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Carlos Santos

Developing a strategy for an own brand of
Portuguese Handmade Shoes

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Abstract

Title: Carlos Santos - Developing a strategy for an own brand of Portuguese Handmade Shoes

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Working in the Footwear industry since 1942, Carlos Santos launched a few years ago his own brand in the luxury international market offering a high-end quality shoe for the masculine segment.

The business was based on private label contracts and in 1990 the company started producing Goodyear Welted shoes under its own brand named Mackjames.

After a few years, the company decided to change the brand's name to Carlos Santos Shoes. By adopting a Portuguese identity, the company had then established a starting point for a new Portuguese Handmade shoe brand.

Carlos Santos Shoes is now an internationally known brand due to its Goodyear Welted shoes produced with the finest raw materials and exclusive details. Spreading its sales across the world, the company has established a solid position in Europe and keeps growing to Asia and the USA.

This dissertation describes the evolution of the company since the shift from a private label based business to the creation of the own brand. By the re-organization of resources, the company was able to develop a strategy for its own brand creating and developing new capabilities at the same time.

Resumo

Título: Carlos Santos - Developing a strategy for an own brand of Portuguese Handmade Shoes

Autor: Maria Inês Cardal

A trabalhar na indústria do calçado desde 1942, Carlos Santos criou há alguns anos atrás uma marca própria para o mercado de luxo internacional, oferecendo um sapato de gama alta para o segmento masculino.

O negócio assentava em contratos de private label e em 1990 a empresa começou a produzir sapatos Goodyear Welt através da marca própria com o nome de Mackjames.

Após alguns anos, a empresa decidiu mudar o nome da marca para Carlos Santos Shoes. Ao adoptar uma identidade portuguesa a empresa deu assim o primeiro passo para a nova marca portuguesa de sapatos handmade.

Carlos Santos Shoes é hoje em dia uma marca conhecida internacionalmente devido aos seus sapatos Goodyear, produzidos com os materiais mais requintados e detalhes exclusivos. Com vendas em todo o mundo, a empresa apresenta já uma posição sólida na Europa, continuando a crescer para a Ásia e USA.

A presente dissertação descreve a evolução da empresa desde a mudança de private label para marca própria. Com a re-organização dos recursos, a empresa desenvolveu uma nova estratégia para a marca própria criando e desenvolvendo novas capacidades.

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List of Abbreviations

APICCAPS - Associação Portuguesa dos Industriais de Calçado, Componentes, Artigos de Pele Sucedâneos

B2B - Business to Business

B2C - Business to Consumer

CEO - Chief Executive Officer

DC- Dynamic capabilities

KSF - Key Success Factors

RBV - Resource based view

VRI - Valuable, rare, inimitable, organization

VRIO - Valuable, rare, inimitable, organization

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I. Case Study

Started as a simple worker at the shoe factory Zarco located in São João da Madeira, Carlos Santos now runs a luxury men footwear company exporting 99% of its production worldwide. From Europe to Japan, USA and the Middle East, Carlos Santos is selling a luxury shoe collection to the modern and classical men, offering models that range from the most classical to casual and sporty.

Known for its quality and high-end shoe collection the brand produces under the Goodyear method with artisans playing the main role in the manufacturing process. Attention to the detail is one of the key features of Carlos Santos and each pair of shoe is tested and submitted to a high standard quality control. With more than 200 production steps involved in each pair of shoe, the brand also sells a lifestyle and a status that can be priced between 300€ and 5000€ depending on the materials used.

Carlos Santos is a familiar business that is still splitting its production together with private label. With 10 Million euros of sales volume in 2016 the company focuses on investing and developing the 100% Made in Portugal brand reaching new markets with a B2B model.

1. Market Overview

The footwear industry represents one of the most important sectors for Portuguese economy. In 2016 Portugal exported more than 81.6 billion pairs of shoes having a growth rate of 3.2% over 2015¹. The main destinations of Portuguese exports are France, Germany, the Netherlands, Spain and the UK. 75% of Portuguese footwear exports are leather followed by rubber and plastic with 11%.² The Portuguese footwear industry is recognized for its quality, design and innovation. The industry employs 38 661³ people and the factories are mainly located in the North of Portugal where companies can have easier access to services, materials and qualified workforce. Over the last 10 years, more than 342 Portuguese footwear brands were created.⁴

The outlook for Portuguese Footwear is to become a reference for the industry worldwide by its quality, flexibility, quick response, design and innovation.

¹ APICCAPS: Facts and Number 2017

² The World Footwear 2016 Yearbook

³ APICCAPS: Facts and Number 2017

⁴ Portuguese Footwear Technological Centre

Worldwide, the footwear production is 87% focused on Asian countries followed by South America with 5%, Europe with 4%, North America and Africa each responsible for 2% of the production. China is still the number one exporter having 40.3% of global total exports, followed by Vietnam (11,8%), Italy (7,6%) and Portugal as number 13th in the ranking with 1,6% of global total exports. Regarding consumption, Asia keeps increasing its footwear consumption (53%) and China continues to be the largest footwear market. On the other hand, Europe and North America's consumption is still at a higher level than their population.⁵

Regarding the luxury market, there was a growth of 4% in 2016, estimating €1.08 trillion in retail sales. However, the luxury consumption of personal goods had a flat growth comparing with segments such as luxury cars, luxury hospitality, fine wines, spirits and fine food.⁶ Customers shifted their consumption towards luxury experiences in the past few years. The Americas are still the number one consumption for personal luxury goods despite decreasing the consumption by 3%. In Europe there was a decrease of 1% in consumption.⁷

2. The Company

2.1. The Birth of the brand

In 1942, Carlos Santos, at the age of 14 years, started working at the shoe factory based in Northern Portugal, in the packaging department.

Due to his capacity and effort he stood out from the rest his co-workers. Was first promoted for the accounting department back at the office and then as a shoe seller in the Portuguese market.

From a successful seller, selling shoes in a cab, to becoming a partner of the company in 1986, Carlos Santos is now the only owner of Zarco and the man behind an international luxury shoe brand that was already worn by the Dutch Prime Minister Mark Rutte and the Italian singer Andrea Bocelli.

With a private label based business, Zarco first launched its own brand in 1990. In order to sell to the international market, the management team opted for an international name for the brand that could easily succeed abroad. At that time, Portugal and Portuguese products were not perceived as a sign of quality and luxury so the company launched Mackjames starting its international expansion in the French market.

⁵ The World Footwear 2016 Yearbook

⁶ <http://www.bain.com/publications/articles/luxury-goods-worldwide-market-study-fall-winter-2016.aspx>

⁷ <http://www.bain.com/publications/articles/luxury-goods-worldwide-market-study-fall-winter-2016.aspx>

In 2008, due to a lack of DNA⁸ and story of the brand they stopped manufacturing under the brand Mackjames and launched a new brand named Carlos Santos Shoes, selling mainly in the international market.

2.2. Product evolution

Since the beginning, Zarco was one of the few factories in the country producing a type of shoe called moccasin, and therefore known for its expertise. Later on, the factory started producing another level of shoes with the Blake Stitch and then in the 90's they started producing with the Goodyear Welt method, one of the finest methods of shoe manufacturing.

