# UK Market Entry Strategies for Marshmellow Fabrics: A Qualitative Case Study

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# Abstract

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The UK home textile market has experienced strong growth in recent years, propelled by increased consumer demand for high-quality, sustainable textile products. Marshmellow Fabrics, a Portuguese SME specializing in home textiles, seeks to enter the UK market and capture a portion of it. However, many challenges and opportunities must be explored, particularly as limited resources pose a significant constraint for the company. This study aims to identify an optimal market entry strategy for Marshmellow Fabrics in the UK home textile sector. A mixed-methods approach is used, combining qualitative interviews and quantitative data. The subjects of investigation are Portuguese textile companies that have entered the UK market, with the goal of identifying an optimal market entry strategy for Marshmellow Fabrics. The main topics of research are centered around external challenges, consumer preferences, and sales channels for a possible market entry. Findings indicate that a B2B approach utilizing Marshmellow's white-label products to penetrate the market is the most viable option for the company. Furthermore, a B2B approach allows the company to minimize initial investments in marketing and build a network of business partners in the country.

**Keywords:** Internationalization, SMEs, UK market entry, Home textiles, B2B strategy

# Resumo

Título da Dissertação: Estratégias de Entrada no Mercado do Reino Unido para a Marshmellow Fabrics: Um Estudo de Caso Qualitativo

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O mercado têxtil doméstico do Reino Unido registou um crescimento substancial nos últimos anos, impulsionado pelo aumento da procura dos consumidores por produtos têxteis sustentáveis e de alta qualidade. A Marshmellow Fabrics, uma PME portuguesa especializada em têxteis domésticos, pretende entrar no mercado britânico e conquistar uma parte dele. No entanto, é necessário explorar inúmeros desafios e oportunidades, especialmente porque os recursos limitados representam uma restrição significativa para a empresa. Este estudo tem como objetivo identificar uma estratégia de entrada no mercado ideal para a Marshmellow Fabrics no setor têxtil doméstico do Reino Unido. É utilizada uma abordagem de métodos mistos, combinando entrevistas qualitativas e dados quantitativos. Os objetos de investigação são empresas têxteis portuguesas que entraram no mercado britânico, com o objetivo de identificar uma estratégia de entrada no mercado ideal para a Marshmellow Fabrics. Os principais tópicos de investigação centram-se nos desafios externos, nas preferências dos consumidores e nos canais de venda para uma possível entrada no mercado. Os resultados indicam que uma abordagem B2B utilizando os produtos de marca branca da Marshmellow para penetrar no mercado é a opção mais viável para a empresa. Além disso, uma abordagem B2B permite à empresa minimizar os investimentos iniciais em marketing e construir uma rede de parceiros comerciais no país.

**Palavras-chave:** Internacionalização, PMEs, Entrada no mercado do Reino Unido, Têxteis para o lar, Estratégia B2B

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# 1 Introduction

In an era of digital transformation and continuous innovation, startups face unprecedented opportunities to expand beyond their domestic markets, yet they are frequently limited by scarce resources, political instabilities, and industry competition. The textile industry shows this dynamic, with Portuguese firms leveraging a rich heritage of craftsmanship to compete on the global stage. Portugal's textile sector, one of Europe's largest exporters, plays a major role to the national economy, with textile product manufacturing generating €3.2 billion in revenue in 2025 and the apparel subsector projected to reach US$7.90 billion, growing at 2.43% annually through 2029 (Statista, 2024b). However, for emerging brands, internationalization is not only a growth strategy but essential for survival amid saturated local markets and adapting consumer demands for comfortable, high-quality products.

Marshmellow Fabrics is a Portuguese apparel and textile brand specializing in high-quality, affordable home textiles and linens, emphasizing comfort and it’s "Made in Portugal" storyline. Marshmellow Fabrics emerged during the post-pandemic boom in home textiles. The company was established in 2024 as the home-textile extension of Lintexport-Internacional Textil Lda, a family-owned textile manufacturer founded in 1967. The core message of the brand is focused around the "fabric of comfort” slogan. The brand produces artisanal products that blend traditional techniques with modern design for everyday "sleep hospitality."

At the same time, it remains resource-constrained and has a limited physical presence in its target markets, making it highly dependent on digital sales channels and difficult to scale internationally. This positions the brand for growth in markets that value European craftsmanship, while also underscoring the need for strategic consulting to grow internationally. Marshmellow Fabrics has also strengthened its brand image by expanding its activities through collaborations with artists, such as Concha, with whom they launched a special assembly line in September 2025. This partnership highlights the brand’s innovative trajectory. The company primarily operates through online channels, shipping products worldwide and partnering with various marketplaces to reach international customers.

The United Kingdom stands out as an interesting market for Portuguese textile companies, supported by robust export data from 2022 to 2024. According to Statistics Portugal, Portugal's textile and textile article exports to the UK have remained significant, with values of €399.52 million in 2022, €358.46 million in 2023, and €348.31 million in 2024, making it one of the top destinations alongside major EU markets like Spain and France (Statistics Portugal, 2024). This consistent demand makes for an attractive market destination for Marshmellow Fabrics.

This thesis will try to answer the research questions by explorin the challenges and opportunities of Marshmellow Fabrics' internationalization into the UK market, focusing on identifying the company´s external challenges, understanding UK consumer preferences, and determining effective sales channels for the target audience.

Taking this into account, the research questions of the thesis are the following:

RQ1: What are the primary external challenges Marshmellow Fabrics faces in its internationalization efforts for the UK market?

RQ2: How do UK consumer preferences and market trends shape the demand for Marshmellow Fabrics' textile products, and what opportunities do these present for market entry?

RQ3: Which sales channels are most effective for reaching Marshmellow Fabrics' target audience in the UK?

In Chapter 1 of this thesis, a review of the relevant literature on the internationalization of Marshmallow into the UK market is presented. This chapter also explores consulting frameworks that support the analysis of market fit, offering practical tools for Marshmallow. Chapter 2 describes the methodology used, including the processes of case selection and data collection. In Chapter 3, the Portuguese textile industry and UK market trends are discussed before analyzing the results of the case study for this specific company. Chapter 4 summarizes the main findings, opportunities, and limitations of this thesis. Last but not least, Chapter 5 concludes the thesis, summarizing the findings and providing an outlook for future research.

