

FUNDAÇÃO GETULIO VARGAS
ESCOLA DE ADMINISTRAÇÃO DE EMPRESAS DE SÃO PAULO

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**STRATEGIC ANALYSIS FOR THE INTERNATIONALIZATION OF THE
BRAZILIAN BRAND LINA DELIC**

SÃO PAULO
2018

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Thesis presented to Escola de Administração
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Getulio Vargas, as a requirement to obtain the
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(MPGI).

Knowledge Field: Internationalization of
Companies

Adviser: Prof. Dr. Gilberto Sarfati

SÃO PAULO

2018

Bereta, Gabriela Bianchim.

Strategic analysis for the internationalization of the Brazilian brand Lina Dellic / Gabriela Bianchim Bereta. - 2018.

100 f.

Orientador: Gilberto Sarfati

Dissertação (MPGI) - Escola de Administração de Empresas de São Paulo.

1. Moda - Mercado - Brasil. 2. Globalização. 3. Vestuário – Indústria. I. Sarfati, Gilberto. II. Dissertação (MPGI) - Escola de Administração de Empresas de São Paulo. III. Título.

CDU 391(81)

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Approval Date
08/01/2018

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ACKNOWLEDGMENTS

I would like to express my special appreciation and thanks to my advisor Professor Gilberto Sarfati for his excellent guidance, caring and patience.

I would like to thank Cláudia Pereira, ABEST representative, who has always received me with great affection and has provided me with the information necessary to conduct this work.

I would also like to thank Anie Varger and Junior Malagodi, commercial representatives of Lina Dellic, who believe and work hard for the brand growth. And that helped me, from the beginning, in search of the best information and contacts so that we could develop.

A special thanks to my public relation assessor Sônia Gonçalves, who has guided and traced a brilliant path for the brand. With her work I was able to meet people, who contributed a lot to the formation of this thesis.

Many thanks to my partners, who work with me daily believing and contributing immensely to make this dream come true.

Finally, I would like to thank my parents and my fiancé. They were always there cheering me up and stood by me through the good times and bad.

ABSTRACT

This paper presents a case study which demonstrates the rapid growth of a small Brazilian fashion company called Lina Dellic. Engagement and care in the production chain and with partners, the production of high quality and resilient garments, using a timeless design and a restricted neutral color palette (black, gray, and white) align the concept. The concept of the brand was developed through an analysis of European and North American market tendencies by its founder, Gabriela Bianchim Bereta, in loco. With the results in terms of the excellent reception of its products, it was possible to glimpse the ideas behind the launch of the company, as occurs with other successful Brazilian companies, at fairs taken place in Brazil. This success allowed the development of an international strategy that resulted in the option of the American market, specifically New York. Finally, the question was that, if the company had gained local market acceptance, knows how the international market works, and has a management with holistic vision and a good business plan, why not internationalize the brand? In conclusion, throughout the trajectory of the work, and considering the study of market, and marketing and finance planning, insertion of the brand into the New York market was seen as appropriate.

Keywords: Internationalization. Strategy. Fashion. Trade.

RESUMO

Este artigo apresenta um estudo de caso, demonstrando o rápido aumento de uma pequena empresa brasileira seguindo o estilo da moda Lina Dellic. Engajamento e cuidado da cadeia de produção e parceiros, produção de peças de alta qualidade e duráveis, usando o design atemporal e uma paleta de cores de restrição e neutro (preto, cinza, branco e branco) para que o conceito seja alinhado. Deve-se dizer que o conceito da marca foi desenvolvido através da análise das tendências no mercado europeu e norte-americano pela fundadora Gabriela Bianchim Bereta, loca. Com o advento dos resultados que serão apresentados em termos da excelente aceitação de seus produtos, foi possível vislumbrar a idealização da entrada da empresa, como outras empresas brasileiras de sucesso que chegaram e permaneceram lá, no caso concreto de as feiras que participaram no Brasil, permitiram desenvolver uma estratégia de internacionalização, que resultou na opção do mercado americano, especificamente "Nova York". Por fim, a questão era que, se a empresa tiver uma aceitação no mercado local, sabe como o mercado internacional que quer entrar na prática funciona, e possui gerenciamento com uma visão holística e com um bom plano de negócios, porque não internacionaliza sua marca? Para concluir, ao longo da trajetória percorrida do trabalho, seu estudo denso, tanto quanto o mercado, o marketing e as finanças foram entendidos pela inserção apropriada no mercado do novo yorkino.

Palavras-chave: Internacionalização. Estratégia. Moda. Comércio.

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1 INTRODUCTION

The internationalization process alludes to the strategic shift to expand businesses across borders. It is essential for ensuring the competitiveness and sustainability of a firm (CASSON; PORTER; WADESON, 2016). According to Antràs and Stephen (2015), internationalization facilitates the innovativeness that is crucial to the survival of a company in the global industry. Martinez (2007) indicates that internationalization differs from globalization in the sense that it is limited to trade. In this context, globalization entails other activities and operations that influence global production chain. In this light, the intent of this paper is to offer a strategic analysis of the internationalization of the Brazilian brand Lina Dellic in a European or North American market, given that the concept of the brand was based on the tendencies from these markets.

The study is divided into different sections that address the important aspects of the successful establishment of the company in the targeted market. The possible strategy and markets are analyzed, and the background outlined. The introduction briefly describes the methodology employed for obtaining the conclusions of the research. The history and current situation of the company are introduced in order to contextualize the concept of the brand and its sales channels. In addition, the category of products within which the clothing is placed are analyzed, and a description of the product chain, targeted public and staff are presented.

The research is important since Lina Dellic was developed from a concept based on the interests of and studies conducted by the brand's founder, which relied on the penchants of the European and North American markets.

The author of this thesis and the company's founder analyzed the best strategies for internationalizing the brand taking into consideration these two markets (European and North American). Notably, the two markets are important in the global fashion industry due to their historical significance. For instance, Grail Research (2009) reports that Paris Fashion Week is of historical significance because it dates back to the early 1970s, while Milan Fashion Week is recognized as an important fashion event across the world, which even attained financial support from the Italian government during the Eurozone economic crisis.

The market chosen for a deeper analysis of the brand's entrance into an international market was selected determining the criteria to be met. Moreover, this work analyzed Paris, Milan and New York as the possible entrant markets, given that the fashion business is locally concentrated in specific regions of the world, for example, in France it is based in Paris, and, because the associations that might support the internationalization of the

brand's are related to projects concentrated mainly in three cities. The CAGE framework, which analyzes countries by cultural, administrative, government and economic perspectives, assisted in the final decision making.

After selecting the best city, its market was analyzed macroeconomically by means of descriptive and qualitative research. The main frameworks for the study in question were also used to aid in distinguishing and choosing the best market, and sustain the conclusion of this thesis. To do so, risk analysis and the various business opportunities of the city selected by the established criteria were used.

Following the analysis of the chosen market, the methods of entry were detailed. In this case, the major strategy for the brand was to participate in international fairs through Fashion Label Brazil, also analyzing two other options (franchising or owning a store) to decide which was the best method of entry. The analysis considered the costs, advantages and disadvantages of each method.

Given this context, the work analyzed the growth of a small Brazilian company that, considering its experience in the Brazilian market, its participation in fairs and knowledge of the European and American markets, identified the possibility of accessing one of these external markets. This case study allowed the author to deduce the pertinence of internationalizing the LINA DELLIC brand in the American market, specifically in one of the most vigorous centers of world fashion, New York City.

2 COMPANY DESCRIPTION

2.1 HISTORY AND CURRENT SITUATION OF THE COMPANY

Gabriela Bianchim Bereta officially founded the women's fashion brand Lina Dellic on September 14th, 2014. Preceding this, the brand had undergone different growing phases and required a transformation of its business strategy.

In 2014, Gabriela Bereta Bianchim established an online store that sold limited edition T-shirts. The venture was in line with her interests in fashion and the internet. The business was given the name Lina Dellic, which had two possible interpretations. Firstly, the name alludes to Lina Bo Bardi, who was the architect responsible for two reference points of architectural inspiration in the city of São Paulo, where the brand was conceived: the Art Museum of São Paulo and the Sesc Pompeia. In addition, Lina refers generically to any woman, through its simple and basic pronunciation in the Portuguese language. Dellic refers to delicate, a strong adjective for women. The business was launched on the online platform on December of 2014. The products consisted of seven different T-shirts, each representing a work of art, possessing a name and a concept of its own.

During this phase, ateliers and textile suppliers were not prepared to accept small companies focused on producing in an almost artisanal manner, with smaller quantities of pieces that did not follow the regular schedule of fashion, which is based mainly on four annual collections. Because of this, the brand encouraged and helped seamstresses and home modelers to participate in the production of its pieces. In addition, to create a more collaborative platform and increase the flow and understanding of its concepts, the company created partners with brands from other sectors, but who had the craft aspect in their business model.

The brand's new site was launched on November 3rd, 2015. It contained a collection of clothing of a timeless design with a restricted color palette, made by women working from home and supported by Lina Dellic. The brand displayed the faces of these women on the website, recounting their histories and playing videos. Moreover, Lina Dellic helped them buy new machines or equipment needed for the trade.

In December, a month after launching the new concept and ecommerce, the brand received proposals for the pieces to be sold in stores in the state of Rio de Janeiro and Rio Grande do Sul. The demand was met and new collections were made. However, in May of 2015, it became clear, through communication with customers and stores, that the quality of

the products had declined. Since the slow fashion concept is focused on quality products that will last longer than pieces created by a fast fashion brand, this was inconsistent with the Lina Dellic concept. The pieces were not durable and had a homey appearance.

During this period, the brand had an office in the Vila Madalena neighborhood in São Paulo, with two assistants - one in production and one in design - who took care of the media, website and partners. The stylist was a freelancer who drew 15 pieces per month, assisting in the purchase of fabric and monitoring the production. Gabriela, the owner, took care of the management, financial aspects, production control and the operational processes of the online store and partners.

Within this process, two important problems were identified. The seamstresses who worked from home did not have the materials needed to create top-quality clothing. In addition, the production team would go to small shops and use what was available rather than what was best for the pieces in terms of a better finish and trim, since textile manufacturers do not sell small amounts of fabric. Because of this, the structure of the production was altered. This meant that the brand began to work with fashion groups who had more experience, resources and higher quality in order to ensure that the pieces aligned with the concept the brand was selling.

In June, 2016, the brand received a proposal to enter the wholesale market for showroom sales. In order for this to occur, the operation had to change again. Production would need to increase, along with infrastructure and staff. The owner decided that it was time to follow this business model. The first collection was to be exhibited in the showroom in September of 2016, demanding new adaptation of the business model within three months. The brand hired a staff for the close management of the production and partner workshops. In this way, Lina Dellic did not lose its essence. Rather it gained in terms of quality and engagement of the partners.

Although the brand did not work with collections in the wholesale market, it followed the conventional model of the market in order to gain space and, later, propose a new model depicting their fashion vision for multibrands. This point is important because, in Brazil, costumers often do not have the necessary education and vision for a differentiated concept.

During the months from September to November, the brand sold expressly through wholesale. This result was substantial and encouraged the decision to continue using this sales channel. The first national fair was held in April, 2017, in Belo Horizonte, Minas Gerais, called Minas Trend. It considered the largest fashion fair in the country. During the

four days of fair, Lina Dellic sold the predicted amount. The brand also participated in the Veste Rio Fair, performed in Rio de Janeiro, during four days in October, where Lina Dellic sold similar numbers as in Minas Trend and in its previous history from September to November. Currently, the brand exhibits its winter collection in its own showroom at Vila Madalena, São Paulo, and has, thus far, has sold approximately BR\$ 250,000,00. At the beginning of 2017, the brand was exhibiting its summer collection in the showroom (the same collection which was sold at the Minas Trend fair), during which the total sales were within expectations.

The brand currently presents more than 30 physical sale points, generated through the showroom. In addition, it possesses its own online platform and sells on four other ecommerce platforms that have effective representation in the country. Accordingly, it is evident that the brand has the potential to develop a customer base and compete with other companies. The internationalization of the company will be imperative in achieving a larger market share, increasing profits and strategizing on its sustainability as a global brand. The existence of an established ecommerce business is a critical factor that will promote the strategic approach of internationalization with little expense.

2.2 BRAND DIFFERENTIAL AND CURRENT ASPECTS

The Lina Dellic brand has undergone many transformation and upgrade processes during its existence. As aforementioned, the brand currently follows a concept based on, above all, the creation of high quality pieces (by means of the choice of raw material and selected labor), restricted color palette and timeless design. Thus, the final client has the chance to own flexible and durable pieces that can be used year round.

The largest share in sales is in the tailoring category. This is mainly due to the fact that, to produce a piece in tailoring, demands a more delicate and complex process and, since the brand works with a smaller quantity of pieces, it can focus on this category.

The clients of the wholesale segment provide feedback when purchasing and during delivery. These clients report that the final clients praise and seek the product in their store due to the modeling, which ensures a perfect fit, as well as due to the quality of the product. Furthermore, the clients allege that the price of the product is consistent with its quality and that, therefore, the product has perceptible added value.

The brand is in its third wholesale collection, and has adapted its pieces as it develops, ever better understanding the needs of the market. For instance, from the second to

third collections, it put aside the strong minimalistic aspect to establish a more modern design. Below are fotos of the Winter 20147 and Winter 2018 campaigns for better visualization (Figures 1 - 7).



Figure 1 - Lina Dellic's Winter Collection 2017.
Source: Lina Dellic (2018)



Figure 2 - Lina Dellic's Winter Collection 2017.
Source: Lina Dellic (2018).