The Goodyear Welt is mainly a handmade type of production with a small machinery component, however, it needs human intervention in more than the 200 steps of production. Switching to this method involved a reorganization of company's resources, a large investment was made in order to upgrade the materials used, train the workforce and adapt the production process.

With such exclusive and exquisite products, Carlos Santos has its focus on the luxury segment of the men shoe market, offering products to a very exclusive customer in a niche market.

From that moment on, the company started investing in the quality and exclusiveness of the raw materials such as Italian and French leather and also in the qualification and specialization of the workers at the factory.

With values such as Passion, Energy and Inspiration, the company works every day to deliver a "work of art" to all its customers around the world. With high quality and attention to the detail the brand aims to keep on growing internationally as a shoe brand reference in this niche market.

3. Running the business

With 110 employees the company does almost all activities in house. From the production process, to the marketing and operational departments, the shoes are produced from scratch at the factory located in São João da Madeira. All these processes are developed with passion and dedication that motivates the team every day to always push further and offer the most exquisite shoe in the market.

⁸ Armando Santos

As a family owned business the core of the company is still Carlos Santos and together with his two sons they keep driving the company to success.

With a classical shoe that relies on the artisans for all of its quality and aesthetics the company itself keeps its traditional values and standards in its daily work life. However, the second generation of the company, Carlos Santos's son and daughter, brought an innovative spirit to the business. The marketing department was created and the business started to have more clear lines when it comes to the strategy and approach to the market.

3.1. The competitive niche

With 99% of exports, the company draws its attention on the international market.

“Unfortunately, this niche market doesn't exist in Portugal. Here, the customer searches big brands such as Louis Vuitton, Gucci, Prada etc.” (Armando Santos, Product Manager)

In Portugal there are only 5 shops that sell Carlos Santos's shoes located in Lisbon, Porto, Cascais, Braga and Coimbra.

However, in the long term, the company plans to open up a Carlos Santos's store either in Porto or Lisbon, representing the success of the brand and the pride of being a Portuguese brand.

Regarding the international market, because it is a Portuguese brand, the company has to fight for its position and reputation in the market. The “Made in Portugal” is still underestimated by the customers even with its high standards of quality.

To stay competitive in the market, the brand needs to keep a competitive price regarding its competitors offering simultaneously the same quality and high-status product.

The company manages to deliver a product with the same quality and same raw materials that competitors deliver but with a more competitive price. Because it's “Made in Portugal” the company needs to stand out from the rest of the players in the market with better quality, price and aesthetics. In order to do that, high attention to detail and a demanding quality control are needed.

Operating in the luxury market demands a high level of quality of the product and customer and after sales service that the Portuguese brand has been able to provide and succeed among its customers. In this segment of the market the customer knows exactly what he is buying and he is very particular when it comes to the quality and exclusiveness of the product. In fact this industry does not compete with the growing brands “Made in Asia”, that has been

affecting the shoe industry for the last 10 years. The customers is still looking for the best and most exquisite product in the market and not for more affordable brands that cannot match exactly the quality and details of the brands in this niche market.

*“It is possible to enumerate the few factories in the world that produces this type of shoes.”
(Armando Santos, Product Manager)*

The main competitor’s brands are brands that have a similar production process, mainly handmade with a small machinery component. Carlos Santos’s segment is aligned with brands like Santoni, Church, Edward Green and Allen Edmonds.

However most part of these brands exist for almost 100 years and their Italian, English and American nationality plays an important role when it comes to status and awareness of the brand. They already have a solid positioning in the market and are well known by the customer.

Edward Green is an English brand based in Northampton. Born in 1980 the company has created a reputation of quality, exclusiveness and prestige. 60 craftsmen help producing 350 models each week. Also using the Goodyear welted method, the company produces timeless models and served customers like Ernest Hemingway and Edward, Duke of Windsor.⁹ The company chooses the finest boutiques and department stores to sell its products together with its owned stores in Paris and London. The product line goes from men and women footwear to belts, scarves, briefcases, wallets and shoe care equipment.

Santoni is an Italian brand founded in 1975. With over 490 employees and a 55 million euros turn over¹⁰, the company offers tradition and innovation in each model. The company also offers a bespoke¹¹ service and sells their shoe collection¹¹ in boutiques and flagship stores for both men and women.

Church is an English shoe brand created in 1873. The company offers both men and a women collection together with briefcases, bags, wallets and belts. Prada Group acquired Church’s in the end of 1990s¹². The company sells over owned stores and retailers around the world.

Allen Edmonds was founded in 1922 in the US, Wisconsin. Also with a heritage of quality, service and expertise in the industry the company nowadays splits the production between the

⁹ <http://www.edwardgreen.com>

¹⁰ <https://jingdaily.com/santoni-ceo-giuseppe-santoni-tells-why-now-is-the-time-for-artisanal-shoes-in-china/>

¹¹ Custom made shoes

¹² <http://www.church-footwear.com/it/en>

Dominican Republic and the US.¹³ The end part of the production process is made in the US in order to assure quality control and also the Made in US label. The company sells all over the world through retailers and offers an extensive product line that goes from shoes, belts, briefcases, bags and clothes.

Although Carlos Santos cannot compete with these brand's history and nationality it can compete with the quality, comfort, durability, exclusive materials and variety of models offered. Until a few years ago, while these traditional companies provided the same standard Goodyear models within their normal collection, Carlos Santos has been launching entire collections year after year with different models and finishing touches. Also, producing in Portugal brings a cost advantage regarding its competitors that run their production in England, Italy and USA. Has a handmade and traditional product, the quality control has to be taken seriously. That's the reason companies insist on maintaining its production locally. Carlos Santos can therefore assure quality control thanks to its expertise workforce and take advantage of the low production costs. By offering a more competitive product to the company can position the brand easily in the market and slowly gaining market position.

3.2. The customer

As a high-end shoe producer, the company targeted an older segment of the masculine market, men from 45 years old on, modern, stylish and looks for quality and exclusiveness. Nowadays, the brand broadened their target audience to 30 years old on, providing an elegant and timeless shoe that can be worn in every occasion, from a business meeting to an informal lunch with friends.

“An exclusive product for a exclusive customer. “ (Carlos Santos, CEO)

This exclusive customer demands the maximum quality and has the knowledge about the product, the raw materials and even the production process of the shoe. Therefore, the communication of the brand needs to be though trough every detail, it needs to be sophisticated and it needs to depict the product as it is. The client values the way the product its produced, how, the materials used, where is it from and the story it tells. Serving a client with such knowledge about the product becomes an every day challenge for the brand to satisfy and overcome his expectations and to guarantee its customer's loyalty.

¹³ <https://www.allenedmonds.com/home>

The main brand's communication channels are the digital platform, website and facebook, trunk shows and fairs where the brand introduces the collections to the retailers.

The company participates in the most known and prestigious footwear fairs in the world. From Las Vegas, Tokyo, Paris, London and to famous MICAM¹⁴ in Milan, the company presents its collection to the clients¹⁵ and also promotes the brand and its story to new clients.