# 2 Chapter: Literature Review

The internationalization process and market entry of small and medium-sized enterprises (SMEs) can lead to organizational growth, access to new technologies, risk reduction, and improved access to finance (Bradley, 2006). Internationalization is broadly defined as “the process of increasing involvement in international operations” (Welch, 1988). Furthermore, Welch claims there is an overall pattern of explanatory factors for internationalization. These being available resources, knowledge development, communication networks, risk and uncertainty, control and commitment. The main

## 2.1 Motives of internationalization

One of the first academics to research the motives of internationalization is Hollander (1970). The author developed a framework for the motives of retail internationalization, suggesting that the main forces behind internationalization are commercial, non-commercial, or inadvertent. Hollensen later (2011) describes the motives for internationalization are essentially to make money. Nevertheless, usually a mixture of factors contributes to a firm’s decision to enter foreign markets. The main motives of internationalization are differentiated into proactive and reactive motives. Proactive internationalization is motivated by profit and growth goals, whereby the company’s technology competence/ unique product, foreign market opportunities, managerial urge and tax benefits are the main drivers behind for entry into international markets (Hollensen , 2011). Reactive internationalization is motivated by pressures and threats in the home market or in a foreign market of a firm. If a domestic market is small and saturated a company may be incentivized to enter new markets because of the small home market potential (Hollensen , 2011). Further reasons for reactive internationalization is the overproduction/excess capacity, unsolicited foreign orders, seasonality of products and proximity to international customers/psychological distance.

## 2.2 Theories of internationalization

Over the years, several theoretical approaches and frameworks have been developed to explain how firms successfully expand into foreign markets. One of the most influential models is the Uppsala Model**.** The Uppsala Model suggests that firms typically develop their international operations slowly, rather than through large, immediate foreign investments, by building knowledge and commitments in foreign markets (Johanson & Vahlne, 1977). The authors argue that the basic idea of the original 1977 model is a dynamic interaction between "state variables" (market knowledge and commitment) and "change variables" (commitment decisions and current activities). In this process, a company may begin by exporting to a foreign country via an independent agent, later establish a sales subsidiary, and eventually initiate production within the target market (Johanson & Vahlne, 1977). Unless the company possesses substantial resources or operates in a homogeneous and stable market, the internationalization process is likely to proceed gradually. Otherwise, the firm may accelerate its expansion. However, in the latest revision of the model, Vahlne argues that the model needs updating due to digitalization and globalization, shifting the focus from internalization to network coordination and dynamic capabilities (Vahlne, 2020). Digitalization, as a major driver of change in business, overcomes geographical constraints, considerably decreases the costs and risks associated with internationalization, and accelerates and broadens its scope (Coviello, 2017). Digital firms use digital technology to connect quickly with global markets, often entering multiple countries simultaneously, acquiring resources and knowledge from upstream and downstream partners, users, and complementors, delivering comprehensive services to global customers, and accelerating their internationalization processes (Luo, 2022).

In recent times, the discussion around internationalization has brought renewed attention to many traditional theories, largely due to the transition to globalization. This led to challenging traditional models, such as the OLI paradigm (Yang, 2025). The model's name is derived from the concepts of Ownership (O), Location (L) and Internalization (I). The OLI paradigm suggests that a firm's internationalization process depends on its specific advantages, favorable market conditions, and the ability to internalize operations efficiently (Dunning, 1980). However, digital advancements have prompted a reimagined OLI framework, with Luo introducing open resources advantages (rapid access to global digital resources), linkages advantages (collaboration with global stakeholders), and integration advantages (enhanced coordination of operations) (2021).

Another theory highly relevant to the field of internationalization is the Resource-Based View (RBV), which emphasizes leveraging a firm's internal resources and capabilities that are valuable, rare, imperfectly imitable, and non-substitutable to achieve and sustain a competitive advantage in foreign markets (Barney, 1991). In a 2008 study conducted by Newport (2008), the author finds that the more valuable and rare a firm's resource-capability combinations, the likelier it will achieve competitive advantage. This means, that instead of looking at the resources and capabilities separately, the findings show that it's the combined and unique deployment that a firm can outperform its competitors (Newport, 2008).

These internationalization theories provide an essential foundation for assessing Marshmellow’s readiness to enter the UK market. However, many of these models show limitations when applied to the current business environment, as they were developed before the rapid digitalization and globalization of recent decades. Moreover, recent disruptive events such as the COVID-19 pandemic, Brexit and geopolitical tensions have significantly reshaped international trade dynamics and consumer behavior, requiring firms to adapt and rethink traditional internationalization strategies.

## 2.3 Strategic Frameworks

In addition to the internationalization theories that explain why companies expand into foreign markets, this section of the thesis introduces the key strategic frameworks used to analyze Marshmellow’s positioning and external environment. These frameworks are commonly applied in consulting projects to evaluate a company’s strategic context and support evidence-based recommendations.

Companies require business strategies to provide direction and purpose, deploy resources effectively, and coordinate decisions across different individuals (Grant, 2018). Grant differentiates between corporate strategy and business strategy. A business strategy’s main goal is to achieve and sustain competitive advantage within a specific industry or market, while corporate strategy focuses on the firm's overall scope and direction.

To determine the most suitable strategy for Marshmellow Fabrics, it is essential first to analyze the macro-environment. The PESTEL framework is used to examine and categorize the external factors influencing a company, including political, economic, socio-cultural, technological, ecological, and legal dimensions (Rothamel, 2015). Based on the PESTEL analysis, the corporate strategy is refined by incorporating the macroeconomic framework into decision-making. Since Marshmellow Fabrics is seeking to expand operations into a different country, it is important to understand the political, legal, social, economic, environmental, and technological challenges and opportunities that come with this expansion.

The SWOT framework distinguishes between a firm's external and internal environments. It classifies a firm’s strategy into four categories: Strengths, Weaknesses, Opportunities, and Threats (Grant, 2018). This tool supports integrating insights from both PESTEL analyses, enabling the identification of Marshmellow's core capabilities and external challenges as a foundation for strategic recommendations.

### 2.4 B2B and B2C Market Segmentation

To create an effective market entry strategy for Marshmellow, a detailed market segmentation analysis must be done. Market segmentation is the process of dividing a market into smaller market groups that can be targeted more efficiently and effectively with products and services that meet the needs of potential customers (Kotler, 2024). In B2C (business-to-consumer) contexts, segmentation relies on demographic (age, income, gender), geographic (region, urban/rural), psychographic (lifestyle, values), and behavioral (purchase frequency, brand loyalty) variables to identify consumer clusters (Kotler, 2022). Conversely, B2B (business-to-business) segmentation emphasizes firmographics (industry, company size, revenue), organizational behavior (buying process, decision-making units), and relationship factors (partnership history, procurement policies) (Lilien, 2016). B2B segments tend to be smaller, more stable, and relationship-driven, requiring deeper customization. While B2C focuses on volume and emotional appeal, B2B prioritizes value, efficiency, and long-term contracts (Homburg, 2020). Both approaches help resource-constrained SMEs to use their marketing efforts efficiently. However, their application in digital-first internationalization remains not fully explored (Leonidou, 2002).