Figure 3 - Lina Dellic's Winter Collection 2017.
Source: Lina Dellic (2018).



Figure 4 - Lina Dellic's Winter Collection 2018
Source: Lina Dellic (2018).



Figure 5 - Lina Dellic's Winter Collection 2018
Source: Lina Dellic (2018).



Figure 6 - Lina Dellic's Winter Collection 2018
Source: Lina Dellic (2018).



Figure 7 - Lina Dellic's Winter Collection 2018

Source: Lina Dellic (2018).

The evolutions of the brand's design also led them to become strong retailers. This occurs because the brand was able to determine at the right time what the final colients sought, fealing that their feedbacks (regarding style and marked need) had been heard by the brand.

The proximity with the workshops ensures that the brand produces exactly what was sold in wholesale. Despite having supply for retail, calculated above wholesale, the production order is always closely bound to what was sold in the showroom and in national fairs. Thus, the brand can fulfill small orders without imposing a minimum order, managing to remove smaller orders for restocking when necessary.

Despite the presence of the brand in a showroom in São Paulo, its largest sails are for stores located in Goiânia, Belo Horizonte and Florianópolis. The brand can meet the demands of cities with hot climate, such as Teresina, state of Piauí, and with milder climates, such as Joinville, state of Santa Catarina. This demonstrates the flexibility of the pieces and collection produced by Lina Dellic.

2.3 MARKETING AND PUBLICITY

Lina Dellic has appeared in many Brazilian media. During its three wholesale collections, it has dressed important Brazilian celebrities, as well as digital influencers. Furthermore, the brand constantly appears in high circulation magazines. Below are some examples.



Figure 8 - Eliana wearing Lina Dellic
Source: Thidy Alvis (2017).



Figure 9 - Monica Benini wearing Lina Dellic
Source: Brasil Vogue (2017).



Figure 10 - Xuxa Meneghel wearing Lina Dellic
Source: WOW (2018).



Figure 11 - Helena Bordon wearing Lina Dellic
Source: PicMog (2018).



Figure 12 - Patricia Poeta wearing Lina Dellic
Source: Zoppei (2017).

The actions demonstrated above were due to some of the strategies and partnerships with the Press Consultancy.

2.4 TARGET CONSUMER

Lina Dellic is a women's brand focusing on women between the ages of 25 and 35 years of age. It is targeted at those belonging to social classes A and B given that the average price is above the values frequented by brands that serve the public of classes B and C in Brazil. This specific data is provided later. The brand's concept, based on the creation of durable clothes with high quality, leads to higher costs and, consequently, the price of the final product is also high.

The brand seeks to inform women and create a universe with which those who wear Lina Dellic can identify themselves. These are people who have access to and knowledge of and interest in art, culture, music, travel, tendencies and, above all, fashion. For the woman wearing Lina Dellic, it is more than the simple act of being well dressed. She understands and cares about the entire concept that the brand seeks to create, achieving a value-added superiority to other fashion brands.

Currently, the brand has a wider public and greater recognition in the state of São Paulo. This is due to the location of the company, but also because it is the country's cultural and financial center.

It should be noted that, due to the concept of the brand and what it represents, the consumers it attracts are concerned with transparency, and are demanding and critical. They are clients who always question and are attentive to details. They have a craving and need for information on the brand, its processes and people. Lina Dellic has created a blog in order to align this need and to further synchronize the consumers' worlds and concepts, as well as provide content to the brand's audience. The brand's website allows clients to schedule visits to the office, meet the staff and observe the workshops. These aspects of the firm are critical to building its reputation in new markets and generating confidence in partners and other market actors concerning their association with the company.

A few characteristics can define the Lina Dellic woman: she has academic formation, works and is financially independent. She is married, but has no children. Employes a housekeeper and does not concern herself with home chores. She practices sports, such as running and yoga, however, this does not aggregate a fitness personality, since she appreciates new restaurants, dining out with her husband twice a week. During the weekends, she interests herself in local independent and cultural events, dining with friends and reading a good book. She frequents the theater once a week and visits a museum or art exhibition at least once a month. She has the habit of purchasing, characterized by the hi low aspect, that is, acquiring products of luxury brands, such as Prada, Chanel and Gucci, but also transits in the universe of premium brands and thrift shops, where she finds vintage pieces that present historical value and complement the looks and her personality. She travels abroad at least twice a year.

2.5 TARGET CONSUMER - WHOLESALE

As previously mentioned, the brand conducts wholesale, which take place in the Espaço Teaser Showroom, located in the region of Vila Madalena in the city of São Paulo. Through this, Lina Dellic has incorporated a number of representative boutiques with the largest number of sales, mixed brands and physical structure. This data has no objective source, as they are small or medium businesses operated by families or a single entrepreneur. Additionally, Lina Dellic has serviced multi-brand stores in all states within the country.

The showroom currently sells four other brands. Along with their owners, the partners in the showroom are Anie Varger and Junior Malagodi, who have more than ten years of experience and knowledge of the most important boutiques in the country. For this

reason, the facts reported here regarding the stores that purchase Lina Dellic are based on the history and knowledge of the showroom.

It should be noted that the wholesale approach to selling is different. The brand has been present in this sector for only a year, presenting two collections. Multi-brand store buyers are not end customers; they have established budgets to spend on brands they already know and budgets to invest in new brands on which they wish to wager. Purchases are based, however, on two main pillars: the quality of the pieces and how the brand is managing its publicity and press.

The brand had to create a marketing strategy and differentiated sales discourse, which proved effective. In addition, despite having a young design, the brand has received feedback that the products have been sold to final customers in the age range above 35 years. Accordingly, the concept of Lina Dellic in the wholesale channel is recognized by the end customer who purchases in boutiques only after visualizing the product there, or through the media and brand website.

2.6 SALES CHANNELS

Lina Dellic effects its sales through wholesale and retail sectors. Concerning the retail sector, the brand uses ecommerce and sells on partner sites such as Dafiti, Style Market, Distinct, and Gallerist. Through these partnerships, the brand does not charge wholesale prices for its products, rather, the components are left in consignment with the digital partners, who produce their own materials and conduct the sales processes. At the end of this, they retain a margin which has been established and negotiated with each one of them. On average, this margin is of 30% of the final retail price.

The wholesale segment is served by means of a partnership with the Espaço Teaser showroom. As already described in section 2.2, the showroom has four other brands and its owners have a long relationship with boutiques from all over the country. The other brands being sold there are not of the same style. They consist of a fashion party brand, a beach fashion brand, a denim brand and a casual fashion brand that works only with prints and vibrant colors.

Concerning the relationship and partnership with the showroom, the most important point concerns the established form of partnership. A monthly fee and commission on sales is paid. The presence of the partners at fairs, whether national or international, is Included in this cost. Moreover, the contract also establishes that, in forming a partnership

with them, the brand cannot opt for the using other commercial mean. For this reason, when studying and analyzing the selling strategy at fairs, hiring another professional to perform the sales is not included. The cost of transportation, lodging and food should, however, be allocated by the brand if it decides to be present at an international fair.

2.7 INDUSTRY DESCRIPTION

The retail fashion industry differs from the wholesale. Hence, in this section, the industry analysis is conducted considering wholesale only, which, nowadays, is the major sales channel of the brand.

The fashion industry has particular characteristics that form its business dynamic: complexity, high number of competitors, and continuous growth. In addition, the demand is always changing, customer requirements increase and the pace of innovation is rapid. For these reasons, it is a volatile business which needs to predict better practices in order to be sustainable in the long term. It is interesting, therefore, to analyze which factors are influencing business model changes. To begin with, it is useful to identify the drivers that are affecting today's fashion firms and possibly find corresponding interrelations or combination of effects between them (CILLO; DE LUCA; TROILO, 2010; NENNI; GIUSTINIANO; PIROLO, 2013; RINNEBACH; RICHTER, 2014).

Fashion companies can be exposed to several external change drivers, so it is necessary to analyze them through the political, environmental, social, technological, economical and legal aspects (PESTEL), which allows the analysis of the macro-environmental factors in the industry.

Accordingly, the political issues are related to the contexts of the political stability in government or regional policies, taxation changes or the instability of political parties. Moreover, legal factors are also important in this industry, since labor, consumer and safety laws are covered by legislative issues. The political and legal drivers do not, however, lead to significant changes in the industry. The other drivers of the PESTEL analyses are more relevant.

The environmental aspect includes elements that are concerned with sustainability issues. Within the context of fashion, they could be climate change, air and water pollution, waste disposal or the treatment of scarce resources such as water. Events like tsunamis or floods can harm the growth of cotton and the maintenance of manufacturing facilities. Since many retailers have shifted production to developing countries in Asia (BHARDWAJ;

FAIRHURST, 2010; JOHANSSON, 2010; JOY et al., 2012), they need to be aware of such environmental risks. Moreover, textile production facilities use significant amounts of energy and water, and, in order to remain low-cost, process toxic chemicals and fertilizers that generate contaminated water and volatile emissions (DÉRI, 2013; JOHANSSON, 2010).

The economic environment is driven by elements such as economic growth, unemployment rates, price changes, labor costs or the disposable income of consumers. In this context, consumers with more money can buy more products, including clothes, especially if they are employed. If the economic tendency predicts an increase in unemployment rate, the fashion industry is affected. Moreover, mature and emerging markets are equally important (REMY et al., 2013) and the internationalization of clothing brands and retailers presents a larger opportunity. In addition to this, raw materials such as oil and water, are ever more scarce, leading to higher prices of the fashion industry (GUERCINI; RUNFOLA, 2012).

Regarding the social factor, which reveals how the industry should consider and understand consumer attitudes, drivers such as demographic changes, lifestyle, consumer demand and income distribution can help understand what actions the clothing industry must undertake. The social factor is the most important for the fashion industry, since it is constantly affected by socio-cultural tendencies (CURTIS; WATSON; SEPHTON, 2007). Demographic changes may result in circumstances such as the establishment of an elderly-oriented clothing firm as the aging population increases. Consumer attitudes regarding a more convenient experience (more time dedicated to work than to leisure), can generate losses for the industry. In addition to this, teenager and young adult tendencies are currently diverse and strongly influenced by the media (RINNEBACH; RICHTER, 2014). The media not only disseminates tendencies but also creates awareness of scandals and negative publicity regarding bad corporate social responsibility practices such as child labour or inhumane working conditions as a consequence of outsourcing companies.

Technological factors, such as the rise of the internet or process innovations, may affect the fashion businesses in the way they can produce, sell or distribute their products, but also open up new ways for customers to purchase products. The internet may not only help consumers be more aware of tendencies but also facilitate the interaction between retailers, wholesalers and manufacturers. It is, however, necessary to note that the fashion industry remains labor-intensive since there are frequent changes in design, textiles and demand (SURA, 2004).

Consequently, the clothing industry is in constant change, impacted mainly by social and economic drivers.

3 PRODUCT DESCRIPTION

3.1 CLOTHES

The brand specializes in the production of women's clothes that are unique and fashionable. The products have a restricted color palette to match the central concept of being timeless, durable and adaptable in the client's wardrobe. However, one or two new colors may be introduced throughout the collections to create an experience of novelty and reflect the personality of the consumer who is attracted by prints and vibrant colors. This innovativeness is a key feature in gaining competitiveness in the targeted markets. The major designs of these products include white, off-white, raw, nude, rose, gray and black. These products are appropriately designed to be conspicuous and attract consumers of all ages. The restricted color palette and the design are differentiated aspects of the brand.

The brand uses prime materials for developing its pieces. The suppliers are chosen between those best available in the market and they must present the seal of the Associação Brasileira do Varejo Têxtil (Brazilian Textile Wholesale Association - ABVTEX).

The clothes comprise the streetstyle, that is, they are pieces to be used in daily life. However, the brand has a strong presence in its tailoring category, as aforementioned. Thus, the pieces become more structured and can also be used in occasions that demand a more elegant and chic outfit.

The brand's stylist, Ana Paula Yamato, has worked for French and Brazilian brands, such as Givenchy and Iodice. She transmits her history and view as designer to the Lina Dellic pieces, with balance between forms and colors, without unnecessary excesses, and adopting a gentle minimalist structure.

The brand understands that the final clients travel and, therefore, need winter clothing when it is summer in the southern atmosphere, or vice-versa. Thus, the brand always has a few pieces to be used in different seasons among its collections.



Figure 13 - Tereza Skirt from Lina Dellic's Winter Collection 2017
Source: Lina Dellic (2018).



Figure 14 - Cloe Pantacourt from Lina Dellic's Winter Collection 2017
Source: Lina Dellic (2018).



Figure 15 - Linda Jacquet from Lina Dellic's Winter Collection 2018
Source: Lina Dellic (2018).



Figure 16 - Carolina Dress from Lina Dellic's Winter Collection 2018
Source: Lina Dellic (2018).

3.2 PRODUCT CHAIN AND TEAM

The company has eight internal employees. They are the executive director, a stylist, a quality analyst, a production assistant, a financial analyst, an administrative assistant, a sales analyst and a branding and media analyst.

The company has partners who offer services on a monthly basis, such as photography, press services and showroom (commercial for wholesale). Regarding the production of the pieces, the entire process takes place externally to the physical office of the brand. At present, the brand works with four ateliers that work directly with the quality analyst, who maintains an appropriate engagement relationship, which allows the concept of the brand to be accomplished, in addition to taking care of the quality of the pieces and the progress of the production.