3.3. In-house operations

The brand is composed by two lines, one is called Santos by Carlos Santos and the other one is called Carlos Santos Handcrafted. While the first one is available on the website and stores, its prices are between 200€ and 500€, the second line is more exclusive and the customer can only find it in several boutiques that sell Carlos Santos Shoes around the world, a pair from this line can go up to 5000€ depending on the type of leather used.

The company launches two collections per year, each one with 60 to 80 models and the annual production is around 100 thousand pairs divided between the brand Carlos Santos and private label.

Although the women collection have always existed, it's composed just by a few models since the company's main target is the masculine shoe market. The brand is not strong enough in the feminine shoe market. Although not being the Carlos Santos's main focus, the company plans, in the long run, on investing in this segment of the market.

Carlos Santos also offers small collections of bags, belts and shoe care equipment as an extension of its product line. The company also has licenses on molds and on two shoe models.

The production is all placed in house and the company makes sure to be apart of every stage of the production. From the designing process, to the choice of materials, the cutting and sewing until the shoe is ready to leave the factory a quality control is applied to every stage in order to avoid extra costs. Only the raw materials are bought from long term international suppliers like the French box calf leather¹⁶ for the high-end shoes and Italian leather for the casual and sneakers shoe line. The leather sole is bought to a national supplier once is the best price/quality option in the market. The quality of the raw materials is essential to the quality

¹⁴ The most important international footwear fair in the world where the medium-high and high-end shoe collections and trends are presented to the market

¹⁵ Retailers, once the brand operates with B2B

¹⁶ This type of leather is used to produce the most quality high-end men shoes. This leather comes from the hides of calves.

of the shoe therefore the relationship between the company and suppliers needs to be assured. Suppliers that can offer the leather with the high standards of quality this niche demands are difficult to find and when finding them is also difficult to assure the quantities needed for production.

The technology in this type of product is secondary, the main work is performed by the artisans. As a traditional manufacturer, the technology and innovation departments only play a minor role in the value chain. The best way to produce this type of shoe is with traditional machinery. Although technology is not a concern for the company, there is an effort in making the production process more efficient. Therefore new cutting machines were bought in order to increase efficiency and automation without losing the handmade component of the process. Also new materials are tested in order to increase the products performance such as more breathable leather, exotic leather, etc.

The company splits the production between its own brand (60%) and private label (40%). Producing mainly Goodyear shoes the company organizes the resources in order to respond to both orders. However the focus of the company is producing only Carlos Santos Shoes and progressively end with private label contracts.

3.4. B2B business

The main distribution channels of the company are the online store and the retail boutiques. The business is based in a B2B model where the clients¹⁷ and stores where the product can be found are meticulously chosen by the agents of the brand in each country. The exclusiveness of the shoes needs to be aligned with the type of stores they are sold in. The design and environment of the each boutique needs to resemble the exclusivity and sophistication of the products. The brand's agents, look for potential clients that suit in the brand's image and status and presents Carlos Santos's collection to the retailers. The agents are the bridge between the brand and clients/customers. With their local knowledge of the market they can seize better the opportunities of that specific country and the best approaches in order for the brand to succeed.

The retail price of each shoe is set by the retailer once the prices of all of its products must be align with each other. The prices at the online store are higher than the retail stores so they cannot compete with the retailers, since this is the most profitable channel.

¹⁷ Retailers

With a sales turnover of 10 Million euros in 2016 the company relies on the 99% of worldwide exports in a B2B model.

3.5. Internationalization

The company first started selling its shoes under the name Mackjames in France in the 90's. Nowadays, proudly to have a 100% Portuguese identity, the brand is selling under the name Carlos Santos, in France, Germany, the Netherlands, Belgium, Switzerland, Spain, Japan, USA and recently in the Middle East.

With more than 400 multi brand stores around the world and five retail stores in Portugal, Carlos Santos is slowly becoming a solid brand in the luxury men shoe market for its exclusivity and quality. The most profitable market is France and Netherlands where the brand is already a benchmark.

With the European market almost conquered, the company is now focusing on the North American and Asian markets where its market share is still very low but the potential for growth is massive.

Selling the brand in so many different cultures and countries and having such a special and demanding customer requires a very rigorous process where quality must be guarantee and the details of the product must stand out among the competitors. Besides having a competitive price in the market, the "Made in Portugal" effect is still a challenge for the brand and a barrier for establishing the brand across the world.

4. The path for success

Along with 30 years of work, the company had to adapt and reorganize its resources in order reach its position.

Until the creation of the Mackjames the company ran its operations based on private label orders. By realizing the full potential of the company in terms of resources and capabilities the company created its own brand taking a strategic step to grow in the market. Launching its own brand, the company also became less dependent on private label contracts.

The brand Carlos Santos is now established in Europe and is becoming recognized in the rest of the world by its segment. The company is positioned to keep growing in the market and take advantage on every opportunity.

As the only Portuguese factory producing Goodyear Shoes, the company plans to keep the quality, service and efficiency. Is important to guarantee the comfort, design, innovation and

quality of the product in order to overtake the competitors and show that the “Made in Portugal” is able to provide a high end product and even one of the best in the market.

In this segment of the market, one of the biggest concerns of the brand is the customer loyalty. The customer besides being very demanding, understands and analyzes the quality of the product, the details and the finishing touches. In order to guarantee customer’s loyalty the customer needs to be satisfied by the product’s features such as quality, comfort, durability, aesthetics, exclusiveness and status but also by the customer and after sales service. The selection of the boutiques where the product is sold and the repair service the brand offers are strategically developed in order to add value for the customer. Only the knowledge and expertise in the market and customer demand can allow the company to match customer’s preferences. The market knowledge comes from the years of experience in the footwear industry but also from the being present in the market through trunk shows, international fairs, the work of the agents, relationship with suppliers and retailers.

In this exclusive niche, the communication of the product is based on referrals and word of mouth from customers, bloggers, luxury magazines, etc. Carlos Santos shoes have been sparking a buzz around its products and more people are reaching out to the brand.

Besides the competitive price, there are very few companies in the world that are able to produce this type of shoes using the Goodyear method, with the same quality and expertise that Carlos Santos does. This expertise comes from each worker at the factory that is involved in the production of each pair of shoes that comes out from Zarco.

The quality of the product results from the know how, dedication and passion of each worker together with the management team and Carlos Santos himself put into their daily work life.

Carlos Santos highly invests in the people that he calls family, knowing every single worker at the factory he makes sure everyone is motivated and focuses on their job. He makes sure everyone is involved in the production process, from the designing to the quality control. Zarco is seen as school where the older generation teaches the younger generation the know how, techniques and expertise they need to have to produce this type of shoes. All this knowledge is also improved with monthly training sessions given by specialists coming from France and Italy. It is important that some of the workers can perform every single activity in order to run operations easily and increase flexibility.

With ambition and innovation always in his mind, Carlos Santos looks constantly for modern and better approaches for his collections, always with the classical touch, the CEO tries to innovate each season and always be a step ahead of competition. Learning from its competitors is also an important aspect for the brand, tracking their steps, the trends, the new

materials in the market, etc is fundamental in this business. The brand is known for being classical and edgy at the same time attracting a lot of customers when they get first in touch with the brand.