Building on these ideas, the Segmentation, Targeting, and Positioning (STP) framework offers a structured process for SMEs to identify and communicate with high-potential customer groups (Kotler & Keller, 2022). STP is a marketing framework that transforms broad markets into concrete strategies (Kotler & Armstrong, 2016). The process begins with segmentation, followed by targeting—evaluating segment attractiveness based on size, growth, profitability, accessibility, and alignment with firm capabilities (Blank & Dorf, 2020). SMEs often use cluster analysis or competitiveness matrices to prioritize segments with high lifetime value or low acquisition costs (Hunt & Arnett, 2004). Positioning establishes a unique, desirable place in the target's mind through a strong value proposition, emphasizing points-of-difference (PODs) (unique benefits) and points-of-parity (POPs) (category expectations) (Keller, 2012). Digital tools further strengthen STP precision through real-time behavioral data (Varian, 2021).

# 3 Chapter: Methodology

This chapter outlines the research design and methodological approach used in this thesis to develop a market entry strategy for Marshmellow Fabrics into the UK market. The research adopts a qualitative, exploratory single-case study approach. Given the research's applied purpose and focus on understanding the real-world market conditions affecting Marshmallow Fabrics' potential UK entry, the study adopts a practical, exploratory approach. This approach is commonly used in business research when the aim is to analyze a contemporary business situation and generate actionable insights based on available evidence (Saunders, Lewis, & Thornhill, 2019). The research is guided by the frameworks introduced in the literature review—such as PESTEL, SWOT, and market segmentation—which provide structured tools for analyzing external market factors and consumer trends. These frameworks are applied directly with secondary market data and complemented by insights from semi-structured interviews.

According to Yin (2018), single-case studies are suitable when the case is critical, unique, or revelatory, and when an in-depth understanding of the case within its real-life context is required. The main research questions, like "how do" and "what are" are descriptive, insinuating that a theory-building approach is required (inductive), rather than a theory-testing one (deductive) (Perry, 1998).

The case study research strategy is appropriate to investigate vital issues in organizational processes (Abdeldayem et al., 2023) and international business, such as foreign market entry processes (Ghauri & Firth, 2009). Marshmallow Fabrics represents a unique SME context — a Portuguese manufacturer of high-quality textiles entering a post-Brexit UK market — making it an interesting and critical case for examining the challenges, market trends, and sales channel strategies relevant to similar firms. The single-case design supports a holistic understanding of the external challenges, opportunities, and consumer trends relevant to the firm's internationalization process. Furthermore, single-case studies allow the researcher to conduct rich, context-dependent analyses that integrate multiple sources of evidence.

To address the research questions thoroughly, the study adopts an embedded mixed-methods approach, combining quantitative data (secondary data analysis) with qualitative data (in this case, semi-structured interviews). Secondary data form the foundation of the benchmark analysis and include industry reports, government statistics, academic literature, and publications from market insight organizations. These sources provide a strong foundation for the study's discussion because of their high reliability and significance. Secondary data were selected based on source credibility, publication recency, and relevance to the research questions (Johnston, 2017).

To complement the secondary data analysis and provide practical insights, semi-structured interviews with Portuguese textile companies operating in the UK market were set up. Four interviews were conducted with representatives of B2B textile manufacturers supplying fabrics to international and UK-based brands and one interview was conducted with a B2C home textile brand selling directly to UK consumers. The interviewees held commercial, managerial, or strategic roles and are directly involved in international market activities. Participants were selected using based on three criteria: (1) Portuguese textile or apparel companies, (2) presence in the high-quality segment, and (3) existing customer base in the UK market. This sampling strategy ensured participants possessed relevant experience to address the research questions regarding external challenges, consumer preferences, and effective sales channels.

Semi-structured interviews are commonly used in business and management research because they allow researchers to explore key themes in depth while maintaining sufficient structure to ensure comparability across participants and enough freedom to explore certain topics in greater depth (Saunders, Lewis, & Thornhill, 2019). This flexibility makes the method a great approach for exploratory studies in dynamic market environments (Easterby-Smith, Thorpe, & Jackson, 2018). The interviews in this study focused on external challenges, consumer purchasing behavior, and preferred sales channels—dimensions directly relevant to addressing Research Question 2. Participants were recruited via personal networks, LinkedIn outreach, and online communities. Interviews lasted on average 20–30 minutes, were conducted online, and were documented through written notes and audio summaries with participants' consent. During the interviews, follow-up probes were used when necessary to encourage participants to elaborate on their responses, provide examples, or clarify unclear points. Probing is a common technique in semi-structured interviews to ensure richer, more detailed data (Saunders, Lewis, & Thornhill, 2019). Due to scheduling constraints, one interview was conducted asynchronously in written form, with the interviewee providing written responses to the semi-structured interview guide. The remaining interviews were conducted verbally. To ensure consistency, all interviews followed the same structure and were subjected to the same analytical procedure.

Data analysis followed two parallel procedures. Secondary data were examined through a framework-guided content analysis to identify external challenges (RQ1) and to define strategic implications. Market segmentation tools were used to analyze emerging consumer groups

(RQ2). Primary data were analyzed using thematic analysis following the six-phase procedure developed by Braun and Clarke (2006). Codes were generated inductively from the data and organized into themes relating to consumer perceptions, purchasing motives, barriers, and channel preferences. The triangulation of secondary and primary data strengthened the reliability and validity of findings by enabling cross-verification across data types (Flick, 2018).

Ethical standards were maintained throughout the research process. All interview participants provided informed consent, participation was voluntary, and anonymity was ensured. Data were handled securely in accordance with GDPR guidelines. Secondary data were used in compliance with copyright requirements and properly cited according to APA conventions.

The methodology is subject to certain limitations. The limited breadth and depth range of primary data collection limits the depth of consumer insights. In particular, the small sample size is a problem for the reliability of the answers in this study. As a result, the predictions of the study are only valuable and actionable to a certain degree. Furthermore, as a single-case study, the findings are not statistically generalizable but are instead intended for analytical generalization to theory (Yin, 2018). Nonetheless, the combination of secondary data, expert-informed primary data, and established analytical frameworks provides a strong foundation for evaluating Marshmallow Fabrics' potential entry into the UK market.

# 4 Chapter: Empirical Study

This chapter presents an in-depth analysis of the UK market environment for Marshmellow Fabrics' internationalization strategy, structured around the three research questions of this study. Each subsection uses secondary market data followed by primary research findings from semi-structured interviews with Portuguese textile companies operating in the UK market, enabling triangulation of insights and evidence-based strategic recommendations.