It is important to state that the ateliers were previously analyzed before establishing a partnership. For this reason, they gave the Lina Dellic team access to their processes, building a closer relationship than those maintained with other brands, allowing greater transparency in the production process and contact with the workers who are connected to them. Currently, the quality analyst is able to efficiently supervise the four ateliers, but it will be necessary to hire another if new ateliers are added as partners, either through international expansion or increased demand at the national level.

The production process begins with a meeting between stylist and production assistants with fabrics and inventory suppliers. At the same time, the stylist conducts reference style research with this material and builds an image board by product category (tailoring, knitting, party, flat fabric), since each atelier can do a better job in one of these categories.

After this, the technical sheets of the products are drawn, including a sample, the name of the fabric and any attachments that go with the piece, an image as a reference of how the piece should be sewed and some other details that the stylist considers necessary for better understanding the production of the piece in this first phase. The name of the partner who has modeled and produced the piece is written on this sheet in order to control and organize the process. In the preceding collection and first two wholesale collections by the company, 130 different pieces were made.

Initially, reduced quantities of raw material are bought in order to create a sample of the piece. The technical sheet is released to the appropriate supplier along with the fabric and supplies. Each one is asked to finish between 5 and 10 pieces per week, after which a

standard sized model is brought to the office and, along with the quality analyst, stylist and style assistant, adjustments are made. If needed, a new sample of the piece is requested or the piece is approved for production.

Initially, five pieces for showcasing are constructed. Thus, the brand is able to display its pieces in the showroom, send the pieces to the press office, conduct marketing and photography, and save them for its own collection. It will be necessary to increase this number for the internationalization process.

Once the pieces are ready, they remain in the showroom for two months and can also be taken to national fairs, as occurred in April, 2017. As orders are generated through the wholesale outlet or fairs, Lina Dellic's team begins buying the raw materials for production and placing production orders with the suppliers.

The quantity of pieces to be made for the retail segment is an estimate of what was sold in wholesale. Usually, the company ranks each sold piece, analyzing the minimum and maximum quantity for supplier production and the costs to reach a possible demand volume. It should be noted that some models that have been made to be exhibited in the showroom or fairs may not reach the retail market, since not enough orders were received for production.

3.3 PRICE

The company invests in professionals responsible for quality analysis and control, and the relationships with workshops, as described in section 3.1.2. In addition, to engage and be transparent, the brand works with ateliers that have proven quality seals, to meet all the requirements of a suitable work environment, which are controlled by the responsible agencies in Brazil. Maintaining these quality seals is also costly.

The salaries of all the responsible workers in the production process within the studios were also a factor considered when choosing the ateliers. Since the fashion industry is known as for not paying well, the company can make some pressure for changes, affirming the concept of the brand. Regarding the raw materials, the brand seeks to work with the best fabrics and suppliers so that the quality and durability of the pieces are high and perceptible to the customer. Because of this, the final cost of the pieces is high.

At the wholesale level, the brand practices a markup of 1.6. The other brands present in the showroom, apart from the fashionable party brand and beachwear, practice a higher markup, with an average of 2.0 This information was provided by the constant

relationship between the brands within the space of the showroom located in Vila Madalena. The average wholesale price tag on the Lina Dellic brand is of R\$ 400,00.

The markup for the retail segment is of 2.5, which is multiplied by the wholesale price. This fact is due to an attempt at price planning at the sale points, since boutiques generally charge this price after purchase in the showroom. This information was provided by the retailers and the owners of the showroom, in which Lina Dellic exposes its collections. The average retail price tag on Lina Dellic clothes is of R\$ 900, which is considered a premium price in Brazil.

4 MARKET AND COMPETITION

4.1 BENCHMARKING

Fashion is one of the rare economic success stories in past decades. The industry has grown at 5.5% annually, according to the 2017 McKinsey Global Fashion Index. In fact, not only does it affect everyone, but it would be the world's seventh-largest economy if ranked alongside the GDP of individual countries. However, 2016 was one of the industry's most difficult years. Events such as the terrorist attacks in France, the Brexit vote in the United Kingdom, and the volatility of the Chinese stock market created shocks to the global economy. At the same time, consumers have become more demanding, more discerning, and less predictable in their purchasing behavior, which is being radically reshaped by new technologies, according to McKinsey's *The State of Fashion 2017*.

The brands with which Lina Dellic compete in wholesale are those that cause the owners of multibrand stores to decrease the budget for purchasing Lina Dellic, are brands always present in stores that sell Lina Dellic, such as UMA, Cabana, Olympiah and Osklen. These brands have similar targeted consumers, prices, concepts and designs as Lina Dellic. They are already established as international companies, since they have already been to international fairs through the Fashion Label Brazil project. Moreover, they are brands already recognized in the Brazilian market and are growing in the retail and wholesale segment nationally and, for many, also internationally.

For comparison reasons, some information concerning the brands are disclosed. As these companies are not public, however, access to figures and more in-depth information is difficult.

UMA: Conceived by Raquel and Roberto Davidowicz, the brand first appeared in São Paulo, in 1995. Raquel is the stylist responsible for the creations and Roberto is responsible for every other operation, from finance to sales. They produce timeless sophisticated collections with minimal design where culture meets fashion, attracting contemporary women and men. In 2008, UMA began to parade at SPFW. In 2010, they began their e-commerce operation and, in 2015, they opened the first store in New York, focusing on the internationalization of the brand. The Average retail price is of R\$ 850,00 (UMA, 2018).



Figure 17 - Illustration of UMA products (UMA Website)

Source: UMA (2018).

CABANA: Cabana was created in 2014 by Manuela Rodrigues. She produces original products with time and care that do not follow fads: a reflection of her new lifestyle. The proposition is to use natural elements, creating carefully developed products. In natural leather, the pieces are handmade in a small series and prioritize style, comfort and durability. The natural fibers also have exclusive prints, and are comfortable and timeless models that eliminate waste each season and encourage a more conscious consumption (CABANA, 2018). The Average retail price is R\$ 400.



Figure 18 - Illustration of Cabana Products (Cabana Website)

Source: Cabana (2018).

OLYMPIAH: This brand proposes a contemporary fashion, exuberant and with touches of yesteryear. Created by Zilah and Stephanie Garcia, mother and daughter, the label is for elegant women from all over the Brazilian national territory. It was launched in the winter of 2014 with a collection of approximately 60 pieces. Its target audience is women aged 25-35 years. Its trademark is a baroque accent modernized by geometric cuts that play with flowing and asymmetrical silhouettes. They are sexy and sophisticated clothes. The Average retail price is R\$ 900,00 (OLYMPIAH, 2018).



Figure 19 - Illustration of Olympiah products (Olympiah Website)

Source: Olympiah (2018).

OSKLEN: Created in 1989 by Oskar Metsavaht, is a lifestyle brand. Positioned between sportswear brands and ecobrand, it is considered premium because it mixes "urban and nature, global and local, organic and technological." In 2003, Metsavaht began to demonstrate at São Paulo Fashion Week, the biggest fashion event in Latin America, the same year the Osklen Collection line was launched, developing pieces with sophisticated materials, special finishing and of a limited series, without abandoning its connection with sports and nature. In 2008, it launched the e-brigade environmental project of multimedia communication aimed at environmental education. Osklen today has 62 stores in Brazil, two in Milan, and one in New York, Miami, Tokyo and Rome, as well as showrooms in Italy, France, Spain, Greece, and Portugal. It also exports to Belgium, Chile and the Middle East. The Average retail price is of R\$ 800,00 (OSKLEN, 2018).



Figure 20 - Illustration of Osklen products (Osklen Website)

Source: Osklen (2018).

Furthermore, according to Pereira (XXXX), the cheapest and best way for a brands to trade internationally is by basing production in local Brazilian markets and shipping the sold product by hiring a trading company with expertise in the matter.

The technology employed by these brands and by Lina Dellic, in developing and producing a piece, is the same. Access to good and reliable suppliers, however, is an issue for every brand. A fact that can distinguish one from another is the choice of textile, but this choice will reflect in the price and customer target, altering the brands that can compete to the company.

Nowadays, it is very easy to produce goods in China, reducing costs, and it is even possible to find better suppliers there than in Brazil. In 2015, Ana Paula Yamato, the head stylist of Lina Dellic, went to China and visited fabric suppliers and, given her work experiences in the French and Brazilian markets, she was able to testify to the truth of this fact. None of the aforementioned brands, however, outsource their production in China. This fact was stated by Claudia Pereira, who, as previously mentioned, is responsible for the internationalization of those companies through the Fashion Label Brasil project (Personal communication, 3rd of November).

Consequently, the design and concept of the clothes and brands are the points of distinction that can aid in the success of a fashion company. In this market, it is important to understand behavior and to predict tendencies. Once the brand has it own concept and design, the company that incorporates this contemporary context into the DNA of its pieces will be one step ahead in the market (SAVIOLO; TESTA, 2002).

4.2 MARKET RESEARCH

In this section, analysis of which country to establish the Lina Dellic brand for internationalization will be done following two essential steps: a) selection of three main countries, which can meet three established criterias; b) the CAGE Distance Framework will be used to select the final market.

4.2.1 Country Selection

For selecting the country as a potential market for internationalizing the Lina Dellic brand, some criteria will be imposed: the importance of the country to the world of fashion, current historical and influential aspects tangent to such a market, quantity of fairs and showrooms, as well as the size of the consumer market. Referentially, it is established that fashion follows the local tendencies of the cities known as fashion centers, so this segment occurs more strongly at a local level than globally.

In this sense, after analyzing the criteria, it will be important to consider that, if the location is a city, market research will be done across the country, so that the quality of macro information that may affect the strategy can be achieved. In addition, depending on the input mode to be chosen, local brand performance may incur national sales as it does in its home country - the Lina Dellic brand sells by trade shows in Belo Horizonte, Minas Gerais, and Rio de Janeiro, capital, but can achieve sales in other cities.

4.2.2 Country Selection - Reason and Choice

A fashion capital or fashion center is an influential area, where regional and international fashion occurs more often than at other locations of the world. It is also where fashion is an important business, with great economic influence in the region. A fashion center is home of many stylists and modeling agencies. It is thus named mainly due to the amount of business generated through the media and influence in fashion (GEMPERLI, 2010).

In addition to its economic power, a fashion capital have active entertainment and cultural sites, attracting tourists and consumers not only because of the fashion itself, but also because of its variety of leisure. The city should be an object of inspiration for professionals who are based there, with an active, lively, strong and unique sub-culture, which can inspire

not only fashion professionals but also general population by transforming style and street culture into one essential feature. This blend of fashion, business, entertainment, culture and leisure makes a city attractive and internationally recognized as fashion centers for its unique and strong identity, distinguishing itself due to specific characteristics. Moreover, the importance of the city in fashion history makes it traditionally known and essential for fashion as a whole nowadays. The world has three fashion centers: Paris, Milan and New York City (GEMPERLI, 2010).

It is necessary to understand that the fashion business occurs mainly locally in these important cities. Generally, each country is associated with a particular moment in the fashion history. This fact makes them essentials, in current days, to the fashion industry, since traditionally they are traditional fashion centers (JOY et al., 2012).

It is important for the brand to begin its internationalization strategy at a location known as a fashion center, since it will be in the area where most of the fashion business takes place. Because of this, it is important to understand the size of the market and the number of showrooms and fashion trade shows that occur in these three cities.

The three main fashion capitals (New York, Paris and Milan) have a major influence over international fashion tendencies. They are home to the most influential designers, the most important fashion weeks, and the biggest fashion magazines, trade shows, exhibitions, and award shows (CORBELLINI; SAVIOLO, 2009). Thus, this is one more aspect to be considered when selecting the country.

High fashion was born in France and, until 1950, Paris was the centre of the fashion world, where all the fashion houses had their headquarters. This position assumed by France can be related to the following points: a) relationship between pure and applied art has always been very close - nowadays, the co-operation of designers, institutions and media make Paris fashion shows a powerful communication event, centered on fashion, culture and national pride; b) Parisian tailor Charles Frederick Worth opened the first haute couture house in Paris in 1860s, presenting a new collection every year; c) The Universal Exhibition took place in Paris in 1900, where all the fashion houses showed their collections and foreign buyers and consumers came to see (the beginning of what is known today as the Fashion Week); d) Paul Poiret (1879) is considered the first designer, liberating women from corsets; e) In 1920, Coco Chanel made her entry in the fashion history and Christian Dior boosted even more the French haute couture (high fashion), in 1947 (CORBELLINI; SAVIOLO, 2009).

Paris is known for its iconic fashion houses, as Chanel, Louis Vuitton, Hermes, Yves Saint Laurent and Christian Dior. Paris is often considered the “New York of Europe,” which means that, as its North American counterpart, it offers the expected high-fashion work and international cosmetic and beauty campaigns, but also plenty of commercial print work and television commercials. There are over 4,000 fashion showrooms and 20 fashion trade shows in the city (FÉDÉRATION DE LA HAUTE COUTURE ET DE LA MODE, 2017).

The American fashion industry came into existence at the beginning of the 1800s for menswear; the first tailor-shops were both producers and distributors. In this occasion, a man named Levis Strauss, during the Gold Rush in 1848, patented the rivet-reinforced pants that would change the world of clothing. The ready-to-wear clothing was also invented because of the need of comfortable clothes for work. In the 1920s, the three major women’s fashion magazine emerged: Vogue, The Queen and Harper’s Bazaar (CORBELLINI; SAVIOLO, 2009).