Although the brand does not offer a bespoke service for their customers, the company makes sure that every customer feels that each shoe was specially designed for him. With the same product, the company adds different details to each shoe according to each market. While the USA looks for edgy models, the Dutch rather have more sharp molds, the north European customer opts for bigger mold and the Japanese for a smaller one.¹⁸ The Middle East customers of Carlos Santos have a more occidental lifestyle so the shoes sold in that market are basically the same ones sold in Europe. Another way of tailor the shoes to the customer is having some models in stock ready to be handmade painted in any chosen color by the customer.

5. What's Next/ Challenges

Carlos Santos is becoming a solid brand in the market, after all these years the brand managed keep the quality being a classical but innovating shoe brand that already captured a significant part of this segment market.

Now, the company wants to keep growing in the market, maintaining its quality and always looking for new trends, better production processes, rare materials in order to evolve as a brand and fight the “Made in Portugal” stigma.

After all the accomplishments the brand has already made there is still a few plans for the future to work on. The company wants to open an own shop in Paris in order to be closer to its customers and promote the name Carlos Santos at the same time.

On the other hand, investing and exploring in the Asian and North American markets is one of the biggest challenges and goals that the brand is facing nowadays together with focusing only on the production of Carlos Santos, dropping the private label contracts.

From the economic crisis that also affected the luxury market to the rising of the digital era, the company has been able to adapt to the market changes and reposition itself along the years. On the corporate side, the company has to guarantee the talent is retained with the younger generation when the older generation leaves and also the resources and capabilities needed when changing progressively in the long run from B2B to the B2C model.

¹⁸ Correio da manhã, (26.01.16) Maria João Vieira de Matos: Carlos Santos exports 99% of its sales

However, in the long term, Carlos Santos wants to establish his brand in new markets, especially in the North American market where any shoe brand wants to be. By approaching this market, the brand can grow exponentially. In order to do that there is still a lot of work to do in finding the right agents to represent the brand, the right stores and also managing the stocks in order to maintain the quality of each pair of shoe produced. Scaling the business also might lead to drastic changes in the company, factory size, artisans, training sessions needed, operations team, quality control methods, etc. Despite being long-term possible issues the company needs to have a sustainable and contained growth where every step is strategically planned.

Still as a small company, the positive feedback from the market shows the progresses and achievements the brand has made so far and the future potential for this Portuguese handmade high-end shoe company.

II. Theoretical Background

This chapter intends to explain the theoretical background applied to the case study.

In order to evaluate the strategy and understand the sources of competitive advantage of a company, an external and internal analysis shall be performed.

The following section will provide the main frameworks to build an analysis of the company's strategy, taking into consideration the market where it's positioned, the resources and capabilities available and their organization as well as how to sustain the competitive advantage created by the company.

1. Industry Key Success Factors

The Industry Key Success Factors correspond to variables where companies can distinguish its products among the competition and create value to the customers (Eisenhardt & Martin, 2000). Considering the Key Success Factors of an industry allow the company to outperform the competition by creating an additional value for the customers (Ohmae, 1982).

For a better understanding of the KSF of each industry is important to first analyze customer's needs and wants that stand behind its purchasing decision by choosing one company in detriment of its competitor. Secondly an analysis to the competition should be performed in a sense of dissecting the variables that competitors use to create higher value for the customers than its competitors (Cardeal, 2015).

According to Grant (2013) we can follow a framework that analyzes these two dimensions in order to reach the Key Success Factors of the industry:

- 1- Demand analysis: What do customers want? What do they need?*
- 2- Analysis of the competition: What drives competition? What are the main dimensions of competition? How intense is competition? How can we obtain a superior competitive position?*

(Grant, 2013, pg 73)

2. Identifying the resources and capabilities of a company

According to Grant (2013) one should first identify the resources and capabilities of a company and distinguish them. While resources are assets owned by the company, capabilities correspond to what the company can do with it. In order to get competitive

advantage, the company needs to work with its resources as a whole creating organizational capabilities.

2.1 Resources

It is possible to identify three types of resources within a company: tangible, intangible and human resources (Grant, 2013).

Tangible resources correspond to financial and physical assets that can be valued in the firm's balance sheet. When identifying the resources the goal is to identify the ones who can create and develop a competitive advantage for the company (Grant, 2013).

Intangible resources on the other hand are more valuable to the company than tangible resources. As intangible resources of a company it is possible to analyze the brand's name, the reputation of the company in the market, technology, types of intellectual property and the know-how (Grant, 2013).

Finally the human resources relate to the skills, expertise and effort of the employees. Like intangible resources they do not appear on the balance sheet but they are still very important for the success of the company (Grant, 2013).

2.2 Capabilities

Capabilities are a *"firm's capacity to deploy resources for a desired end result"* (Helfat and Lieberman, 2002).

Capabilities are perceived as the way the company organizes and takes advantage of the existent resources. As an example of capabilities of a company it can be the capability of developing new products or operational flexibility in the production process (Cardeal, 2015).

2.3 Porter's Value Chain

Porter's Value Chain from Michael Porter (1985) introduces the company as combination of different activities that add value to the business. The way those activities are organized affects the costs and profitability of the company.

Activities can be divided into primary and supportive activities.

Primary activities include:

- Inbound Logistics (relationship with suppliers, activities related to the receiving and storing of raw materials);
- Operations (the activities related to the transformation of the inputs into final product or service);

- Outbound Logistics (activities responsible for the storage and distribution of the final product or service);
- Marketing and Sales (activities that help to communicate the product to the customer influencing the purchase of the products);
- After-Sale Service (includes the activities offered after the purchase in order to keep the product in perfect conditions).

On the other side the supportive activities include:

- Infrastructure (the general structures of the company that include accounting, finance, public relations, etc);
- Human Resources Management (all activities that can go from the recruiting, hiring, training to the reward system, etc);
- Technology Development (all the hardware equipment, software, technical knowledge, research and development);
- Procurement (activities that include the buying of raw materials and resources for the company).

According to Michael Porter (1985) evaluating the value chain can identify the weaknesses and strengths of the company. The origin of competitive advantage of a firm can be in the differences among different value chains from its competitors.

Porter (1985) also defends that the value chain can be analyzed in 3 different steps:

- Analyzing the different activities related to the production process (comparing with industry parameters which activities can be considered strengths and which can be considered weakness);
- Assessing the linkage between the different activities in the value chain (How activities can affect the cost or effectiveness of other activities);
- Evaluating the synergies between different value chains from different products lines (like economies of scale).

However, not all activities have the same relevance in the value chain so is important to strategically identify the most significant for the company and the business. Those activities can be divided into:

- Strategic (essential to the development of the company's strategy and is related to the KSF of the industry);

- Tactical (Complementing and supportive activities to the company's strategy);
 - Basic (Simple activities every company needs despite their strategy, does not have impact on the competitive performance).
- (Cardeal, 2015)

3. SWOT Analysis

The SWOT analysis combines the internal and external analysis of a company by identifying the strengths, weaknesses, opportunities and threats (Andrews, 1971). This analysis helps companies to design a better strategy for the business. The company's strengths need to guarantee a good performance on the KSF of the industry and the weaknesses need to play a minor role regarding the same KSF (Cardeal, 2015).