## 4.1 Primary Data Analysis

The interview transcripts were coded inductively, following the Braun and Clarkes framework for the thematic analysis (2006). First, the interview transcripts were read to become familiar with the data and by reading finding overlapping topics. During the initial coding phase raw codes and labels from all four interview transcripts were generated, which were then organized into organized code groups during the searching-for-themes phase. These code groups were refined into 6 final coherent themes through repeated review. Table 5 illustrates the coding tree for six representative themes, demonstrating the analytical progression from raw data to thematic structure. This systematic approach ensured themes were grounded in empirical data rather than imposed from theory. The dominant patterns of the data revolve around B2B hospitality codes, which appears 23 across interviews and the unexpected prevalence of energy crisis references (17 mentions vs. 8 Brexit mentions).

| Final Theme | Example Raw Codes | Organized Code Groups | Sub-theme |
|---|---|---|---|
| **Theme 1: Brexit Impact is Business-Model Dependent** | Brexit bureaucracy; No Brexit impact (B2B); Fabrics stay in EU | Brexit operational barriers; Business model buffer; Post-chaos normalization | Brexit effect varies by supply chain position |
| **Theme 2: Energy Crisis > Brexit as Structural Threat** | €25K → €250K gas bill; Portuguese costs rising; Less competitive globally | 10x energy cost shock; Competitiveness erosion; Global threat | Structural costs exceed regulatory barriers |
| **Theme 3: B2B Hospitality is Proven Entry Path** | Torres Novas chose B2B; Hospitality customization demand; Lower acquisition costs | B2B prioritization consensus; Hospitality demand; Economic efficiency | Consumer brands enter via B2B hospitality |
| **Theme 4: Trade Fairs Obsolete Post-COVID** | Stopped trade shows; UK buyers travel less; Email/LinkedIn works better | Trade fair abandonment; Digital outreach dominance; UK travel reduction | Permanent shift to direct digital contact |
| **Theme 5: Sustainability: Dual Strategic Value** | Key opportunity (Torres Novas); GOTS/OEKO-TEX baseline (Tintex); Legislation driving change (RDD) | Hospitality differentiator; Retail baseline requirement; Certification expectations rising | Strategic value varies by channel: B2B opportunity vs. D2C table stakes |
| **Theme 6: Flexibility = Portuguese Advantage** | Small quantities feasible; 500 active clients/year; Asian MOQs too high | Low MOQ capability; Customization flexibility; Competitive differentiation | Adaptability vs. Asian volume requirements |

Table 1: Coding Tree: Interview Thematic Analysis; Source: Author's own compilation based on interview data (2025)

## 4.2 External Market Environment

Research Question 1: What are the primary external challenges Marshmellow Fabrics faces in its internationalization efforts for the UK market?

To explain the external challenges of Marshmellow when entering the UK market, a secondary analysis with empirical evidence from industry practitioners using the PESTEL Framework was conducted using high-quality data sources from Statista, Gov.uk, ONS and other reports. All these sources are internationally recognized and verified economic and consumer data.

### 4.2.1 Political and regulatory factors

The UK's political landscape is strongly shaped by post-Brexit trade regulations. Although no tariffs or quotas apply to goods moving between the UK and the EU, there have been significant changes to trade regulations (Parliament, 2025). According to Gov.uk (2021), imports from the EU require rules-of-origin documentation, import declarations, and adjusted customs procedures. These requirements significantly increase the administrative workload for SMEs with limited resources.

Gov.uk (2021) further notes that textile imports may incur tariffs if products fail to meet the preferential rules of origin under the Trade and Cooperation Agreement. This is particularly relevant for textile manufacturers sourcing raw materials globally, as they must demonstrate fiber origin to retain tariff-free access. Additionally, the UK has implemented updated labelling and compliance regulations for textile products, including fiber composition and care-label requirements, which add further regulatory burden on companies exporting to the UK. Although Marshmellow manufactures its products in Portugal, it is essential that the company analyzes its supply chain to meet regulatory requirements in the UK.

### 4.2.2 Economic Environment

Based on information provided by Gov.uk (2025), total trade in goods and services between the UK and Portugal was £11.9 billion in the four quarters to the end of Q2 2025, an increase of 6.5% compared to the same period in 2024. As of 2025, Portugal was the UK’s 27th largest trading partner in the four quarters to the end of 2025, accounting for 0.6% of total UK trade. The UK reported a total trade deficit of £4.0 billion with Portugal, down from a £4.3 billion deficit in the previous year.

A report published by AICEP and EY (2024) provides an in-depth analysis of the Portuguese textile industry. Portugal's textile and clothing sector comprises 11,835 companies employing 126.940 people and generating €8.0 billion in turnover and €2.6 billion in gross value added (EY-Parthenon & AICEP , 2024). In 2022, Portugal exported €6.0 billion in textile and clothing products, representing 8% of total Portuguese exports, with a CAGR of 3.7% between 2018 and 2022. Portugal is also the 5th-largest textile and clothing industry in Europe by revenue and the 7th-largest exporter of textile products in the European Union (EY-Parthenon & AICEP , 2024). The UK is not among Portugal's top 5 textile export partners. The main markets are Spain (23%), France (16%), Germany (9%), the USA (8%), and Italy (5%).

The UK's economic situation presents both opportunities and challenges. In the UK, the consumer price inflation (CPI) rate of 3.6% was higher than that for Germany (2.3%) and France (0.9%) in October 2025. The 12-month CPI declined from 3.8% (September 2024) to 3.6% (October 2025), showing continued moderation but still above the Bank of England's 2% target (ONS, Office for National Statistics, 2025a). On the other hand, consumers in the UK are not experiencing significant price increases in textile categories, with clothing and footwear recording the lowest inflation rate at just 0.3% over the 12-month period (ONS, Office for National Statistics, 2025a). Furthermore, retail sales volumes are estimated to have risen by 1.0% in February 2025 (ONS, 2025b). ONS (2025b) reports Non-food store sales grew strongly in February 2025, with rises across all four sub-sectors (department, other non-food, clothing, and household goods stores).

As of 2024, the UK retail sector's economic output was £114.7 billion, an increase of 1.4% from 2023 (ONS, 2025e). The Covid-19 pandemic had a major impact on the retail sector, with economic output falling by 2.9% compared to 2019. At the onset of the COVID-19 pandemic, retail sales fell dramatically as lockdown restrictions closed non-essential retail stores. Since August 2022, retail sales have generally fallen back below pre-pandemic levels, except for household goods stores, which have remained above those levels.

Online retail sales have been rising since 2008 (when ONS data began), reaching around 27% of all retail sales in Great Britain in 2022. The UK leads other European countries in the proportion of retail sales made online. For example, online purchases account for 20% of total retail sales in Germany, and the European average stands at 15% (House of Commons Library, 2025).

Beyond macroeconomic indicators, household-level spending data reveals important consumption patterns. UK households spent an average of £623.30 weekly in FYE 2024, with the wealthiest fifth spending £948.70 compared to £378.60 for the poorest fifth (ONS, Office for National Statistics, 2025a). This income disparity has important implications for market segmentation, as the poorest households allocate 27% of expenditure to housing and utilities, leaving limited discretionary income for non-essential home goods. Meanwhile, affluent households maintain purchasing power for premium products despite broader economic pressures. Food spending patterns further illustrate cost-of-living impacts: while nominal spending increased by 11%, real-terms spending remained flat, indicating households paid more for the same volume—a pattern that affects purchasing decisions across categories (ONS, 2025).