The retailers were also important in order for the American fashion industry to develop and be recognized, since they applied the suggestions from the Parisien market to their products. Today, however, they are in a position to teach their pretigious European suppliers how to deal with service, deliveries and merchandising (CORBELLINI; SAVIOLO, 2009).

New York City is the most fashionable capital of North America. It is where top designers like Betsey Johnson, Calvin Klein, Derek Lam, Donna Karan, Isaac Mizrahi and Philip Lim emerged (they all studied at New York’s fashion schools), and it is where many top designers, including Kate Spade, Marc Jacobs, Kenneth Cole and Ralph Lauren, choose to headquarter their fashion houses (METER, 2014).

Also, New York City has over 5,000 fashion showrooms (more than in any other city in the world) and hosts over 75 major fashion trade shows and market weeks (including Mercedes-Benz Fashion Week) each year (HELMER, 2017).

The Italian fashion market is legendary, known for the tradition and quality in brands such as Prada, Versace and Valentino. The country has always been known for the meticulous craftsmanship and luxury materials. However, it must be noted that the country emerged as a fashion center only after World War II (BLACK; GARLAND, 1994). Before the war, Italian fashion was followed the direction of French fashion, as did the rest of the world.

World War II brought confidence and economic resources for the country, allowing the establishment of the fashion industry as a major player. During this time, French

couture was leaving behind a gap on the market, since no comfortable, versatile clothing was being created, focusing on haute couture. Therefore, Italian casual wear arrived in America and paved the way for the ready-to-wear collections currently coming out of fashion houses.

Since the United States was focused on the men's clothing, some women designer in Italy, who understood the needs of women, such as Germana Marucelli, Mila Schön, Simonetta and Galitzine, helped develop the Italian fashion industry.

Also, the development of subcontracting among firms and the industrial district formed in Italy, helped with the creation of a close relationship between designers and the industry, which increased the presence of the Italian clothing market in the world. Furthermore, the licensing agreement between Gruppo Finanziario and Giorgio Armani became the model on which the relation between industry and creativity was built, giving even more importance to the Italian market (BLACK; GARLAND, 1994).

The Italian city of Milan has long been known as a fashion and design capital. Even during the middle ages, Milan produced high-end luxury goods such as shoes, dresses, robes and jewelry. Nowadays, the city is home to over 12,000 fashion companies, 800 showrooms and 6,000 stores. The city also hosts Milan Fashion Week, one of the most important fashion events in the world, and more than 30 other fashion trade shows (CORBELLINI; SAVIOLO, 2004).

Figure 21 is a chart from the Euromonitor International (2016b) regarding the size of clothing market in the world by country.

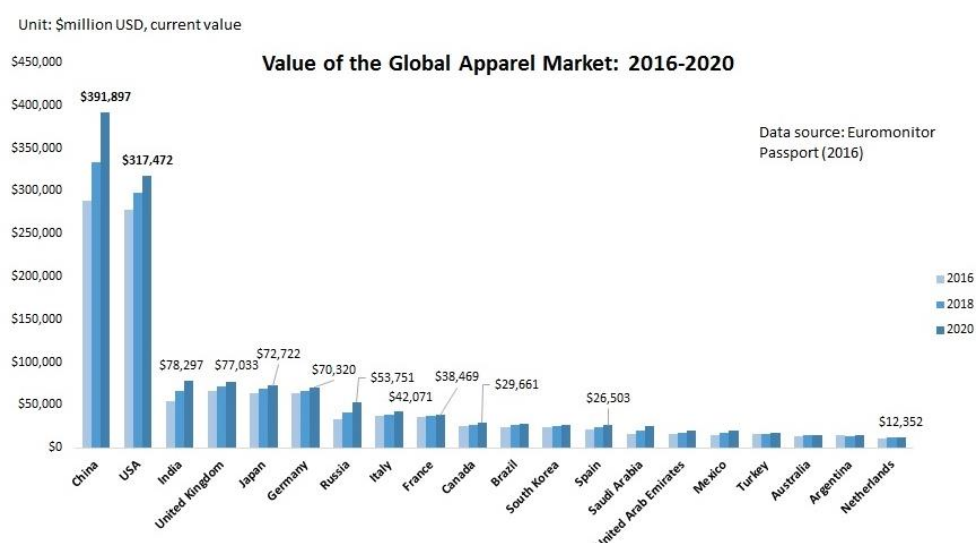


Figure 21 - Value of the Global Clothing Market: 2016 - 2020

Source: Euromonitor International (2016b).

As can be seen, China and the United States have the biggest clothing market in the world. Because of this and the aforementioned information, United States will be one of the countries to be analysed in the internationalization strategy of the Lina Dellic brand.

It is important to say that China, India, United Kingdom, Japan and Germany are not cited in bibliography and researchers as worldwide fashion centers. This is mainly related to the tradition and historical values behind fashion history. For example, these countries do not host a fashion week, which, is the most important fashion event in the world, lasting approximately one week, wherein fashion designers and brands display to buyers and the media their latest collections in runway fashion shows. These events influence tendencies for the current and upcoming seasons.

Moreover, considering the number of fashion showrooms and fashion shows in Paris and Milan and their considerable market size, these will also be analyzed for internationalizing Lina Dellic.

Finally, the three countries selected were France, Italy and the United States. The fashion business happens locally. Therefore, after analyzing the CAGE framework, this work will focus on the cities considered fashion centers; Paris, Milan and New York City.

Moreover, the potential demand in number of people in each city will be calculated in order to prove and relate the result from the CAGE analyse to a more realistic scenario.

4.2.3 CAGE Framework

The criteria to be met in this analysis will be access to the market (custom barriers, taxes, exchange rate) and market potential (potential demand of the product). Furthermore, the CAGE framework will be used, considering four attributes to help identify the ways in which potential markets may be distant from others.

The attributes are: cultural distance (social norms, language, religious beliefs), administrative or political distance (colony-colonizer links, common currency, trade arrangements), geographic distance (the physical distance, size of the targeted country, access to waterways and ocean, transportation, communication infrastructure), economic (disparities in the countries' wealth or consumer income, cost and quality of financial and other resources) (GHEMAWAT, 2001).

It is important to remember that Lina Dellic has an atemporal and minimalist style with restricted colour pallet. Moreover, the business idea was based on tendency and made by

the founder and author of this work, Gabriela Bianchim Bereta, considering Europe and the United States, which have fashion brands focused on the slow fashion movement and minimalist style. Therefore, the design of the clothes will not be a criteria to be met in the market, since the design was made by analysing those markets.

Below there is a chart from Euromonitor International (2016a) regarding the size of clothing market in the world by country.

4.2.3.1 CAGE Distance Framework: Brazil and France

The cultural distance concerns language, religion and social network differences, and relations between the countries. France has a different language from Brazil, the first with French as native language, and the second, Portuguese. Both belong to the so called western culture. The term is applied to countries and culture of which histories are connected to Europe by immigration, colonization or influence of language and ethnicity. It is mainly characterized by the artistic, philosophic, literary and legal themes and traditions. The Roman Catholic Church and the Orthodox Church played an important part in shaping this civilization since at least the 4th century (APPIAH, 2016).

About the administrative distance between Brazil and France, it is importante to note that they do not have any colonial ties. Moreover, according to the France Diplomatie (FRANCE, 2017a), in 2006 the countries built a Strategic Partnership. Bilateral trade doubled between 2003 and 2013, with an average annual growth of 5.6% since 2006. Also, 850 subsidiaries of French companies are established in Brazil, representing 500,000 jobs. However, the recession had a direct impact on the number of French businesses exporting to Brazil, which have decreased from 5,000 in 2011-2013 to 4,200 in 2016 - a drop of 16%.

Bilateral trade between France and Brazil stood at €7 billion in 2016, decreasing 9% in 2015, because of a drop in exports (-10% at €4.3 billion), resulting from the contraction of Brazilian internal demand. French exports have shown a degree of resilience, as Brazil's total imports reduced by 20% between 2015 and 2016. Thus, Brazil remains France's 17th-largest customer and has become its ninth-largest supplier in 2015 (FRANCE, 2017a).

France is among the leading investors in Brazil (fifth in terms of stock, with US \$37 billion in foreign direct investment). France was the second-largest source of investment decisions in 2016. French foreign direct investment (FDI) flows have followed the general tendency of divestment observed in 2015 (-3.5%, at US \$2.8 billion) (FRANCE, 2017a).

Brazil is France's leading export market in Latin America, attracting two thirds of French exports to the region. Brazil's position in French foreign trade remains steady, accounting for less than 1% of our total trade flows. France purchases agrifood products and oil in Brazil and is increasingly purchasing industrial goods (FRANCE, 2017a).

According to the Banco Central do Brasil (2017), the average exchange rate in December 2017 for the Euro is of 3.7069.

Brazil and France also have no territorial border. However, both countries have vast access to the sea, with ridges and ports with great transportation and communication structure. France has different weather seasons from Brazil, given that they are in different hemispheres.

France has a wide variety of landscapes. Metropolitan France also has extensive river systems such as the Seine, Loire, Garonne, which divides the Central Massif from the Alps and flows into the Mediterranean Sea. The total land area of France, with its overseas territories is of 674,843 km², 0.45% of the total area of the Earth. France has the second largest Exclusive Economic Zone (EEZ) in the world, covering 11,035 million km², about 8% of the total area of all EEZs in the world, remaining only behind the United States (UNITED STATES OF AMERICA - USA, 2017a).

The railway network in France, which extends for 31,840 kilometers, is the most extensive in Western Europe. Railway connections extend to all other neighboring European countries, with the exception of Andorra. Intra-urban connections are also well developed, with subway and tram services complementing bus services. There are approximately 893,300 kilometers of usable highways in France. The region of Paris is surrounded by a dense network of roads and highways that link the capital with virtually every part of the country. French roads also deal with major international traffic, connecting cities in neighboring Belgium, Spain, Andorra, Monaco, Switzerland, Germany and Italy. There are approximately 478 airports in France, including landing fields. Paris-Charles de Gaulle Airport, located on the outskirts of Paris, is the largest and busiest airport in the country, handling most of the country's popular and commercial traffic, and connecting Paris with virtually every major city in the world. There are ten main ports in France, the largest of which is in Marseille, which is also the largest border with the Mediterranean Sea. 14,932 kilometers of canals cross France, including the Midday Channel, which connects the Mediterranean Sea to the Atlantic Ocean via the Garonne River (USA, 2017a).

The climate in France is temperate, but divided into four distinct climatic areas. The oceanic climate of western France brings rainfall spread throughout days, and modest

annual temperature variations. Central and eastern France presents continental climate, which harbours cold winters and hot summers. The Mediterranean climate of south-eastern France is responsible for hot, dry summers, with rainfall from October to April. At above 600-800m of altitudes, the mountain climate brings heavy rainfall and snow during three to six months per year (FRANCE, 2017b).

In France, the average household net-adjusted disposable income per capita is of US\$ 31,137. Inequality is considerably high, but is lower than in Italy, with the top 20% of the population earning close to five times as much as the bottom 20%. In terms of employment, approximately 65% of people aged 15 to 64 have a paid job. In France, 78% of adults aged 25-64 have completed higher education (OECD BETTER LIFE, 2017).

	Cultural distance	Administrative distance	Geographic distance	Economic distance
Attributes creating distance between Brazil and France	different languages; same majority religion (catholicism); western culture	no colonial ties, in 2006, the countries built a Strategic Partnership; 850 subsidiaries of French companies are established in Brazil (500,000 jobs); Bilateral trade between France and Brazil stood at €7 billion, Brazil thus remains France's 17 th -largest customer and has become its ninth largest supplier; no free trade agreement until recently; almost 14% of custom expenses; no trade agreement	lack of common border; land area 674,843 km ² ; railway network extends for 31,840 kilometers; 3,300 kilometers of highways; roads also deal with major international traffic; 478 airports; 14,932 kilometers of canals cross France; 11 hours flight	net-adjusted disposable income per capita is of USD 31,137; inequality is considerably high; 65% of people aged 15 to 64 in France have a paid job; In France, 78% of adults aged 25-64 have completed higher education

Chart 1 - CAGE analyses between Brazil and France

Source: From the author (2017).

4.2.3.2 CAGE Distance Framework: Brazil and Italy

Regarding the cultural differences, Italy has a different language from Brazil, however, they are religiously similar, with the majority of both countries being Christians. A research conducted by the Italian Embassy in Brazil in 2013, reports that 15% of the Brazilian population is of Italian origin. Also, both countries belong to the so called western culture (ITALIAN EMBASSY, 2017).

Regarding the administrative distance between Brazil and Italy, it is importante to note that the countries have no colonial ties. According to the Ministry of Foreign Affairs of Brazil, the political dialogue between both countries occurs fluidly. The coincidence of views regarding current international issues, along with the historical proximity between both countries, has enabled the elevation of the bilateral relation to the status of Strategic Partnership in 2007. In April 2010, an Action Plan was signed to deepen bilateral partnership, with sixteen key areas in cooperation. Its objective is to bring together the industries of both countries and transferring technology, stimulating investment, industrial cooperation and bilateral trade. It also envisages initiatives to deepen the bilateral political dialogue and the cooperation in space, energy, cultural and academic areas, among others (BRAZIL, 2017).

Italy was a leading partner in the Science without Borders program, with 2000 Brazilian scholarship holders having been studying at Italian institutions. Both countries also maintain cooperation in scientific and technological areas, based on the Agreement concluded in 1997 (BRAZIL, 2017).