4. Competitive Advantage

A company has competitive advantage if it shows higher profits than the average competitor in the industry (Besanko, Dranove & Shanley, 2000). In the same economical reasoning, competitive advantage is when a company constantly creates higher value than the average of competitors (Schoemaker, 1990). By relating competitive advantage to financial returns, these authors defend that competitive advantage comes from company's endogenous elements such as the assessment of valuable and rare resources (Barney, 1991).

However, competitive advantage can also arise from characteristics that allow the company to outperform competitors (Oster, 1999) or ascend from the value created for customers (Porter, 1985).

In this way, competitive advantage can result from three distinctive systems: as a result of the use of resources and capabilities more efficiently than competitors. Therefore having lower production costs offering the same value to customers as the competitors; in the differentiation of product introducing attributes perceived as benefits by the customers. By using the company's resources and capabilities is possible to deliver products with the same cost of production but with higher benefits than competitor's products; and finally by combining both previous methods by using the resources and capabilities more efficiently in order to add more value and benefits to the product. This way the company offers differentiation at a lower cost than competitors (Cardeal, 2015).

5. Differentiation

The reasoning behind differentiation is providing a product that is perceived differently by the customers by adding several attributes to it. There are an infinite number of variables that can be added to the product or service in order to differentiate the ones from competitors. When differentiating the product or the service, the main purpose is to manipulate the selected product's characteristics to increase the perceived value the market has on that product (Cardeal, 2015).

Companies can create differentiation by adding attributes to the product or service, creating a relationship with the customer or establishing linkages within the company and with other companies (Porter, 1980 and Caves & Williamson, 1985).

Grant (2013) also classifies differentiation in tangible and intangible. Tangible differentiation concerns about the physical/observable characteristics customers value such as size, shape, color, weight, design and material. Performance attributes like reliability, consistency, taste, speed, durability and safety are also in this category as well as complementary products or services as after-sales services, delivery and accessories. On the other hand, intangible differentiation comes from social, emotional, psychological and esthetic considerations regarding the product or service. Motivational forces towards the purchase can be the desire for status, exclusivity and individuality.

6. The Strategy Clock – Price and Perceived Value

According to Faulkner and Bowman (1995) the strategy clock is a framework that assesses the price and perceived value by the customers as continuous variables and as a result there can be 8 areas where a company can position itself in order to reach competitive advantage.

Differentiation- product's benefits are high perceived by the customers and different from the ones of the competition;

Focused Differentiation - product's benefits are highly perceived and valued by a particular segment of the market (niche) with high willingness to pay;

Strategies that are likely to fail - where the price of the product is high for a low/medium perceived value on the demand side;

No Frills - both product's perceived value and price are low.

Low Price - the price of the product is lower than competitor's price having the same perceived value and benefits as them;

Hybrid - high perceived value for customers coming from the differentiation of the product or service combined with low prices (Cardeal, 2015).

7. Resource-Based-View and VRIO

According to Barney (1997), the resource-based-view argues that in order to achieve competitive advantage a company must focus on resources supported by the VRIO test (valuable, rare, inimitable and organization).

Developing a strategy based on the RBV involves analyzing the best way companies can exploit the resources and capabilities that are valuable, rare and inimitable through the company's internal organization in order to seize all its potential. Together with this methodology is also important to question about the resources that will be needed to create, develop or acquire in order to have new sources of competitive advantage (Cardeal, 2015).

The RBV explores the fact that every company has a unique set of resources and capabilities that can be used in different ways providing a unique strategy that explores the strengths of each company leading to a competitive advantage (Grant, 2013).

Resources that are considered VRIO can lead to a sustainable competitive advantage. On the other hand, if resources are only VRO, they can reach temporary competitive advantage (Barney, 1997).

8. Dynamic Capabilities

In order to sustain a competitive advantage, companies need not only to explore its current resources and capabilities but also changing them and developing new ones to address and respond to the quicker market changes (Hamel & Prahalad, 1989). Dynamic capabilities correspond to a firm's ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments (Teece, Pisano & Shuen, 1997).

Within capabilities it is possible to distinguish them between strategic and lower level capabilities. While strategic can lead to a competitive advantage by itself, lower level capabilities need to be integrated with other capabilities or resources to achieve competitive advantage (Cardeal, 2015). Both capabilities and dynamic capabilities represent the "O" in the VRIO model being the organizational processes firms use to explore the resources and lower level capabilities. This way, capabilities also need to be considered valuable, rare and difficult to imitate (Cardeal & António, 2012).

The dynamic capabilities theory argues the importance of constantly searching for strategies to reformulate the company's resource base in order to take decisions in advance addressing future opportunities and threats (Barreto, 2010).

9. Threats to Sustainability

According to Ghemawat (2010), the dynamic business environment demands companies to thinking through issues of sustainability that can threat its superior performance in the market. The author designed the tetra-threat framework analyzing four types where company' sustainability can be threaten: imitation, substitution, hold up and slack.

Imitation is when the resources that sustain the superior performance of the company are no longer scarce and therefore competitors can replicate the company's strategy.

Substitution occurs when competitors can displace company's resources responsible for superior performance by creating a better way to satisfy customer's preferences. This way automatically reduces company's demand.

The hold-up threat is when the added value of the company can be diverted to buyers, suppliers or complementors due to an increase bargaining power.

Finally, slack is a threat where the value added can decrease over time or dissipate due to a decrease of company's efficiency and effectiveness.

III. Teaching Notes

The following chapter provides support to the instructor on analyzing the case study. It includes suggested questions that intend to connect the business reality to the theoretical frameworks learned in class. Additionally, guidelines for the answers are provided. However, the provided answers work only as general recommendations. Different interpretations and conclusions about the case may lead to a different approach and discussion in class might follow another direction.

The presented case study was developed in 2017 and due to a constantly changing business environment, new information regarding the company shall be considered as well as new theoretical approaches.

1. Synopsis

Carlos Santos Shoes is a Portuguese shoe brand that operates in a niche market on the men's footwear luxury industry. Located in the north of Portugal, the factory, named Zarco, has been running activities in the footwear industry since 1942. With a long tradition and expertise in the sector, the company decided to create their own brand, Carlos Santos Shoes, taking advantage of all resources and capabilities that used to be spitted between their own brand and private label contracts. Carlos Santos Shoes is focusing on the international market with a B2B model. Producing high-end quality shoes using the Goodyear method guarantees customer loyalty due to quality, comfort and attention to the detail.

The case describes the evolution of the company through the years and emphasizes how is Carlos Santos taking advantage of the resources and capabilities in order to succeed in such a competitive and demanding market.