### 4.2.3 Social and Consumer Trends

In 2024, approximately 69.3 million people lived in the United Kingdom, making it the third-largest country in Europe (ONS, 2025). The median age of the United Kingdom's population has risen to 40.5 years, although it has been falling in recent years; it is expected to reach 44.5 years by 2050, indicating a substantial aging rate compared to 1950 (ONS, 2025c). Notably, Millennials – born between 1981 and 1996 – have become the UK's largest generation at 15 million as of 2024, surpassing Baby Boomers since 2019 (ONS, 2025c). This demographic is particularly significant as they represent established professionals in their peak earning years (28-43). However, there are regional differences in demographics. London, with 9.09 million residents and a median age of just 35.7 years, represents the youngest and most urban consumer segment, while regions like Southwest England have a median age of 43.7 years (ONS, 2025c).

According to Statista consumer insights (2025), UK consumers rate their economic situation more positively than negatively, with 30% rating it positively compared to 17% rating it negatively. In contrast, respondents rate their country's economic situation more negatively than positively, with 25% rating the British economic situation negatively and 21% rating it positively (Statista, 2025). When asked to identify the biggest challenges the UK is facing today, consumers answered with rising prices/inflation/cost of living (Statista, 2025).

Based on a Statista report from 2025, UK consumers place a strong emphasis on price promotions and special offers, which are still the most important purchasing triggers. These are followed by a preference for comfort and practicality, reflecting consumers' desire for function and value-driven products (Statista, 2025). Among all product categories, clothing generates the highest consumer interest, with 71% of respondents indicating it is the category they follow most closely. Clothing also represents the most frequently purchased category both offline and online, showing its importance in the UK retail landscape. In the online segment, Amazon is the most popular marketplace, followed by eBay (Statista, 2025).

The number of e-commerce users in the United Kingdom is forecast to continue to increase over the next few years. According to this forecast, in 2030, users will have increased to 62.6 million (Statista, 2025c). The revenue of the e-commerce industry in the United Kingdom is forecast to continue to increase over the next few years. According to this forecast, in 2030, the revenue will have increased for the sixth consecutive year to 159.31 billion U.S. dollars (Statista, 2025d). Understanding the consumer demographics and online behavior in the UK is crucial for selecting the appropriate sales channels and meeting consumer expectations in the digital marketplace.

### 4.2.4 Technological trends

According to a Boston Consulting Group survey (2021), only 26% of consumer products companies have successfully executed digital transformation, well below the 35% cross-industry average. This presents both challenges and opportunities for companies. If Marshmellow effectively leverages digital capabilities, it may gain a competitive advantage in an industry where most players struggle with digital execution.

The top investment priorities of companies for consumer products are next-generation marketing and smart sales. Further critical investment areas are supply chain digitization, digital support functions and operations, product innovation/smart factory, and next-generation customer service (BCG, 2021).

Moreover, consumer product companies intend to invest in a broad range of tech and human enablers. 80% of consumer product companies plan to invest in AI and big data, infrastructure and cloud enablement, cybersecurity, and continuous learning, allocating about 50% of total digital enablers spending in these areas (BCG, 2021).

### 4.2.5 Environmental and Legal

ESG and greenwashing has emerged as an important topic throughout the years. ESG - or sustainability reporting has been shown to have a positive impact on a company's reception, reputation and image (Amin, Ali, & Mohamed, 2022). The prevalence of greenwashing practices compromises the reliability of ESG disclosures, making it difficult for investors and other stakeholders to make informed decisions based on corporate sustainability information (Sneideriene & Logenzova, 2025). Greenwashing can be understood as misleading marketing practices or providing false information used by a company to create a wrong impression of environmental actions (KPMG, 2024).

According to a sustainability report by Gov.uk (2025), the UK government has been a strong supporter of the International Sustainability Standards Board (ISSB). The ISSB's aim is to provide standards that deliver comparable and decision-useful information for investors so that these can compare between companies, supporting the efficient allocation of capital, and the smooth running of capital markets (Gov.uk, 2025).

In a Guidance published by the Competition and Markets Authority (CMA) and supported by the government of UK, businesses that fail comply with consumer protection laws may be required to provide redress to any consumes harmed by the breach (CMA, 2021).

### 4.2.6 Primary Research Findings: External Challenges

Primary research with Portuguese textile companies reveals a more nuanced picture of external challenges than secondary data alone suggests. While regulatory frameworks receive significant attention in policy discussions, practitioners identify structural economic pressures and competitive dynamics as more impactful barriers to UK market success.

Brexit created initial market disruption that has largely normalized, while the energy crisis and rising Portuguese costs present ongoing structural challenges to competitiveness that exceed Brexit's impact.

As identified in Theme 3 (Brexit Impact in Busniess-Model Dependent) Brexit's impact varies significantly based on business model and value chain position. Companies shipping directly to UK customers experienced bureaucratic burden and demand volatility, while those maintaining production in Portugal/EU largely avoided Brexit complications. The initial chaos

(2020-2021) has normalized, but added friction remains. Most critically, Brexit impact is business model-dependent rather than universally challenging.

A critical finding that challenges conventional assumptions is that the Ukraine war energy crisis had greater economic impact than Brexit for Portuguese textile manufacturers:

Pedro Silva (Tintex) provided concrete evidence:

> "In 2023 in July, our monthly bill of gas was around €25,000 per month. In June the next month it was €250,000. It decreased tenfold—no, it increased tenfold because we have a fixed contract until July, and then the war broke out one year before, gas price spiked, and when that contract ended, we ended up paying 10 times more the following month."

The energy crisis had a major impact on Portuguese textile companies, particularly those manufacturing in Portugal due to the energy-intensive nature of textile production. While Brexit primarily created bureaucratic challenges that were temporary, the energy crisis—driven by high inflation—has had a more lasting and significant impact that continues to be felt today.

The energy crisis forms part of a broader pattern of declining Portuguese competitiveness: Pedro Silva (Tintex):

> "Cost of living in Portugal has increased relatively a lot... the competitiveness of the Portuguese textile industry is not as big or strong as it was maybe four or five years ago. Is it specific to the UK? No, it's global, it's generic."

The combination of rising domestic costs and Brexit-related import duties may be shifting UK sourcing patterns: "If we add Brexit to that and some logistics and import duties also increased for the UK, then maybe they started to source more from Asia because cost for cost, it was much more beneficial to buy from Asia." This represents a structural competitiveness challenge rather than a UK-specific barrier. Portuguese textile manufacturers face erosion of their traditional cost-quality position relative to both Asian competitors (cost) and established European producers.

In addition to cost-related pressures, sustainability requirements emerged as a macro-environmental constraint shaping market participation rather than a source of competitive differentiation. Interviewees emphasized that sustainability standards are increasingly driven by legislation and brand-level compliance requirements and apply broadly across European markets, rather than being specific to the UK. As one interviewee noted, “legislation plays a very important role… what we have available to choose is decided by brands, not consumers. We don’t feel direct consumer influence” (RDD-Ana). This suggests that sustainability compliance functions as a baseline condition for market access, particularly in B2B contexts, rather than as a factor directly influencing consumer-driven demand.

