strategical foamer providers: some of those players could be already recognized as they have a longer lead time for replenishment, or they are not in line with the demanded level of quality. Reducing product defects, can contextually diminish the number of client returns, with a positive effect on the total logistic costs. Finally, even if the network and process complexity represent a threat, revisiting the longer-term partnerships is for Emma also an opportunity, as thanks to its business sense and people collaborative approach, it is possible to define new goals which will guide the organization through a better level of performance for the future.

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