Italy is among the top 10 trading partners of Brazil. In 2015, bilateral trade reached 7.94 billion dollars. Italy stands in 10th place among the countries that invest in Brazil. The sum of Italian investments in Brazil corresponds to US\$ 17.9 billion. Italian companies have expanded their business in the Brazilian market. Currently, over 900 companies are operating in the country, employing approximately 150.000 people. In Italy, the stock of Brazilian investments is distributed in banking, aviation, food, leather processing, communications, compressors for refrigeration and footwear (BRAZIL, 2017).

Since signing a Memorandum of Understanding in 2007, Brazil and Italy have been seeking joint initiatives in favor of third countries. An example is the "Amazon without Fire" program - which, after being conducted in Brazil, implemented in Bolivia with the joint support of the Brazilian and Italian Governments (BRAZIL, 2017).

Moreover, it is important to underline the custom barriers, taxes and exchange rates of each country. Since these are elements that belong to the administrative perspective and they will be taken into account for the final decision making about which country to choose for the internalization strategy of Lina Dellic.

Therefore, according to the European Commission (2017), the European Union is negotiating a free trade agreement with Brazil as part of the European Union's Association Agreement negotiation with the Mercosur countries (which includes Argentina, Uruguay, Paraguay and Brazil). If Mercosur and the EU signs an agreement, Brazil would have access to tariff benefits and reduction of non-tariff barriers to 25% of world buyers. Currently, the

countries with which Brazil has an agreement represent less than 8% of world imports. The percentage is low compared to Latin American economies. Chile, for example, has agreements covering 83% of world trade and Peru's agreements reach 74% of global markets (CONFEDERAÇÃO NACIONAL DA INDÚSTRIA - CNI, 2017).

A survey conducted by the National Confederation of Industry CNI (2017) shows that Brazil has a comparative advantage in 1,101 products for export to the European Union. However, Europeans maintain tariffs, import quotas or non-tariff barriers for 68% of them, which reduces national competitiveness.

According to the Banco Central do Brasil (2017), the average exchange rate in December 2017 for the Euro is of 3.7069.

Brazil and Italy also don't have a territorial border. However, both countries have vast access to the sea, with ridges and ports with a great transportation and communication structure. Italy has different weather season from Brazil since it is in different hemisphere.

Italy's total area is of 301,230 square kilometres, of which 294,020 km² is land and 7,210 km² is water. It has a well developed transport infrastructure. The rail network is extensive, especially in the north, including a high-speed rail network that joins the major cities of Italy from Naples through the northern cities. Italy is the fifth in Europe in number of air transport passengers. Domestic flights between major Italian cities, such as Rome and Milan, still play a relevant role but are declining since the recent opening of the Italian high-speed rail network (AUTOSTRADE, 2017).

The railways in Italy comprise a total of 16,627 km, the 17th largest in the world. There are about 654,676 km of highways in Italy. There are 133 airports in Italy, including the two hubs of Malpensa International (n1) and the Leonardo Da Vinci-Fiumicino International (near Rome). The country has 27 large ports, the largest in Genoa, which is also the second largest in the Mediterranean, after Marseille. Moreover, 2,400 km of waterways pass through Italy (NATIONS ENCYCLOPEDIA, 2018).

The climate in Italy varies depending on the region. Northern Italy has a continental climate, whereas in the south, past Florence it has a Mediterranean climate with typically dry summers. The climate of the peninsula's coastal areas is different from the interior, particularly in the winter months. The highest areas are cold, humid and often have snowfall.

In Italy, the average household net-adjusted disposable income per capita is of US\$ 26,063 a year. However, there is a considerable gap between the richest and poorest - the top 20% of the population earn close to six times as much as the bottom 20%. In terms of

employment, 57% of people aged 15 to 64 in Italy have a paid job. In Italy, almost 4% of employees work very long hours. In Italy, 60% of adults aged 25-64 have completed higher education, numbers that are below the OECD average of 74% (OECD BETTER LIFE, 2017).

Attributes creating distance between Brazil and Italy	Cultural distance	Administrative distance	Geographic distance	Economic distance
	different languages; same majority religion (catolicism); 15% of brazilian people are of Italian origin; western culture	no colonial ties, fluid political dialogue, historical proximity, sum of Italian investments in Brazil corresponds to US\$ 17.9 billion, Italy was a leading partner in the Science without Borders program, Italy is among the top 10 trading partners of Brazil, 900 Italian companies are operating in Brazil (150.000 jobs), seeking joint initiatives in favor of third countries; no free trade agreement until recent days; almost 14% of custom expenses; no trade agreement	lack of common border; total area is 301,230 square kilometres; well developed transport infrastructure; high-speed rail network; railways in total of 16,627 km, the 17th largest in the world; 54,676 km of highways; 133 airports in Italy; 12 hours flight	net-adjusted disposable income per capita is of USD 26,063 per year; considerable gap between the richest and poorest; 57% of people aged 15 to 64 in Italy have a paid job; 60% of adults aged 25-64 have completed higher secondary education

Chart 2 - CAGE analyses between Brazil and Italy

Source: From the author (2017).

4.2.3.3 CAGE Distance Framework: Brazil and the United States of America

The United States has a different language from Brazil. However, the majority of the population of both countries is catholic. Moreover, since Brazil and the United States had slavery until the second half of the 19th century, both present similar ethnic and racial groups, including minorities of indigenous and black people, as well as immigrants from Italy, Germany and Asia (ECONOMIST, 2010).

Concerning the administrative distance, Brazil and the United States have no colonial ties. According to the United States Department of State (USA, 2018), the United States was the first to recognize Brazil's independence in 1822 and, because they are the two main economies and democracies in the Western Hemisphere, they attempt to promote, together, growth and peace in the region. Both countries have maintained twenty dialogues at the assistant secretary level or above. Moreover, Brazil and the United States have a long history of exchanges in education, energy, health, science, technology and innovation. In June

2015, they launched a Joint Initiative on Climate Change to improve cooperation on land use, clean energy and climate adaptation, moreover the U.S. Agency for International Development (USAID) and Brazil are working together to promote growth in Africa and Latin America.

Furthermore, the USA (2018) appoints some mechanism that facilitate the movement of trade, people and investment between the two countries, such as the Economic and Financial Dialogue (which promotes common positions on global policy issues), Joint Commission on Economic and Trade Relations (which explores greater cooperation on economic and trade issues), the Commercial Dialogue (which develops strategies to eliminate impediments to trade and investment), the CEO Forum (U.S. and Brazilian executives advising policymakers on commercial and economic issues), the Consultative Committee on Agriculture (to boost agricultural trade and cooperation), the Strategic Energy Dialogue (which aims to strengthen energy security, create new jobs and industries, and reduce carbon emissions).

The United States is Brazil's second-largest trading partner. In 2015, its trade surplus with Brazil was of US\$23.6 billion. The United States is Brazil's second-largest export market, which the primary products are crude oil, iron, steel and machinery. According to the U.S. Bureau of Economic Analysis, the United States had invested US\$65.2 billion in Brazil during 2015 (USA, 2018).

Recent months have seen an increase in engagement between the U.S. and Brazil on economic issues. In March 2016, the U.S. Trade Representative hosted the Agreement on Trade and Economic Cooperation (ATEC), which was held at the ministerial level for the first time. Following this meeting, the two governments signed a new Memorandum of Cooperation on Bilateral Infrastructure Development to complement and strengthen our engagement under the U.S.-Brazil Transportation Partnership, Aviation Partnership, and Strategic Energy Dialogue. In June 2016, the Department of Commerce led the U.S.-Brazil Commercial Dialogue to expand commercial ties and address non-tariff barriers to trade. In August 2016, after more than 13 years of closed beef markets, the U.S. and Brazilian governments agreed to open mutual market access for beef products (USA, 2018).

In addition, in 2011, the United States and Brazil signed the Agreement on Trade and Economic Cooperation to enhance cooperation on trade and investment between the Western Hemisphere's two largest economies. The agreement expands direct trade and investment relationship by providing a framework to deepen cooperation on a number of

mutual concern, including innovation, trade facilitation and technical barriers to trade (USA, 2017c).

According to the Banco Central do Brasil (2017), the average exchange rate in December 2017 for the dollar was of 3.3273.

Brazil and the United States also have no territorial border. However, the two countries have vast access to the sea, with ridges and ports with a great transportation and communication structure. The United States also presents different weather season from Brazil since it is in different hemisphere.

The total land area of the United States is of 9,834,000 km². It has extensive highway, railroad and waterway networks, the largest in the world in their respective categories. Trucks carry approximately one quarter of all cargo transported in the country. Trains carry almost 35% of all cargo transportation, accounting for only 1% of passenger transportation. The opposite happens with American airlines, which carry 18% of passengers but less than 1% of the cargo in the country. The US passenger market in the airline industry is the largest in the world. New York, Chicago, Atlanta, Los Angeles, Dallas, Washington, DC and San Francisco stand out as major airport hubs. Approximately 15% of all cargo transported in the country is transported via waterways such as rivers and lakes, as well as seas and oceans (USA, 2017b).

Moreover, Los Angeles-Long Beach, New York-New Jersey, Philadelphia, San Francisco, New Orleans, Miami and Houston stand out as major port centers. The busiest port in the United States by number of ships served is located in New Orleans, while the busiest port in the country in tonnage of busy cargo is that of Los Angeles-Long Beach (UNITED STATES DEPARTMENT OF TRANSPORTATION, 2017).

According to the Central Intelligence Agency [CIA], the climate in the United States is mostly temperate, but tropical in Hawaii and Florida, arctic in Alaska, semiarid in the great plains west of the Mississippi River, and arid in the Great Basin of the southwest. Low winter temperatures in the northwest are ameliorated in January and February by warm chinook winds from the eastern slopes of the Rocky Mountains.

The economic distance regards mostly consumer wealth or income. It has a marked effect on the levels of trade and the types of partners a country trades with.

The Bureau of Labor Statistics in the United States (UNITED STATES DEPARTMENT OF LABOR, 2017a) reports a average personal income of US\$865 weekly for a full-time worker in 2017. Also, the U.S Bureau of the Census has the annual real average personal income at US\$31,099 in 2016 (UNITED STATES CENSUS BUREAU, 2017).

Over the last decade, from 2005 to 2015, management, professional, and related occupations grew from 34.7 to 39 percent, and service occupations grew from 16.3 to 17.4 percent. High-skill, high-wage jobs and low-skill, low-wage jobs continue to grow. This increased polarization has the potential to exacerbate income and wealth disparities in the long term (AUTOR, 2010). The unemployment rate in May 2016 was of 4.7 percent, decreasing from 5.5 percent in May 2015. Moreover, the labor force participation rate dropped from 66 percent in 2007 to 62.6 percent in 2016 (UNITED STATES DEPARTMENT OF LABOR, 2017b).

Attributes creating distance between Brazil and United States	Cultural distance	Administrative distance	Geographic distance	Economic distance
	different languages; same majority religion (catolicism); similar ethinical and racial group in the countries (minorities of indigenas and black people); western culture	no colonial ties; long history of exchanges; Agreement on Trade and Economic Cooperation (ATEC); United States is Brazil's second-largest trading partner; \$23.6 billion trade surplus with Brazil; United States had invested \$65.2 billion in Brazil; trade agreement signed in 2011 and 2015; better exchange rate	lack of a common border; land area is 9,834,000 km ² ; extensive road, rail and waterway network, the largest in the world; Trains carry almost 35% of all cargo; 15% of all cargo transported in the country is transported via waterways, 9 hours flight	average personal income of \$865 weekly (\$31,099 yearly); increased polarization will exacerbate income and wealth disparities in the long run; management, professional, and related occupations grew from 34.7 to 39% ; unemployment rate in May 2016 was 4.7 percent

Chart 3 - CAGE analyses between Brazil and United States of America

Source: From the author (2017).

4.2.3.4 CAGE Framework Conclusion

Among the conclusions that can be made about the conducted CAGE anlyse are that, first, the Brazilian infrastructure, which differs from that of the United State, France and Italy. Primarily, roads remain the primary means of transport in and around Brazil - both for passengers and for freight purposes. This system is one of the largest in the world, but is known for being inadequate (BRAZIL, 2017).

Moreover, the use of railways in Brazil as a means of transport began in the 1800's. In 1957, the various different railways were nationalised. However, the organisation broke up between 1999 and 2007, and, therefore, the various rail services are now under the

control of a number of different public and private operators. There are 30,576 kilometers of railways, of which only 1,411 kilometers are destined to urban and turistic use (CONFEDERAÇÃO NACIONAL DO TRANSPORTE - CNT, 2017).

There are approximately 300 airports in Brazil, of which nearly 50 are major commercial ports. In turn, 21 of these are international airports. There are approximately 50,000 kilometres of navigable waterways in the country, and close to 15 seaports along the coast (BRAZIL, 2017).

Brazilian climate varies mostly from tropical in the north, to temperate zones in the south of the Tropic of Capricorn. Temperatures below the equator are high, with average superior to 25°C. Average temperatures below the Tropic of Capricorn are mild (ranging from 13°C to 22°C). Therefore, it is different from the three countries evaluated for internalization (EMBASSY OF BRAZIL IN LONDON, 2017).

The geographic distance indicates that the three countries have good infrastructure and access to sea and river. Besides the lack of common border and Brazil's infrastructure, climate and size are different between all three countries, and are relevant points to be analysed regarding geographic distance.

It is also important to note that the flight times from São Paulo to New York, São Paulo to Paris or São Paulo to Milan are of, respectively, 9, 11 and 12 hours (GOOGLE MAPS, 2017).