Overall, the main external challenges for Marshmellow Fabrics are cost-related pressures, such as inflation and energy prices, and have a greater strategic impact on competitiveness than regulatory changes. This suggests that, for Marshmellow Fabrics, pricing strategy and cost control are more critical for UK entry than regulatory adaption.

## 4.3 Home textile market analysis

Research Question 2: How do UK consumer preferences and market trends shape the demand for Marshmellow Fabrics' textile products, and what opportunities do these present for market entry?

This chapter presents a comprehensive analysis of the UK market environment for Marshmellow Fabrics' internationalization strategy, structured around the three research questions guiding this study. The analysis draws on multiple data sources including government statistics, industry reports, and primary research to evaluate external challenges (RQ1), market opportunities and consumer preferences (RQ2), and optimal sales channel strategies (RQ3).

The UK home textile market represents a substantial economic sector valued at $7.62 billion in 2025, with projected growth to $8.33 billion by 2030, reflecting a compound annual growth rate of 1.78% (Mordor Intelligence, 2025). This moderate but stable growth trajectory is underpinned by unavoidable replacement cycles for bedding and bath textiles, sustained wellness-oriented consumer behavior following the pandemic, and gradual recovery in hospitality sector refurbishments. Within this market, bed linen dominates with 46.36% share, followed by bath linen, kitchen textiles, and upholstery. Cotton remains the predominant material choice at 66.39% market share, though sustainable alternatives including bamboo-hemp blends are experiencing accelerated growth at a 9.88% growth rate, indicating a change consumer preferences toward environmentally conscious purchasing.

Market segmentation reveals distinct opportunities across end-user categories and distribution channels. The residential segment accounts for 79.50% of current demand, driven by home-focused millennials and hybrid work arrangements that elevate the importance of domestic comfort. However, the commercial hospitality segment presents the fastest growth opportunity at 8.28% CAGR through 2030, as hotels, care facilities, and student accommodations undertake post-pandemic refurbishments with heightened emphasis on antimicrobial and performance textiles (Mordor Intelligence, 2025). From a distribution perspective, offline retail maintains 63.24% share in 2024, yet online channels are expanding rapidly at 12.13% CAGR, propelled by enhanced augmented reality visualization tools, frictionless returns infrastructure, and social commerce integration via Instagram and TikTok platforms.

Key growth drivers include millennials' focus on wellness and "home sanctuary" aesthetics, driving demand for temperature-regulating and hypoallergenic premium textiles. E-commerce continues to grow, supported by improved product visualization and more convenient last-mile delivery options. This increases consumer confidence when purchasing textile products online. At the same time, consumers' willingness to pay for sustainable products has risen, allowing textiles made from certified materials to command price premiums of around 10–15%. In addition, duty-free access for certain trade partners has improved price competitiveness for suppliers. (Mordor Intelligence, 2025). On the other side, several factors make it harder for international companies to enter the UK market. High inflation has created a persistent cost-of-living pressure for middle-income households. Additionally, the cost volatility for cotton and freight further squeezes profit margins. Moreover, products used in commercial settings need to meet stringent UK fire-safety compliance requirements, which can lead to higher cost for both parties. Brexit also led to more paperwork, custom checks, increasing administrative work for vendors.

The competitive landscape is characterized as moderately fragmented, with established omnichannel retailers including Dunelm, John Lewis, and Marks & Spencer defending market position through vertically integrated design, private label exclusives, and loyalty program data analytics. Simultaneously, digital-native brands such as Piglet in Bed and Soak & Sleep are capturing share among younger consumers through transparent pricing, sustainability storytelling, and nimble social-commerce strategies (Mordor Intelligence, 2025). For Marshmellow Fabrics, this competitive structure reveals positioning opportunities: a gap exists in the accessible premium segment (£60-110 price range) for authentic European artisanal brands differentiated through Portuguese craftsmanship heritage, verified sustainability credentials, and digital-first convenience—areas where neither mass-market value players nor traditional premium retailers currently dominate.

### 4.3.1 Primary Research Findings: Consumer Preferences in Home Textile Market

Interview findings suggest that UK consumers approach the home textile market with a strong value orientation. At the same time, they are highly price-sensitive, meaning they pay close attention to the balance between price and quality. When a product performs well, UK consumers tend to remain loyal to the brand and make repeat purchases. For Marshmellow Fabrics, this implies that the company should focus on long-term customer adoption by emphasizing product longevity and quality, rather than prioritizing short-term trends.

All interviewees confirmed that sustainability has become a baseline expectation in the UK home textile market (see Theme 3). Certifications, traceability, and responsible sourcing were described as necessary conditions for market participation, particularly in mid- to premium segments. Pedro Silva (Tintex) explained: "Every production must be OEKO-TEX compliance or comply with ZDHC chemical requirements... if you want to use organic cotton, it has to be certified by GOTS or OCS."

Moreover, Joana from Torres Novas argues that „Sustainability represents a key opportunity, particularly demand for ethically produced, traceable, and long-lasting textiles. There is also growing resistance to fast fashion, especially within the hospitality sector, where quality and longevity are prioritised."

Competition is also described as fierce. Even though Torres Novas acquired a company already operating in the UK, it also faced strong market competition. RDD and Tintex state that competition is mainly international, particularly from Turkey and Asia, with Asian companies mostly competing in the low-to medium- market segment. The opinions on international competition slightly differ between interviewees, a reason why this topic is not elaborated on in more detail here.

Interview findings validate secondary data on hospitality opportunities. Torres Novas emphasized boutique hotels frequently require bespoke specifications even in small quantities, aligning with Portuguese manufacturers' flexibility advantages.

This suggests that for Marshmellow Fabrics, sustainability should be positioned as a credibility factor rather than a core selling point, supporting — but not replacing — value and quality propositions.

## 4.4 Sales Channels for Market entry

RQ3: Which sales channels are most effective for reaching Marshmellow Fabrics' target audience in the UK?

This section examines sales channels and market entry options in the UK home textile market. Instead of providing a detailed overview of available distribution channels based on secondary data, the analysis focuses on empirical findings regarding channel effectiveness, strategic fit, and operational challenges. This approach allows for a more practice-oriented assessment of market entry strategies relevant to Marshmellow Fabrics.

According to a Statista Report (2024a), the UK is one of the most digitally penetrated home décor markets. The Home Décor market comprises a range of home decorative items and furnishings, including furniture, lighting fixtures, textiles, accessories, and other decorative products. The UK shows a home décor e-commerce penetration rate of 21.27%, ranking among the top three globally.