2. Teaching Objective

The case study aims to show the importance of designing a clear defined strategy taking into consideration the external and internal environment of the company. With this case, students must be able to identify the company's strengths and weaknesses together with the key resources, capabilities and activities that can lead to competitive advantage if aligned with the key success factors of the industry. Additionally is also important to understand the relevance of assessing future challenges for the company that can threat competitive advantage's sustainability.

3. Suggested Questions

The following questions help students analyzing the case study and focusing on the main theoretical frameworks taught in class that the case covers.

1-What are the Key Success Factors of the industry where Carlos Santos Shoes operates?

2- Analyze the main strengths, weaknesses, opportunities and threats performing the SWOT analysis.

3- Identify the company's resources and capabilities and analyze the business's key activities.

4- What is the source of competitive advantage of Carlos Santos Shoes?

5- Analyze the resources and capabilities of the company that lead to competitive advantage?

6- Which challenges and threats could Carlos Santos face in the future and how can the company sustain its position in the market?

4. Analysis and Discussion

1-What are the Key Success Factors of the industry where Carlos Santos Shoes operates?

The goal for this question is to contextualize and identify the industry where Carlos Santos is operating in order to identify what customers want and how competitors run their business. Having these variables in consideration is possible to identify the industry key success factors and design a better strategy for the company.

The company operates in the men's footwear luxury industry either with both Carlos Santos's shoe lines as well as with the private label. Despite having a small line for women, the market where the company positions itself is mainly the men's footwear industry.

Regarding the demand side is important to consider the niche market where the company operates and the specific personality, taste, lifestyle, and requirements of the customer. Regarding the competitor analysis is important to analyze the products and service they are offering as well as their main strengths.

According to the information available on the case study is possible to identify the main variables on the demand side and on competitor's side achieving the industry key success factors.

Demand Analysis	Analysis of the Competition	Industry Key Success Factors
- Quality and timeless products	- Traditional companies with heritage and expertise	
- High-end materials	- Established and well known in the market	- Brand Image
- Exclusiveness	- Customized product	- Partnerships and alliances
- Aesthetics and detail	- High-end shoes	- Quality control
- Knowing how the product is made	- Long time relationship with customers and suppliers	- Accumulated expertise and know-how
- Brand reliability	- Strategic alliances (go-to-market)	
- Personalized customer service (in store and after sales)		

Figure 1 - Industry Key Success Factors

2- Analyze the main strengths, weaknesses, opportunities and threats performing the SWOT analysis.

With the industry's KSF it is possible to understand the main drivers of the market. Bearing this in mind is important to analyze the main strengths of the company and verify if they match the KSF of the industry. Additionally weaknesses should be playing a minor role on the company's strategy to address the industry's KSF.

Opportunities and threats must be considered in order to have an overview of the company's internal and external environment. Also a cross-reference analysis between all the variables should be performed to seize the opportunities and address threats.

Strengths	Weaknesses
- Quality of the product	
- Go-to-market strategy	
- Price/quality	- Market Position
- Customer loyalty	- Brand Awareness
- Know-how and tradition in the footwear industry	- Made in PT
- Market Knowledge	
- Company's culture	

Opportunities	Threats
- Targeting other markets	- Perceived as lower price
- Capturing the second generation of Carlos Santos's customers	- product - Talent retention
- Have an own store in Paris	- Limited capacity
- Scaling the business to USA	

Figure 2 - Carlos Santos's SWOT

By targeting other markets like positioning in the premium market, the company can easily attract more customers due to its high-end quality products and price/quality ratio. In the premium market, the company has a higher price than competitors but also a higher perceived value and benefits. However, this opportunity can easily weaken the brand awareness and the market position in the luxury market. The company's strategy is to become a reference brand in the luxury footwear market. By approaching the premium segment the success of this strategy could be jeopardized.

On the other hand, capturing the second generation of Carlos Santos's customers could be a relevant opportunity for the company in order to increase status and tradition for the brand. This opportunity can only be taken by keeping investing in the product's details and quality. Market knowledge and know-how are the key strengths in order to take this opportunity.

Opening a shop in Paris can increase brand awareness and status for the brand as well as expand the company's market position.

By scaling the business to USA the company could experience a massive growth. Also succeeding in this market could increase brand awareness, market position, and also break the "Made in Portugal" stigma. Despite being a good market opportunity for the brand, there is, at the same time, a limited capacity threat. However, the company has the experience and the market knowledge to seize the opportunity and extend its resources whenever needed.

Regarding threats, by adopting a lower price strategy to position the brand in the market, Carlos Santos could be perceived, in the long-term, as a lower price brand. This would interfere with the company's long-term strategy of becoming a reference for status and exclusivity.

Another threat to be considered is the ability to retain talent in the company as older generations leave. However, the know-how is being passed through generations that, along with training sessions and a strong company's culture can retain the know-how.

Finally with the SWOT analysis is possible to say that the main strengths of the company are aligned with the key success factors of the industry when it comes to partnerships and alliances, quality control and accumulated expertise and knowledge. The brand image is solid among existing customers thanks to brand loyalty, however the market position is still a weakness for the company due to the size of the company and the fact that is a Portuguese brand. Although this weakness, Carlos Santos is slowly gaining position in the market focusing on its strengths and taking the opportunities the industry is providing.

3- Identify the company's resources and capabilities and analyze the business's key activities.

Based on the case study and the information provided is possible to list the most important resources, capabilities and activities that allow the company to sustain its business.

Based on Grant's framework resources can be divided into tangible, intangible and human.

Tangible	Intangible	Human
	- Location	
	- Expertise and tradition in	
- Machinery	the footwear industry	- Carlos Santos and sons
- Factory	- Quality control	- Company culture
- Distribution network	- Quality reputation	- Craftsmen
- Raw materials	- Network (fairs, trunk show, boutiques, suppliers)	- Training
	- Licenses	- Agents

Figure 3 - Carlos Santos's Resources

Regarding the tangible resources, although the production is mainly handmade, the machinery used is crucial to the production process in terms of efficiency. The factory also provides all the infrastructures needed for the production and office work behind the brand. The distribution network includes the boutiques and department stores where the product is sold and finally the raw materials guarantee the quality and high standards of the product.

Intangible resources incorporate the location of the factory, based on the north of Portugal where almost every shoe factory is enable not only the tradition and knowledge that the brand

has but also the qualified workers and expertise this production process requires. Having a strict quality control provides the quality reputation the brand has among customers leading to customer loyalty and market position. The network of suppliers, agents, fairs, boutiques and trunk shows allows the company to know better the market and to have the right approach and position on it. Finally the licenses help to protect the product.

In this type of market, human resources are the most important one. Only Carlos Santos's passion and dedication can guarantee the evolution and growth of the brand. His expertise in the market and ambition led the company to its current position, together with his sons that helped to define a strategy and develop the business model in order to have the right approach to the market. The solid company's culture allows workers to engage themselves in the production of every single pair, working as a family the experience gained through generations makes the company and the product unique. The training is responsible for updating the production skills of the craftsmen increasing efficiency and quality. Lastly the agents represent a critical asset for the company by representing the brand in each country, their market knowledge helps to select the right boutiques to sell the product.

The main capabilities of the company come from the integration of all of the resources in order to achieve competitive advantage.