The United States is the country that most raises awareness regarding geographic distance, since it has the larger land area (almost the same as Brazil) and the largest railroad, highroad and waterway systems in the world. Moreover, Brazil and the United State are in the same hemisphere, the distance between them is smaller, and the infrastructure is relatively better. The geographic distance between them, in relation to the CAGE framework is also smaller, when compared to the distance between Brazil and France or Brazil and Italy.

The administrative distance between Brazil and Italy and Brazil and France is higher. In other words, the United States has the better administrative relation with Brazil, in terms of trade volume, custom barriers, exchange rate and government relationship.

An important fact to be added is that a research conducted by CNI with 37 business entities points that the European Union is the second partner with which the industrial sectors want trade agreements, behind only the United States. Therefore, the United State is seen by the Brazilian industrial market as more attractive than Europe.

4.2.4 Potential Demand

Potential demand is also one of the important criteria to be considered in order to determine the best country in which to begin the internationalization process of the Lina Dellic brand. It is necessary to align the potential demand with the CAGE analyses, which indicates the US as the country with the smallest distance to Brazil.

The targeted public was reduced to females with an average age of 25-35 years. This was then reduced to an upper social class. Finally, 10% represented the potential demand, chosen to express a not so optimistic scenario of the first year of sales, taking into consideration the number of people reached in Brazil during the first year of the brand's sales.

According to the United States Census Bureau (2015), there are approximately 19,745,290 people in New York. The female percentage represents 51.6% of the total population, which corresponds to 10,188,567 women. Moreover, the census reveals that 17.6% of these belong to the 25-35 age range, corresponding to 1,793,188 people.

According to the Pew Research Center (2016), in the US, a family has to earn approximately \$170,000 per year to belong to the upper class. In this case, the census shows that, in New York, almost 18% of the families belong to this percentage, representing 322,774 women with the previously determined characteristics. Consequently, including the 10% stipulated, the potential demand is of 32,277 people in New York City.

In conclusion, the US has the largest potential demand in terms of population. This data combined with the CAGE analysis also indicates the US as the best country in which the Lina Dellic brand should begin its internationalization strategy. As previously stated, given that the fashion business is locally structured, New York City is further studied for a better understanding its market.

5 ENTRY STRATEGY

In general, one can divide the theories of company internationalization into two large groups, according to the rationality used for deciding the internationalization process. On one side is the Uppsala school, based on the development of internationalization activities according to the experience acquired by companies (HEMAIS; HILAL, 2002) and, on the other side is the contingent approach on deciding on the entry in to international markets, made in a rational and planned manner (GAO, 2004; WHITELOCK, 2002).

5.1 THE UPPSALA SCHOOL

The Uppsala School, or Nordic School, approach was conducted in Swedish companies, and considers the internationalization of a company as a process based on learning. One of the assumptions is that internationalization is a consequence of the company's growth. The process of internationalization is not seen as a deliberate and planned activity, based on rational analysis, but rather as steps of an incremental nature, emerging from the successive learning of the company by means of increasing commitment to the markets (HEMAIS; HILAL, 2002).

Johanson and Vahlne (1977) report that the internationalization process of companies is the product of a series of incremental decisions. Companies start their internationalization by exporting via an agent, subsequently establishing sales. In some cases, it begins production in the host country. In addition to increased involvement in the market, the company's experience reduces the physical distance of new and more distant markets. The internationalization process follows an incremental procedure, and is, therefore, not the result of an optimal allocation strategy originated from comparative analyzes of export alternatives to foreign markets.

Three characteristics of this approach stand out:

- a) internationalization due to its growth in the local or domestic market;
- b) incremental process, with gradual increase in the market based on the gained experience, indicating the beginning of exportation and evolution of direct investments in the target market, and;
- c) the selected markets were initially nearer to the domestic market, presenting smaller physical distance.

5.2 CONTINGENCY APPROACH

In the contingency approach, decisions regarding company internationalization are rational and planned. The main studies in this theme regard the model of transaction costs. The eclectic paradigm explains the vertical integration of internationalization from three advantage groups:

- a) specific advantages of the property, whether of an asset or capabilities of the organization;
- b) advantages of internationalization, stemming from the capacity of the company to transfer assets to international markets;
- c) location advantages, from the location of the company's international enterprises.

The analysis of these three advantage groups would determine the arrangement of production abroad (DUNNING, 1988). The model, however, only explains the productive arrangements abroad, and does not consider other internationalization arrangements.

Anderson and Gatington (1986) present the model of transaction costs. In it, the authors state that the level of control desired by the company has a critical impact on its internationalization process. For them, control is the most important determinant of risk and return.

Whitelock (2002) reports that situations of greater control imply higher associated cost. Thus, the benefits must be compared to the costs of integration. In addition, according to Whitelock, in the approach based on business strategy, the firm analyzes the trade-offs between a diverse number of variables to decide on their internationalization. These variables can be: market opportunity, physical distance, accessibility, market selection barriers, international experience, guidance for resource commitment and competitive intensity.

Duarte and Canal (2002), through a bibliographic review, suggest several factors as influencers of the internationalization process:

- a) Company characteristics: efforts in research and development, company size, advertising intensity, number of subsidiaries and previous experience;

- b) Characteristics of the host country: restrictions of the host country, risks associated with the host country, growth of the targeted market and cultural distance.

Gao (2004) identifies four categories of contingency variables that can influence the internationalization process of companies, which are indicated below.

- a) the factors of the external environment (host country): country risk, demand uncertainty, market potential, political constraints and cultural differences;
- b) the factors of the internal environment: company, international experience, product characteristics and resource commitment;
- c) strategic factors, which include national differences, scale, concentration and global synergy, and;
- d) relational factors, which include trust and relationship between the entrant and the potential partner.

In general, it is observed that, for the contingency approach, the decision on the internationalization of the company occurs in a planned manner. The company must consider a series of different factors, whether endogenous or exogenous, and rationally and deliberately decide on the strategy that will best enable it to compete in the international market.

5.3 THE MODES OF ENTRY IN INTERNATIONAL MARKETS

A mode of entry (or entry strategy) into an international market, according to Root (1994), is an institutional arrangement that allows the entry of products, technology, human skills, management or other resources of a company in to other countries. That is, it is the effectiveness of the internationalization of a firm. The entry in to an international market include objectives, targets, resources and policies that will guide a company's international business for a period sufficient for it to achieve sustainable growth in the external market.

Root (1994) suggests that input modes are classified as follows:

- a) Export entry modes: Indirect Export, Direct Export;
- b) Contractual entry modes: licensing, franchising, technical agreements, service contracts, management contracts, production contracts, among others;

- c) Investment entry modes: individual investments through new ventures or acquisitions and joint ventures through new ventures or acquisitions.

5.3.1 The export modes

Export modes represent the simplest way to enter the markets of other countries. In this form of entry, the products of a company are manufactured outside the targeted market and subsequently transferred into it. It considers the input form with lower levels of involvement, risk and control. The main manners are through direct and indirect export (CATEORA; GRAHAM, 2001; KOTLER, 1998; ROOT, 1994; TERPSTRA; SARATHY, 1997).

Indirect Export occurs when the company that wants to export uses domestic intermediates. Such method may be an exporting agent, a cooperative organization or an export trade. It is up to this intermediary to negotiate with the international importer (KOTLER, 1998; ROOT, 1994; WOOD, 1997).

Indirect export offers the advantage of a low volume of investments and a low degree of risk. The knowledge of the intermediaries on the exploited markets can also be used (KOTLER, 1998; NICKELS; WOOD, 1997; ROOT, 1994).

In Direct Export, the company wishes to internationalize its own exports. These operations may occur in a number of ways: domestic export department, a foreign sales subsidiary, through of export-selling travelers, and through agents or distributors located in the targeted market. Direct exports offer the exporter advantages such as partial or total control over marketing planning, higher speed of market information due to the lower number of intermediaries, and greater protection of company assets (trademarks, patents, technologies and processes) (KOTLER, 1998; NICKELS; WOOD, 1997; ROOT, 1994).

Direct exports have a greater need for initial investments, for information and are subject to greater risks than indirect exports (ROOT, 1994).

5.3.2 The contractual modes

Contractual modes represent a form of technology or human skill transfer of a company to a partner in the international market through an association between the two. The main forms of association are Licensing and Franchise (CATEORA; GRAHAM, 2001; KOTLER, 1998; NICKELS; WOOD, 1997; ROOT, 1994; TERPSTRA; SARATHY, 1997).

Through licensing, the company that wishes to internationalize transfers abroad the use of its industrial property (patents, trademarks or know-how) in exchange of royalties or other forms of compensation. When using this method, this industrial property must be recognized as attractive to the international company (KOTLER, 1998; NICKELS; WOOD, 1997; ROOT, 1994).

Licensing offers a number of advantages as a way of entering the markets in other countries. It is a way to divert cost barriers or required export quotas of the target market because the company, instead of exporting physical products, transfers assets without restrictions. It is also a way of avoiding the host country's political risks. Considering the internal factors of the companies, the advantages of licensing are positively related to the quantity of services aggregated to the product and to the need to adapt the product to the target market. Finally, this mode of entry is interesting when the company lacks great capacity of resource commitment (KOTLER, 1998; NICKELS; WOOD, 1997; ROOT, 1994).

On the other hand, licensing presents the disadvantage of low control over marketing activities in the targeted market. The potential for profitability is low, for exports or investments, and there is still a risk of competition in other markets, or even in the licensing (KOTLER, 1998; NICKELS; WOOD, 1997; ROOT, 1994).

The franchise represents a broader form of licensing, in which in addition to transferring the right to use the company name, the brand and the technology, the franchisor, supports the franchisee in organizing, marketing and general management. The service, in this case, is an element of great importance. In return for this support, the franchisee invests what is necessary for achieving the enterprise, and pays certain fees to the franchisor (KOTLER, 1998; ROOT, 1994).

5.3.3 Investment modes

The modes of investment involve the ownership of a production unit in the targeted market. These production units can consist of only one assembly line. Investments in production usually occur for three specific reasons - to obtain raw materials, to achieve the lowest costs and to penetrate the targeted markets (ROOT, 1994).

An advantage to the internationalization is the possibility of total control over international activities, allowing the greater exploitation of its competitive advantage in the market. Reducing costs due to the access to raw materials, economy with transport and gains in productive capacity, represent another advantage, in addition to the greater capacity to

adapt products and offers to the local market and the highest reliability and delivery speed (KOTLER, 1998; NICKELS; WOOD, 1997; ROOT, 1994).

The disadvantages of this input method regard the investments, the longer term for the return on investment, the greater overall exposure to risks, a greater need for information, and the difficulty of disinvestment (KOTLER, 1998; NICKELS; WOOD, 1997; ROOT, 1994).

External investments can take place through new ventures, acquisitions and joint venture (ROOT, 1994). In the case of acquisitions, in addition to the advantages abovementioned is the possibility of faster entry into the market, new ventures, and term of return on investment. In acquisitions, the company also acquires human skills of managerial and technical aspects. As disadvantages, there are the difficulties and costs for locating companies and the policies of local governments.

A joint venture represents the sharing of an international investment with a partner. This investment can be classified according to the percentage of majority, minority or equity ownership. As a joint venture advantage, one can cite the lower resource commitment in relation to other forms of investment, and the consequent reduction of risks, as well as the possibility of accessing knowledge of the market due to the experience of the local partner. The main disadvantages are related to the possibility of conflicts between the partners concerning investments, marketing and other policies (NICKELS; WOOD, 1997; ROOT, 1994).

5.4 SELECTING THE INPUT MODES

After deciding on internationalization method, it is important to decide on the form of entry into the international market (OSLAND; TAYLOR; ZOU, 2001). The selected entry represents the institutional arrangement that enables the transfer of the organization's resources to external markets (ROOT, 1994). The following is a view of the non-contingency and contingency approaches of the selection of modes of entry in international markets.

5.4.1 The decision on how to enter the non-contingency approach

For the Uppsala School, the mode of entry into an international market is knowledge and experiential learning of foreign trade. Internationalization is not rational and planned. After deciding for internationalization, the company begins its activities opting for

methods of less commitment (export) and gradually evolves, as it gains experience, to more complex input modes, and external direct investment (JOHANSON; VAHLNE, 1977; WHITELOCK, 2002).

According to Hemais and Hilal in Rocha (2002), several authors have criticized the Uppsala explaining that it has lost part of its explanatory power. These criticisms are based on the fact that many entrants have eliminated steps from sequential education provided by the Nordic School, entering directly into large psychical distance and non-incremental forms.

5.4.2 The decision on the mode of entry into the contingency approach

In the contingency approach, companies analyze several factors that influence the choice of mode of entry into international markets and opt for the most appropriate. Anderson and Gatingnon (1986) present a theory based on transaction costs. For them, control is the critical factor for the company's future in the international environment. However, high control of resource commitment and resources increases the degree of risk. Thus, the selection of the input mode is given by the the need for control, resource commitment and degree of risk that the company is willing to take. Osland, Taylor and Zou (2001) categorize the input modes according to (a) the quantity of resource commitment required; (b) amount of control, and; (c) level of technology risk.

Resources are the assets dedicated to the investment and that do not have other uses, and can be intangible (eg managerial skills) or tangible (eg money or machines). Control means the ability of a company to decide on systems and general methods of operation in a market.

Technology risk represents the potential of transferring knowledge applied by the company that is internationalized to a company.

In the same sense, Woodcock, Beamish and Makino (1994) suggest that the input mode should being considered according to the industry, company and with the target market factors selected.