The report shows that online sales accounted for approximately 30% of global home décor revenue in 2024, while offline channels still represented around 70% of total sales. In Europe, home décor e-commerce sales amounted to approximately USD 9.97 billion in 2024 and are projected to grow to around USD 15.9 billion by 2029, indicating the increasing strategic relevance of digital sales channels despite the continued importance of offline retail (Statista, 2024a).

### 4.4.1 Primary Research Findings: Sales Channels

All companies including consumer brands Torres Novas, prioritize B2B Channels for UK entry. Interview findings highlight the importance of B2B-oriented and relationship-based sales approaches in the UK market, particularly within the hospitality segment. The interview with Torres Novas emphasized that boutique hotels frequently require bespoke product specifications, including customized sizes, colors, and branding, even when ordered in relatively small quantities. This demand structure aligns closely with the flexibility and production adaptability of Portuguese home textile companies, allowing them to leverage customization and craftsmanship as a competitive advantage rather than competing on price alone.

Since the Covid-19 pandemic, B2B companies have increasingly shifted toward different sales channels. Trade fairs have lost effectiveness, as UK buyers reduced international travel more significantly than buyers in other markets. As a result, the dominant sales model now relies on direct digital communication through email and professional networks such as LinkedIn, complemented by sample selection and testing with buyers and in-person meetings for key accounts.

As mentioned by Joana, online marketing channels have been described as playing only a minor role in the internationalization process of a company, merely boosting brand awareness rather than increasing sales. Tintex also made a small venture into online sales channels, selling its products through an online shop, but later terminating the venture stating that it wasn't for them and that it was barely self-sufficient. Rui from RDD even stated that digital marketing and e-commerce played no role in their UK entry market strategy.

The interview findings suggest that a pure direct-to-consumer (D2C) market entry strategy may present significant challenges for Marshmellow Fabrics in the UK. Notably, even Torres Novas—a consumer-oriented brand with retail potential—has deliberately prioritized B2B engagement within the hospitality sector for UK market entry (See Theme 3). By enhancing B2B channel strategies during market entry, Portuguese SMEs tend to achieve greater initial success. The reasons for this success include low variable costs, more stable long-term contracts, and the ability to operate without a local UK presence. In addition, B2B models align closely with the customization and flexibility advantages of Portuguese producers, especially with Marhshmellow Fabrics' white label product. These findings indicate that a phased market entry approach may be more suitable, whereby a B2B foundation—particularly in hospitality through platforms such as Faire and direct outreach—is established alongside a parallel, longer-term development of D2C channels, allowing consumer demand to emerge as brand awareness increases.

The consensus of the interview findings is that focusing on B2B is the preferred approach. Even more consumer-focused companies, like Torres Novas, have adopted this form of market penetration. This suggests that Marshmellow Fabrics should not follow the typical direct-to-consumer strategy and should instead start with B2B in stages, gradually expanding its business operations once the market has been penetrated.

# 5 Chapter: Discussion

This chapter interprets empirical findings, connecting them to theoretical frameworks from Chapter 2 and providing strategic recommendations for Marshmellow Fabrics' UK market entry.

Portuguese textile companies cited both push factors (market saturation) and pull factors (UK premium demand, English accessibility) as internationalization motivations, aligning with Hollensen's (2011) proactive-reactive framework. However, empirical findings reveal unexpected challenges that diverge from conventional internationalization literature.

While PESTEL analysis suggested Brexit regulatory complexity as the primary challenge, interview evidence reveals that structural economic pressures exceed regulatory barriers. While Brexit generated bureaucratic challenges; however, these have decreased and do not seem to differ from those faced by other european countries, whereas geopolitcal tensions, such as wars, have had a longer lasting and stronger impact on the competitiveness of portuguese textile companies.

This finding challenges Dunning's (1980) OLI paradigm, which emphasizes ownership advantages, choosing the right location and internalizing operations as primary internationalization determinants. Instead, evidence shows that push and pull factors, such as macroeconomic conditions play a greater role in the decision to expand internationally. The digital OLI framework (2021) provides a more accurate explanation of this context, as linkage advantages—such as access to B2B networks and platform integration—combined with operational flexibility allow Portuguese suppliers to serve UK markets remotely from Portugal. This reduces the need for physical market presence and, consequently, reduces the regulatory impact of Brexit. For Marshmellow, this means the primary challenge is maintaining value-based pricing despite Portuguese inflation. The company must emphasize differentiation through customization, quality, and flexibility—competitive advantages validated through

Resource-Based View (1991) as VRIN resources that Asian competitors cannot replicate economically.

Interview findings show UK consumer preferences emphasize price-quality-durability relationships over short term market trends. Most critically, sustainability operates differently by channel: Torres Novas identified it as a "key opportunity" and premium differentiator in B2B hospitality, while fabric suppliers described certifications (GOTS, OEKO-TEX) as "baseline expectations" in retail—necessary but insufficient for differentiation. This channel-specific dynamic validates market segmentation theory (Kotler, 2024) while revealing that B2B and B2C segments respond to sustainability claims through fundamentally different value proposition logics.

Boutique hotels' demand for "customized sizes, colors, branding in smaller quantities" directly aligns with Portuguese flexibility advantages. This capability constitutes what Barney (1991) defines as a sustainable competitive advantage: Marshmellow's white-label service is rare in the accessible premium segment, valuable to hospitality clients needing bespoke solutions, The Ukraine war energy crisis fundamentally changed Portuguese competitiveness, with Tintex documenting a tenfold gas cost increase. Critically, Brexit's impact proved business-model dependent. B2B fabric suppliers experienced minimal disruption as fabrics remain in the EU/Portugal for manufacturing, while Torres Novas faced bureaucratic burden shipping finished goods directly to UK consumers. imperfectly imitable due to Portugal's unique textile ecosystem combining craftsmanship with modern manufacturing, and non-substitutable as digital platforms cannot replicate physical customization capabilities.

When it comes to market segmentation, the findings align with the literature, particularly regarding the fact that B2B segments are relationship driven (Lilien, 2016). This is highlighted in several interviews, for example by Joana from Torres Novas, who emphasizes that "direct B2B relationships cannels have proven the most effective channels, supported by trade fairs and industry networks. Furthermore, adapting to a changing environment and understanding cultural differences are essential for effective relationship building. Ana notes that UK customers differ from Spanish consumers and that COVID-19 has had a lasting impact on how customers can be reached. More precisely, UK consumers "are slowing down on visits that they do to suppliers", requiring a more dynamic approach towards outreach, for example via email or selective in-person meetings.

In terms of weaknesses related to internationalization, Marshmellow Fabrics faces limited brand awareness in the UK market. This challenge is particularly significant if the company chooses to pursue a direct-to-consumer (D2C) strategy, as such an approach would require the mobilization of substantial resources that may not currently be available or necessary in other areas of its operations. As a result, this could increase the level of risk associated with its market entry.