Based on the information provided and the list of resources is possible to identify three main capabilities:

Development of high quality products with low costs of production: Having the tradition and knowledge in the footwear industry with qualified workers help the company developing an efficient production process using the finest raw materials in order to deliver a high end product with a competitive price in the market.

Knowledge of the market and customer demand: Being in the industry since 1942, producing for private label, developing the product line along with market trends show expertise not only in the market but also on the customer and what does he value on the product. Having specific agents in each country also increases the market expertise and helps designing the best strategy for each market and each customer.

Carlos Santos brand: With a private label based business, the company was able to realize all its potential and resources and add value to the company by creating its own brand. Seizing this opportunity was a major step to the company that is focusing all the resources on Carlos Santos and dropping the private label contracts.

Finally, with Porter's Value Chain, students can summarize the key activities for the business:

Inbound logistics- suppliers of raw materials.

Operations: design, production, quality control all in house.

Outbound logistics: distribution outsourced.

Marketing and Sales: marketing and communication department responsible for brand promotion, the agents.

After Sales: e-commerce return policies, shoe repair service.

Infrastructure: financial, HR and administrative departments in house; CEO Carlos Santos; 110 workers.

Human Resources: monthly training sessions, involvement of all employees in the collections and production process.

Technology Development: updates on the machinery providing the most efficient process (cutting machines), new materials.

Procurement: french box calf and Italian leather from international suppliers

Analyzing the key activities is possible to identify strategic activities like operations, marketing and sales, after-sales and human resources.

4- What is the source of competitive advantage of Carlos Santos Shoes?

This question aims to identify the source of competitive advantage by using one of the three paths suggested by Cardeal (2015).

The company can obtain competitive advantage in the market by using efficiently its resources and capabilities, delivering a product with a lower cost of production from competitors but also with some differentiation features.

The lower cost of production comes from not only the efficient management of resources and capabilities but also from the low labor costs that comparing with competitors is much lower. One characteristic from this industry is the fact the production is held in-house in order to guarantee tradition, quality control and status. Therefore, English, Italian and American competitors produce in their own country where labor costs are higher than in Portugal. This way, Carlos Santos can produce and guarantee the quality of the product by producing in Portugal relying on the expertise of Portuguese craftsmen and with the costs advantages of the Portuguese Footwear industry. Offering a competitive price is important in this company's stage since it helps to expand its position in the market as a new Portuguese shoe brand.

On the other hand, differentiation comes from the perceived value customers have. By knowing the market and the customer, the company can therefore invest in the characteristics that are more valuable for the segment increasing the products benefits. With Carlos Santos's go-to-market strategy, agents and boutiques promote the product and create brand awareness to the end customer. Once the customer buys the product he can rely on its tangible variables such as comfort, design, materials, quality, and durability. Also the boutiques where the product is sold are meticulously chosen by agents in order to assure customer service standards. Additionally after sales service like return policies and repair service contribute to the perceived value of customers. Intangible variables play an important role after the sale, emotional and physiological considerations connect the customer to the product by the satisfaction on the usage experience increasing brand loyalty.

Considering the luxury niche market where the brand positions itself, by having both competitive price and differentiation, the company can be positioned in the hybrid area from Faulkner and Bowman's Strategy Clock. However, positioning the brand in the premium footwear market we can consider the focused differentiation area where the brand offers a high price with a high perceived value for customers. Providing a critical analysis on the case study could also be academically interesting. By changing the some variables in each framework, the results can be different and therefore suggesting another approach on the case study is also possible.

5- Analyze the resources and capabilities of the company that lead to competitive advantage?

In question number three, students were able to identify the main resources and capabilities of the company based on the information provided on the cases study.

In this question, students are expected to use the RBV theory applying the VRIO test to the set of resources for each capability. As capabilities represent the VRIO's "O", they need to be VRI in order to be a source of competitive advantage. Therefore, competitive advantage comes from the way the company can bundle the resources through organizational processes, capabilities, which all together if VRIO can lead to a sustainable competitive advantage.

Development of high quality products with low costs of production

Resources

- Machines	-
- Factory	V
- Raw materials	V
- Location	VR
- Expertise and tradition in the footwear industry	V
- Quality control	V
- Company culture	VRI
- Craftsmen	VRI
- Training	V

Note – Valuable (V), Rare (R), Inimitable (I)

Developing high quality products with low cost of production is valuable, rare and inimitable. Producing in the Portuguese market and taking advantage of the lower costs of production assuring at the same time the quality production and control only Carlos Santos can do regarding all its competitors. The company culture and the craftsmen generations guarantee the quality and expertise on producing the shoes, this culture is unique and inimitable as well as rare and valuable.

Knowledge of the market and customer demand

Resources	
- Distribution Network	V
- Location	VR
- Expertise and tradition in the footwear industry	VI
- Network (fairs, trunk show, boutiques, suppliers)	VR
- Carlos Santos and sons	VRI
- Agents	VI

Note – Valuable (V), Rare (R), Inimitable (I)

The knowledge of the market and customer demand is considered a capability valuable, rare and inimitable. In this market is very important to know the exact demands and needs of the customer and the precise way the market operates and behaves. The knowledge acquired by the company through the years is a result from operating in the industry, building

relationships with customers, suppliers and distributors, a network that is difficult to replicate and rare to establish.

Carlos Santos brand

Resources	
- Factory	V
- Distribution network	V
- Raw materials	V
- Location	VR
- Expertise and tradition in the footwear industry	VI
- Quality control	V
- Quality reputation	V
- Network (fairs, trunk show, boutiques, suppliers)	VR
- Licenses	VRI
- Carlos Santos and sons	VRI
- Company culture	VRI
- Craftsmen	VRI
- Training	V
- Agents	VI

Note – Valuable (V), Rare (R), Inimitable (I)

The creation of Carlos Santos brand came from the reorganization of all resources of the company in order to have a own brand and maximize the full potential of the company. Organizing these resources can be considered a capability valuable, rare and inimitable. Creating its own brand under the name Carlos Santos Shoes was a big step to the company not only potentiated the company's growth in the luxury market but also gave autonomy and independence regarding the private label contracts.

Carlos Santos entered the luxury footwear market with a high customer value proposition, offering an exquisite product with competitive prices in order to gain market position. The resources that allow the brand to have lower production costs are rare in this industry once it's difficult to find high quality and lower production costs. Taking advantage of a unique bundle of resources makes the brand unique in the market and inimitable.

To conclude the question is important to verify if the main capabilities of the company are aligned with the industry key success factors. Having this alignment enables the company to address the relevant changes in the market and reposition itself easily in order to maintain its competitive advantage.

The development of high quality products with low production costs can only be achieved with a strict quality control and expertise and specialized know-how. The knowledge of the market and customer demand is only possible due to the strategic partnerships and alliances. And finally, Carlos Santos brand can enhance brand image.

6- Which challenges and threats could Carlos Santos face in the future and how can the company sustain its position in the market?

This questions aims to identify the main threats according to Ghemawat's tetra-threat framework and also to give possible solutions to minimize those threats.