For many authors, input methods can be categorized as resources and controls.

These three categories are highly correlated, that is, greater control implies greater resource compromise and lower technology risk (OSLAND; TAYLOR; ZOU, 2001; WOODCOCK; BEAMISH; MAKINO, 1994).

Gao (2004) states that rational contingency, when applied to research on selecting modes of entry in international markets, considers the capacities, internal resources and the company's strategic goals and objectives, as well as the external environment, in order to obtain superior performance. Searching for a more appropriate input mode, the company should compare the different modes of entry for costs and returns. The decision on the most appropriate way, then, can be considered a trade off between the benefits of control and the costs of committed resources.

Sharma and Erramilli (2004) point out that the input modes determine two key strategic decisions: the location of production and marketing activities (within or outside the host country) and the degree of ownership over the activities (total, partial or none).

The basic decisions concern the location of production activities and marketing and ownership, according to the resources of the organization. Chart 4 describes different scenarios for choosing the input mode (SHARMA; ERRAMILI, 2004).

PRODUCTION ACTIVITIES		MARKETING ACTIVITIES		MODE OF ENTRY
Probability of company establishing an advantageous comparative to the host country	Ability of the company to transfer resources for generating advantages for the partners in the host country	Probability of the company establishing competitive advantage in the host country	Ability of the company to transfer advantage generating resources to the partners in the country	Indicated input mode (according to organization resources)
Low	NA	Low	NA	No entry; Indirect Export
Low	NA	High	High	Direct export via intermediaries in the host country
Low	NA	High	Low	Direct Export via the company's own channels.
High	High	High	High	Modes of Contract (Licensing, Franchising)
High	High	High	Low	Join Production Venture
High	Low	High	High	Joint Venture Marketing
High	Low	High	Low	Subsidiary of total control

Chart 4 - Selection of the entry modes based on the resorces of the company.

Source: Sharma and Erramilli (2004, p. 11).

The degree of commitment of organizational resources, the need for control and the degree of risk that organizations are willing to take, are the main factors that affect the selection of the input mode (OSLAND; TAYLOR; ZOU, 2001; WOODCOCK; BEAMISH; MAKINO, 1994). Another factor that influences the choice of input modes is the degree of the entrepreneur's ownership of the enterprise (SHARMA; ERRAMILI, 2004).

Root (1994) divided input modes into export modes, contractual modes and modes of investment.

The low complexity modes compromise smaller resource volumes, offer lower levels of control over international marketing activities, and exposes the lower risk when compared to other modes of entry. Here are the direct and indirect exports to international customers. The medium complexity modes are contractual agreements, such as licensing and franchises. Resource commitment, controls and risks are average in relation to other entry modes in international markets. In addition to low complexity, there is no ownership over ventures. High complexity modes represent direct external exports of new ventures or acquisitions and joint ventures. In this category, the sales and distribution subsidiaries are located abroad. This category represents the largest involvement of the companies with internationalization. It presents the highest level of resource commitment, risk and control. In these modes there is partial or total venture.

Chart 5 shows the input modes classified according to the degree of complexity of the organizations' involvement with the external market.

CATEGORY	MODE OF ENTRY
Low Complexity	Direct Export through agents in the targeted market; Direct Export to end customers; Indirect Export through agents in the local market
Medium Complexity	Contractual Agreements: Licensing, Franchises, Agreements; technicians, management contracts, production contracts, among others.
High Complexity	New ventures: production units, subsidiaries; Acquisitions: production units, sales subsidiaries and subsidiaries; Joint ventures.

Chart 5 - Categorization of the entry modes according to complexity.

Fonte: From the author (2017).

Since the input mode represents a trade off between costs and benefits, Lina Dellic can transfer funds from Brazil to the United States without affecting its competitive advantage. Therefore, taking into account the complexity of the operation and the analysis of Table 1, the brand must conduct direct export through company's channels. Lina Dellic has low ability to transfer the advantage generating resources to the partners in the host country.

It should also be noted that, as explained and studied by authors mentioned above, companies that seek internationalization, consider the level of resource commitment that the company is willing to link to this decision, as well as the level of control over the strategy input. For this reason, aligned to the risk, the acceptance of Lina Dellic's entry into the international market is consistent.

Thus, through empirical studies, as well as direct contact with ABEST (Brazilian Association of Estalistas) in Brazil, to which Lina Dellic is affiliating, the correct manner to implement their strategy was found. Below is the detailed explanation of such organization, as well as its benefits and potential to implement brand internationalization management through direct export.

5.5 ABEST

ABEST (Brazilian Association of Designers) is a Brazilian organization of which mission is to be a global spokesperson for Brazilian Fashion Design, using its creative diversity as an element of integration, value creation and translation of the cultural transformation of society

Created in 2003, the Brazilian Stylist Association aims to strengthen and promote Brazilian design and fashion. Its main purpose is to assist the development of Brazilian brands with international reach and promote the Brazilian lifestyle, thus contributing to the growth of all segments linked to fashion.

The association functions as an environment for exchanging information and experiences among its members, and acts in the service of their individual needs through training, providing market data, promoting its products, and identifying business opportunities in Brazil and abroad (ASSOCIAÇÃO BRASILEIRA DE ESTILISTAS, 2017).

The association was created by stylist Amir Slama with the support of other Brazilian stylists such as Alexandre Herchcovitch, Walter Rodrigues and Lino Villaventura. The first mission was to seek institutional support for the promotion and sales work of Brazilian fashion abroad.

With the support of Apex-Brasil, the Brazilian fashion, which until then showed its tendencies in individual parades, extended its space in international shows thanks to a series of events and fairs. In 2003, the first associates earned US\$ 600,000 abroad. In 2004, with 18 associates, the figure increased tenfold (US\$ 5.4 million). With an increase in the number of members to 29, total exports reached US\$ 9.8 million. The Rosa Chá brand exported the equivalent of US\$ 1 million, while Carlos Miele's overseas revenue reached US\$ 2 million.

According to stylist Amir Slama, in an interview with journalist Lilian Pace, APEX-Brazil, while stimulating collective initiatives, ABEST supports individual brands.

In order to develop new markets and find suitable distribution channels, ABEST started to rely on the experience of São Paulo Alpagartas, foreign trade consultant Angela Hirata, responsible for the internationalization of the Hawaii sandals, which are currently sold in more than 86 countries.

Currently, ABEST has the Fashion Label Brasil project, of which propose is to position Brazilian fashion abroad, highlighting the image of an innovative and contemporary Brazil, for small and medium brands. The program covers strategic and trade promotion initiatives for the various segments of Brazilian fashion, such as womenswear and menswear, beachwear, footwear and accessories, helping those segments to expand their activities in the international market.

As can be noticed through the developments and sales of the brands by the export with partnership with ABEST, the association manages to present itself as a vehicle of great influence for the development of the Brazilian brands in foreign market.

ABEST proposes several projects and actions for each brand, which may undergo an internal consulting process in order to develop, and find the market in which to begin its internationalization strategy. It also functions as a platform for investment in Brazilian fashion abroad. ABEST counts on investments from the associated designers, the monthly fee paid by affiliates, resources from institutions through donations and from government resources.

Brands can also demonstrate that they have internal structure and organized planning to choose the venue and trade show they wish. In the case of the Lina Dellic brand, this work will provide support for any internationalization strategy with ABEST to be conducted

ABEST aids the filiated brands to structure themselves in the external market, after chosing the entry form. It can promote the image of the brands by means of relations with press and fashion producers. The North-American hostess, Oprah, used the jewels of the

filiated Brazilian designer, Fernando Borges, for showing on the cover of the Oprah Magazine. Another recent fact is the use of affiliated Brazilian brand by international actresses such as Saoirse Ronan and Janina Gavankar.

The association has great importance for the fashion segment in the Brazilian market, given that, as can be noticed through the facts reported here, it has influence and successful history in its actions and purpose along with with the export of Brazilian fashion. ABEST shows herself capable of conducting the internationalization strategy proposed here for Lina Dellic.

5.6 THE NEW YORK CITY MARKET

The US is an important player in the global economy, as previously stated. This fact is also an important element in the success of New York City (NYC) in the fashion business. The CAGE analyses were conducted considering NYC, because the business will happen locally but the national context can reflect directly how it will perform.

5.7 GEOGRAPHICAL CONDITIONS

The geographical conditions of the chosen market were analyzed by evaluating the potential logistical issues, the assessment of the human impact over the operation, and the assessment of topographical and climate influences.

Nowadays, because of the urbanization process, the city of New York has a scarcity of land available, and is the most densely populated city in the country. It is sixty-six times more densely populated than New York State, and three hundred times more densely populated than the US as a whole. Because of this, there is limited space for business, traffic is intense, and living and real estate costs are extremely high, creating a significant obstacle for businesses in the city (PORTER; KETELS; VALLEJO, 2013).

The geographical risks associated with conducting business in NYC are related to the density of the city, which creates a limited availability of land and high costs. Moreover, there is the possibility of storms and hurricanes, and severe winters, which can mean snow blocking business activities and logistics. On the other hand, the coastal location of the city and its position as a trading center are positive points.

5.8 ECONOMY

New York City's financial condition is strong. The city's regional economy has a GDP of US\$1,290 billion, making this area the strongest in the country (PORTER; KETELS; VALLEJO, 2013). Additionally, the city's per capita income is of US\$30,200 which is above the national average of US\$26,708. The area is ranked sixth in the nation in terms of productivity, and ranked 12th for innovation. In terms of exports, NYC is growing slowly, at 3.69%, which puts it at 58th in the nation for exports (INSTITUTE FOR STRATEGY AND COMPETITIVENESS - ISC, 2014).

The fashion industry is very relevant to the city's economy, since it is valued as an almost US\$100 billion industry, which pays out US\$10 billion in wages, generating US\$2 billion in tax revenues (CNBC, 2013; NEW YORK CITY ECONOMIC DEVELOPMENT CORPORATION - NYCEDC, 2015). However, employment in the industry has fallen from over 86,000 employees to just over 15,000 in the last decade. During this time wages have also increased.

5.9 CULTURE

New York City is extremely diverse. The majority of people are non-white, 37% are foreign born, and 50% speak a language other than English at home. This also means that there is a diverse set of tastes and needs in the local market, giving companies access to broader market knowledge and challenges to continue innovating, especially in the clothing industry (UNITED STATES CENSUS BUREAU, 2015).

5.10 POLITICS

The US is a representative democracy, with three branches of government: the executive branch, the legislative branch, and the judicial branch (USA, 2015). The political effectiveness of the US is the weakest point in an American macroeconomic competitiveness analysis, because of the drastic decreases in the effectiveness of lawmaking, the loss of trust in politicians, the increasing wastefulness of government expenses, the favoritism in government official decision-making, and the transparency of government policy making. These issues make the political stability of the US one of its largest liabilities for competitiveness (DELGADO et al., 2012).

New York City has had very strong mayors historically, who are elected every four years. These leaders wield quite a bit of power in setting the direction of the city agencies and budgets. While NYC has been named a particularly safe larger city (PORTER; KETELS; VALLEJO, 2013), there are still high levels of inequality, with a current poverty rate of 18.5%, compared to 13.7% in NY State and 13% in the US.

The New York City government has a solid budget, so the fiscal policy is strong. The city's budget is equal to that of many other states. The government also boasts the largest public workforce in the nation (PORTER; KETELS; VALLEJO, 2013). Furthermore, New York State ranks in the top five in the US on the Human Development Index and second in the US in education (SOCIAL SCIENCE RESEARCH COUNCIL, 2015).

5.11 LEGAL ENVIRONMENT

Considering the rule of law, there have been significant deteriorations in safety, judicial independence, and property rights in the US. The country also has an onerous administrative infrastructure that inhibits competitiveness, making it more difficult to start a business, with more procedures required and a higher burden of government regulation (DELGADO et al., 2012).

According to the Institute and Strategy for Competitiveness Comp Index 2013 Ranks, however, demand conditions remain overall stable. There has been vast improvement in the government procurement of advanced technology products, but there have been degrading laws relating to ICT, a drop in buyers' sophistication, and a falling-off in the stringency of environmental regulations (DELGADO et al., 2012).

5.12 POTENTIAL LOCAL DEMAND

The potential demand was previously calculated in section 4.2.1.4. The result was a total of 32,277 women among the age range of 25-35 years, living in New York City and belonging to the upper class.

5.13 LOCAL COMPETITIVE ENVIRONMENT

5.13.1 Description of local competition

The weaknesses can be described as the need for technical skills, such as social media and programming for e-commerce platforms, since much of the skilled tech labor is not readily accessible or fully trained in the region. Additionally, though clothing design education in NYC is strong, foreign designers are not being retained due to strict U.S. immigration laws that require them to return to their countries after being educated in the city. Consequently, one of their most important assets is being exported to competitors - the highly skilled design talent. It is important to note that the NYC clothing cluster's value is created not from large-scale production, but from design expertise and education (MATSUMOTO et al., 2015).

The brands with which Lina Dellic competes on the New York market are brands that have the same concept and designer as the Lina Dellic brand. In addition, considering that the average retail price of the brand in the Brazilian market is of BR\$ 900.00, and considering that the dollar, according to the Brazilian Central Bank, closed on average in 2017, at US\$ 3.20, should be considered trademarks with an average ticket of US\$ 280.00.

In this sense, four brands that compete directly with Lina Dellic in New York City were highlighted. Because they are smaller brands, the availability of public information about it is restricted, so any assessment was found on the websites of each brand.