Opportunities for Marshmellow Fabrics are centered on leveraging its unique “Made in Portugal” storyline and capitalizing on the growing demand in the UK hospitality sector for customized and flexible textile solutions. Additionally, remote B2B engagement can help lower market entry barriers by reducing costs and minimizing the need for a physical presence, which aligns with literature suggesting that digitalization can overcome spatial constraints (Coviello, 2017).

Interview findings conclude on a counterintuitive conclusion: B2B hospitality via direct digital outreach represents optimal entry, contradicting D2C common approach. Even consumer brand Torres Novas prioritized B2B hospitality for UK entry. Trade fairs "lost power" post-COVID as UK buyers reduced international travel more than other markets. All interviewees shifted to email/LinkedIn outreach and selective in-person meetings. This UK-specific shift supports Vahlne's (2020) revised Uppsala Model, which emphasizes network coordination and dynamic capabilities over physical presence and gradual geographic expansion.

As a single-case study, findings offer analytical rather than statistical generalization (Yin, 2018). The interview sample (n=4) focused primarily on B2B fabric suppliers, with limited D2C representation. No direct UK consumer research was conducted. Insights derive from practitioner perspectives. Contextually, findings reflect post-COVID, post-Brexit, post-Ukraine war conditions that may evolve. Despite limitations, the triangulation of secondary data, practitioner interviews, and theoretical frameworks provides a robust foundation for Marshmellow's strategic decision-making.

# 6 Chapter: Conclusion and Outlook

The interview findings and theoretical analysis indicate that a B2B-oriented market entry approach offers the most effective initial market entry for Marshmellow Fabrics’ internationalization into the UK. Across interviews findings, hospitality-focused and white-label business models consistently emerged as more compatible with the competitive realities faced by Portuguese textile SMEs than immediate direct-to-consumer expansion. This is reflected by a combination of favorable market conditions, firm-specific risk aversion, and limited resources rather than a single dominant factor. From a market perspective, the UK presents stable demand conditions characterized by relatively high purchasing power and moderate growth in the home textile sector, making it ideal for a brand operating in the mid- to premium- market segment. From a firm's perspective, Marshmellow's white-label manufacturing capability, particularly its ability to deliver customized solutions in smaller production runs than competitors, makes it a valuable and difficult-to-replicate resource. This has been proven as an effective measure by other firms. At the channel level, interview evidence demonstrates that B2B hospitality engagement via direct digital communication, for example through email outreach, enables market access with lower customer acquisition costs and limited resource commitment, supporting interpretations of internationalization based on digital linkage advantages rather than physical presence. Resource allocation to HR, especially a highly skilled sales team, may be the most effective way to achieve a rapid B2B market penetration.

In contrast, it has also been shown that a pure D2C market entry strategy can appear as less attractive by the empirical evidence collected in this study. The interview sample was predominantly composed of B2B-oriented textile firms, with limited representation from consumer-facing home textile brands, and no primary research was conducted directly with UK consumers, which can result in a sample bias. While secondary data highlights the UK's advanced e-commerce adoption and long-term digital growth potential, the findings suggest that consumer-oriented channels are more appropriately approached as a complementary, longer-term development rather than a primary entry mode. At the same time, not enough information was gathered to fully comprehend how online channels might be useful in a market entry strategy for Marshmellow Fabrics. Overall, the research supports a gradual internationalization method in which B2B hospitality engagement provides market learning, revenue stability, and brand credibility, while D2C channels may evolve over time as awareness and demand increase. This sequencing reflects observed industry practice among established Portuguese textile firms and aligns with contemporary internationalization theory emphasizing incremental commitment, network relationships, and capability alignment.

Although UK's e-commerce infrastructure indicates long-term potential for consumer-oriented expansion, further research is needed to evaluate the feasibility and scalability of D2C approaches in the home textile sector. Future studies incorporating direct consumer research and cases of successful D2C market entry could provide deeper insight into how B2C channels may complement a B2B-led internationalization strategy over time.

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# 8 Appendices

## Appendix A: Interview Guide

Section 1 — **Intro**

Can you briefly introduce your company and your role?

When did your company expand into the UK market, and what motivated this move?

Which products does your company focus on for the UK market?

Section 2 — **External Challenges**

What were the main challenges your company faced when entering the UK market?
(Probe: regulatory, logistics, certification, competition, customers, Brexit)

How did Brexit affect your market entry or operations, if at all?

Were there any unexpected barriers when entering the UK market?
(Probe: customs, currency, documentation, taxes, distribution partners)

From your experience, what should new entrants be prepared for when expanding into the UK textile sector?

Section 3 — **Market Trends & Consumer Behaviour**

How would you describe the current demand for portugues textiles in the UK?
(Probe: Are UK customers price-sensitive? Are they sustainability-driven?)

What characteristics or values do UK buyers (B2B or B2C) typically prioritise?
(Probe: quality, certification, sustainability, timeline, cost)

Have you observed any specific trends in the UK textile market that are different from other markets you operate in?

Section 4 — **Sales Channels**

Which sales channels have been most effective for reaching customers in the UK?
(Probe: distributors, direct sales, agents, e-commerce, marketplaces, retail partnerships)

Did you make use of e-commerce or online marketplaces when entering the UK? Why or why not?

What advantages or disadvantages did you experience with each channel?

If a new textile company were entering the UK today, which channels would you recommend and why?

Section 5 — **Success Factors & Recommendations**

What were the most important success factors in your UK expansion?

Is there anything you would do differently if you were entering the UK market today?

Do you have any advice for textile SMEs considering expansion to the UK market?

Section 6 — **Closing**

Is there anything we did not cover that you believe is important for understanding the UK textile market?

May I contact you if I need a brief clarification later?

# Appendix B: Interview Sample Overview

Table 2: Interview Sample Profile

| Company | Company Profile | UK Market Presence | Interviewee | Role & Responsibility |
|---|---|---|---|---|
| **Torres Novas** | Home textiles manufacturer (bath, bedlinen); mid-to-premium segment; consumer-facing brand with B2B hospitality focus | Active UK presence; entered via acquisition of Portuguese company operating in UK | Joana | Account Manager; responsible for B2B client relationships and UK hospitality market development |
| **RDD Textiles** | Fabric developer within Valerias Group (one of Portugal's largest textile groups); R&D-focused innovation in sustainable materials; B2B fabric trader to medium-high fashion brands | Long-standing UK presence; supplies major UK fashion brands; multi-year partnerships with medium-to-luxury segment | Ana Tavares & Rui Simões | Ana: Chemical Engineer (10+ years); product development & technical support<br>Rui: Sales & Business Development; brand prospecting & market strategy |
| **Tintex Textiles** | Family-owned vertically integrated manufacturer (knitting + dyeing/finishing); founded 27 years ago; jersey fabrics for fashion; 500 active clients annually | Active UK market; direct brand relationships; 30% direct export, 70% via Portuguese manufacturers to international brands | Pedro Silva | Head of Communication Corporate; oversees sales, product development, marketing, and sustainability strategy |