Possible threats to sustainability of a company can be imitation, substitution, hold up and slack.

Regarding imitation, the main resources of the company responsible for competitive advantage are intangible and therefore difficult to replicate. Another important factor is the lower production costs of the Portuguese industry compared to the industries where competitors established their production since the beginning. However, for new entrants is also difficult to achieve the expertise and know how that the company acquired for years. This industry is also supported by a network involving strategic relationships with key players in the market that is difficult to replicate.

The substitution threat in this industry can be considered low. In spite of being part of the fashion industry, the segment where Carlos Santos operates treasures classical and timeless models where slight changes in the product are allowed.

The hold-up threat can derive from suppliers of the raw materials. The quality of the raw materials is fundamental for the products quality and aesthetics. Changing suppliers could be difficult in order to find the leather that match the quality standards needed. However relationships could be reinforced in order to build trust and cooperation.

Finally, the threat of slack could be medium/high if the company, by approaching so many markets, increases orders that exceed company's capacity. The US market have a growth potential that Carlos Santos might not be able to follow up with the current facilities. Also the quality must always be guaranteed no matter the increase on production in order to succeed in

this industry. To avoid this threat there is a need to monitor company's behavior and strategically plan every step taken.

IV. Conclusions

1. General Conclusions

The purpose of this thesis was to create a case study that, analyzed with the theoretical background could provide an academic tool to better understand the abstract concepts.

The case study addresses the development of Carlos Santos, a shoe company whose core business, initially, was focused on private label contracts and shifted their resources and capabilities to create its own brand placing it on the international footwear luxury market.

The case study and its analysis provide a connection between the actual business practices and the underlying academic theories providing a managerial and academic outlook. This report highlights the relevance of strategy formulation taking into consideration the external and internal environment in order to reach competitive advantage.

After almost 50 years in the footwear market with a private label based business, the company was able to seize the potential of its resources and capabilities and create Carlos Santos brand. The competitive advantage of the company relies on its capabilities, as a way of efficiently employing its resources. Key components such as being able to produce a high quality product with lower costs than competitors, knowing the market and the customer and creating the brand Carlos Santos are the key capabilities that allowed the company to grow in the industry.

The brand's success is owed, primarily to providing a high-end product with one of the best quality standards in the market together with some product features that create the customer's loyalty. Attention to the detail, comfort, durability, quality of the raw materials, customer and after sales service are some examples.

However, the company faced some challenges along the way, such as creating a network that promotes and sells the product and the development of the marketing and commercial departments, both which had to design a new communication strategy. Currently, the Made in Portugal stigma is still present in the luxury market, forcing the company to fight for its status among new customers.

However, the company is steadily gaining position in the market and brand awareness due to its high quality, excellent service and competitive price.

2. Limitations

When analyzing this dissertation there some limitations that have to be considered.

The financial statements were not disclosed by the company and, seeing as this is a small company there was no information available online. Regarding competitors there is also a lack of financial data in order to compare size, performance and market share between the main players and the company.

The information collected concerning the company was based on a personal interview with Armando Santos, the company's Product Manager and a few articles about Carlos Santos Shoes.

Due to the geographical distance and Armando Santos's busy work schedule, detailed information required along the process was difficult to obtain. Information about the production process, type of licenses, private label contracts and details regarding company's history and business before creating its own brand couldn't be included on the case study.

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VI. Appendices

Appendix 1 – Goodyear Welted Shoes

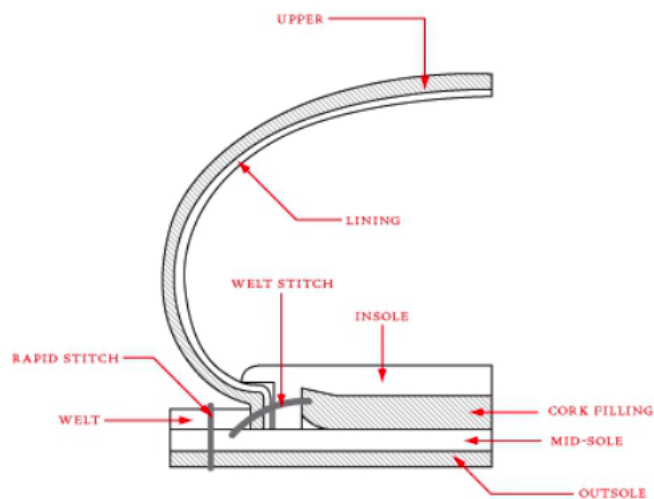


Source 1 - <http://www.fashionbeans.com>



Source 2 - <https://parisiangentleman.co.uk/academy/4-things-to-look-for-in-a-good-pair-of-mens-shoes/>

THE GOODYEAR WELT



Source 3 - <http://www.matthewdack.com/blog/goodyear-welt-vs-blake-stitch/>

Appendix 2 – Competitor’s prices vs Carlos Santos’ price



GOODYEAR WELTED

6307 – 6307

€369.00

Modelo clássico construído através do sistema Goodyear Welted. Acabamentos manuais em que surgem nuances ao longo da pele, daí que não garantimos cores regulares. Um modelo tradicionalmente clássico e considerado intemporal.

Seleccionar Cor

Source 4 - <https://santosshoes.com/produto/6307/?lang=pt-pt>



WARWICK MONK STRAPS

\$395.00

★★★★☆ [Read Reviews \(82\)](#) / [Write a Review](#)

RECREATABLE

SELECT COLOR: 5750 Black



SELECT SIZE/WIDTH

CUSTOM SOLE

SIZE GUIDE

NEED HELP [LIVE CHAT](#)

QTY: 1

\$395.00

Source 5 - http://www.allenedmonds.com/shoes/mens-shoes/loafers-slip-ons/warwick-monk-straps/SF5750.html?dwvar_SF5750_color=5750#sz=18&start=42



Black | Calf | Leather sole

OTHER VIEWS

BLACK | CALF

EUR 620.00

SIZE

AVAILABLE SOON

FITTING

Size and fitting info

SHARE



STYLE INFO

The Becket single monk strap is a testament of understated elegance. It is characterized by a slim and sophisticated side buckle, thin leather sole, hand-stitched welt and a Goodyear construction. The leather is selected...

read more +

Source 6 - <http://www.church-footwear.com/it/en/collection/men/EOB0019WFF0AAB>



DOUBLE-BUCKLE LEATHER SHOES

€720.00

Dark brown leather monk straps with side double-buckle and toe caps, finished with the renowned Goodyear welt. This model, with its innate refinement, completed by a leather sole, is essential for the man looking for contemporary elegance.

Size view size chart

6	7.5	9.5	10	10.5	11	12
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[ADD TO SHOPPING BAG](#)

Source 7 - <http://www.santonishoes.com/eu/double-buckle-leather-shoes-25995.html>



MERCER

82 last — black calf with single leather soles

£900.00

Monk straps have come along way since they were the preferred footwear of Dominican friars. With it's simple lines and sweeping strap, the Mercer is a contemporary take on the single monk.

Source 8 - <http://www.edwardgreen.com/shop/shoes/mercercalfblack82last.html>