Study NY: transparent supply chain for all production stages. The garment's process is controlled to be environmentally conscious. The brand is defined by conceptual design. Study NY cuts & sews collections domestically using both ethical fabrics and production methods. Tara St James is founder and designer. By consulting the brand's website, the retail average price is of US\$200.00. The main sales channels are ecommerce and a few retail stores in New York city.



Figure 22 - Study Ny Collection Example

Source: Study New York (2017).

Bhoomki: the brand creates fine products, made in an ethical fashion. Supporting traditional artisans, endangered textile production methods, fair wages and ethical working conditions. Their in-house line is primarily manufactured in NYC using low-impact dyes, also stocking items from local designers and international artisans who adhere to their strict working guidelines. When combined, the result is high-quality, unique clothing that is ethical and has low environmental impact. By consulting the brand's website, the retail average price is of US\$200.00. The main sales channels are ecommerce, a physical store of the brand located at Brooklyn and in the wholesale segment.



Figure 23 - Bhoomki
Source: Bhoomki (2017).

Shaina Mote: the brand provides versatile and timeless staples for the modern woman. The design is functional and can have multiple forms in which to wear. The brand was established in 2012 by the designer Shaina Mote. By consulting the brand's website, the retail average price is of US\$300.00. The main sales channels are ecommerce and the wholesale segment.



Figure 24 - Picture: Shaina Mote Collection Example
Source: Bhoomki (2017).

TEIJA: the label is a study of practical utility that juxtaposes couture and urban daywear.

The Nordic spirit of refined everyday influences the designs in the use of highly specialized fabrics with cutting edge craftsmanship. The minimalism creates space for the more measured silhouette and cut that seeks to redefine contemporary fashion. Teija label shows four collections per year and is currently sold at stores internationally, among them top names like Barney's New York, Dover Street Market, Galerie Lafayette and Matches Fashion. By consulting the brand's website, the retail average price is of US\$400.00. The main sales channels are ecommerce and the wholesale segment.



Figure 25 - Teija Eilola Collection ExAMPLE

Source: Teija Eilola (2017).

5.13.2 SWOT Analysis

- a) **WEEKNESS:** relatively new to the market, has no physical store, low brand recognitions for not presenting a strong presence in national wholesale.
- b) **STRENGTH:** exclusive pieces, investment in marketing, near relation with suppliers and ateliers, ease of adaptation, Brazilian brand with strong concept, quality of raw material.
- c) **OPPORTUNITY:** the market in New York is growing, as is its population, and the brand can explore this. Brand recognition abroad. Growth and history in a diverse market. Is close to big names of the fashion industry, captures tendencies with greater ease. High quantity and quality in fashion schools.
- d) **THREATS:** companies established for a long time in the market, high competitiveness in the sector, existing companies being sold to groups and widening their presence. The weakest point is the physical space in the city

and the logistics, which result in higher costs for conducting business in the region (CNBC, 2013).

The Lina Dellic will be new in the New York market, that is, it does not have a reputation built, and will have to deal with the large number of competitors. The public does not recognize the brand. In addition, the fact they do not have strength in the Brazilian retail can affect the recognition of the brand in the international market, since its strength is in Brazilian wholesale.

Its strength is in its origin, that is, a Brazilian brand with founded concept, quality raw material, timeless design and color palette consistency. Its tailoring line is strong in sales for its quality and fit, perceptible to the consumers. Due to its history, the brand is flexible in molding several contexts, if necessary, having demonstrated this along its history, which is important in the fashion industry since it is a very dynamic environment.

It is a great opportunity for the brand to globally develop itself in an expanding market such as New York, since its population is ever larger. Its population continues to grow providing clothing firms with access to a larger local market. Furthermore, the brand can gain experience and grow in a city with diverse people and preferences, characteristic of this city. The city is very diverse in terms of linguistics (more than 800 languages), which results in highly diverse preferences, which drives the expectations of companies (PORTER; KETELS; VALLEJO, 2013). Another important fact will be to gain recognition in an international market, widening the visibility of the company in medium and long term. The quality of the fashion schools provide a high number of good professionals in the area, consisting of a future opportunity for the brand to strategize a local team.

The threats are related to the brands already established in the city, given that they already know the public and the environment, and hold a larger portion of the market. The groups of stores expand by brand purchase, strengthening them financially, and emerging as an ever greater threat to new entrants and brands attempting to stabilize themselves and grow.

With this analysis, it is possible to infer that the Lina Dellic brand will have to work to maximize opportunities in the environment surrounding the strong points of the company and minimizing the weak points in relation to possible threats.

The brand will have to create a strong marketing plan to obtain local recognition, demonstrating its strengths and product distinctions. Thus, it will be able to distinguish itself from the threat of competitors, and stabilize itself in the market, gaining the same basis as the established brands.

5.14 INTERNATIONAL MARKETING PLAN

5.14.1 Market Segmentation

The sale of the brand's pieces will occur via wholesale at fashion fairs in New York with affiliation with ABEST.

In this sense, it should be emphasized that wholesales do not promote the positioning of the brand. The selection of fairs will promote a segmentation of possible buyers, which will sell the brand along with others in store.

However, through the actions of marketing and communication it is possible to segment the stores that the brand will sell in, as well as the audience that frequents them. At the fairs, shop owners approach the stands, often without necessarily knowing the brands, but mostly go straight to the brands that interest them. Because of this, communication actions to segregate the right boutiques will be of great value to Lina Dellic achieving penetration in the desired segments of the market.

The selected market will present the same audience as was previously used in this work to calculate potential demand, from 25 to 35-year-old women living in upstate New York City (families earning more than US\$ 150,000 per year).

The stores that serve this audience are quite specific about the brands they sell. They seek to create a mix of different brands, for which customers will be willing to pay and who can then mix the brands for creating looks. Multi-brand owners seek different designs, but mostly they are looking for a business opportunity when seeking a new brand for their stores, such as terms of payment, deadlines (whether the brand can deliver before others to keep the store's novelty factor), the quality of the product, and communication between the brand and shopkeeper.

5.14.2 Distribution Strategy

The Lina Dellic's current strategy for distributing its products nationwide is to reach out first to other brands within the stores. In this sense, the brand will be the first to be sold, managing to draw a larger portion of the purchasing power of the final customers. With international sales, the company will use the same strategy. After the cycle of fairs and showroom ends, the products will be placed in production and delivered.

Lina Dellic's products are designed by a fashion designer in São Paulo, and manufactured by its subcontractors in the city. The brand has its own office and warehouse, also in São Paulo. To begin, Lina Dellic's subcontractors receive design sketches, make samples of the them, and then send them to the office to be verified. If needed, some improvements will be made and the information will be sent back to the subcontractors. Subsequently, the subcontractors will make prototypes and send them to the office to make changes and improvements. Once the improvements are made, the subcontractors will start to manufacture the final samples, which Lina Dellic's sales representatives sell all over the world.

As soon as the representatives receive production orders from clients, the manufacturing process begins. When production is complete, goods are taken to the warehouse, where they are collected according to the orders of the clients, then all products for national and future international clients are shipped. This process take up to eight weeks. The clients will receive their items in two weeks from BRASPRESS (logistic partner of the company for national shipment) and FACEX (future logistic partner of the company for international shipment).

The distribution strategy takes different forms (DENT, 2011), which are:

- a) exclusive distribution: based on a single distributor or representative, practiced especially for high-value goods, as well as exports;
- b) intensive distribution: consists in delivering products by all means available, such as current use goods that can be bought from various sources (shops, kiosks, bars etc.). The manufacturer has weak control on the distribution chain;
- c) selective distribution: based on the idea that there is a limited number of intermediaries that can satisfy the needs of customers regarding direct sales, promotion and service. This type of distribution is used for special, durable, industry standard goods. For an efficient selective distribution, manufacturers must carefully search the network for intermediaries and choose those who share the company's goals to reach the customer target;
- d) reverse distribution: involves the recovery in productive purposes of some components that remained after consumption (packages, recyclable materials etc.) in which case the cycle is consumption - distribution - production. To reduce costs with manufacturing goods and protection of natural resources,

especially non-renewable ones, there is a particular worldwide concern to recover, reuse and recycle whatever possible.

The internationalization strategy of Lina Dellic will be the wholesale segment by selling the products during fashion fairs. The national representatives of the brand will conduct these sales and the product will be exported from Brazil. Therefore, the exclusive distribution is best for the company.

Compared to domestic distribution, the international market distribution must take into account a number of economic, cultural, political and legal features on each national market overlapped. An international distribution network is a complex system of agencies, institutions or firms among which relations are established with the purpose of transferring goods from the manufacturer in a country to consumers in other countries. In general, distribution channels on the international market do not differ much from those encountered on the domestic market - the most significant differences were recorded only in the organization and operation of channel components, in the content of economic operations that occur within them, and in numerous political and administrative barriers that occur frequently (GHERASIM, 2014).

5.14.3 Price Strategy

Price is the most common way to segment markets in any industry. In fashion, five segments are recognized: couture (made-to-measure clothes addressed to selective international customers - a few hundred of the upper tier of extremely wealthy customers worldwide), ready-to-wear designer (the price three to five times higher than the average of the market price), diffusion (the price is two or three times higher than the average of the market), bridge (the price is one and a half to two times higher than the market average) and mass (below the market average) (CORBELLINI; SAVIOLO, 2009).

Every company that wishes to be competitive and profitable must adopt aligned and well-defined strategies. To facilitate the definition of the strategy, some authors seek to create models of generic strategies considered of great possibility for a company to succeed.

The three generic strategies of the Porter Model are: Leadership in total cost, differentiation and focus. Generic strategies, according to Porter (1989), are methods that generally require total commitment and organizational disposition of support that will be diluted if there is more than one primary target, although there are rare examples of firms that

have achieved more success with one primary target. A company that wants to gain competitive advantage has to make a choice of a defined strategy rather than wanting to be everything to all people.

Porter (1989) argues that cost leadership and differentiation strategies seek competitive advantage over a broad range of industrial segments, while the focus strategy is cost advantage (cost focus) or a differentiation (focus on differentiation) narrow segment.

a) Leadership in total cost: according to Porter, it is the clearest of the three strategies (PORTER, 1989). The low cost compared to competitors becomes the primary objective, although it must not ignore some other areas such as quality and technical assistance. He also reports that measures, such as the construction of facilities on an efficient scale, arduous pursuit of cost reduction by experience, intense attention to a rigid control of costs and expenses, should be taken, making it impossible to form marginal customer accounts, minimizing R&D costs, assistance, sales force and advertising. "Thus, a low-cost position protects the company against all five competitive forces" (PORTER, 1986, p. 50). In order to use this strategy, the company must have a high market share, favorable conditions and access to raw material, simplify production and maintenance, expand volume (gain of scale), since a large capital may be required to implement this strategy. Once the low-cost position is reached, profit margins increase and should be reinvested. As Porter (1986, p. 51) states, "this investment may even be a requirement to sustain a low cost position".

Lina Dellic will be unable to use this strategy, since it will be new to the market in which it is proposing to enter, as well as it does not have favorable accesses to raw materials, relative to its competitors. In addition, the company would need to have more experience in the market and greater bargaining power with suppliers and distributors.

b) Focus: The second generic strategy is the approach that consists in optimizing the value chain for one or a few segments, achieving differentiation or cost leadership in its performance. That is, it is based on the choice of a competitive environment within an industry. This strategy can span more than one segment, taking into account that the optimization of a company for any

segment is diminished with the magnification of the target. "Choosing the competitive scope involves simultaneously understanding interrelations at both levels" (PORTER, 1989, p. 224). The company must select a different segment by adapting its strategy and optimizing it in order to gain competitive advantage in its target segment. The company focuses its efforts on serving a few market segments well, rather than pursuing the entire market. "If the target segment of a focuser is not different from other segments, then the focus strategy will not succeed" (PORTER, 1989, p. 13).

The focus strategy has two variants that focus on cost and on differentiation. Both variants are based on differences between target segments, which should have buyers with unusual needs, or the production and delivery system that serves the best. These differences occur due to the existence of segments that are served in an unsatisfactory manner and broadly by companies that have broad targets and serve several segments at the same time.

The feasibility of a focus strategy depends on the size of the segment and whether it will support an adjusted value chain. Many potential segments should not be served by focus strategy because they are not able to return investment costs. Porter (1989) mentions four forms for new segments to emerge viable for using the focus strategy. First, adjustment is less costly, which means that decreasing scale economies may allow for a focus strategy. The second is that the growth of the segment is enough to overcome the fixed cost of serving it. A third reason is the exploration of inter-relations between companies to overcome thresholds of scale in the service of the segment. The fourth and final reason is that the segment can become viable if a company searches globally, using the volume in many countries to overcome scale economies.

- c) **Differentiation:** it determines one or more attributes that buyers consider important and position singularly to meet its needs, being rewarded with a price premium for this singularity. Companies see differentiation in a narrow and limited way, considering only in terms of marketing practice or the physical product, and do not consider that it can originate anywhere in the value chain. The means of differentiation are peculiar to each activity, and can be in the product itself, in the sales system, in marketing or in several other factors. Often, differentiators do not take into account the costs of differentiation and to sustain it once it has been achieved. The company that

manages to sustain differentiation will be competitive above average in its activity if it can maintain its price-premium, which encompasses all the benefits of differentiation, higher than the costs it is subject to because it is unique. Therefore, Porter (1989) states that the differentiating company must find a way for its price-premium to be superior to the costs of differentiation, being unable to ignore its cost position, because its premium prices will be nullified by a markedly lower cost position. Thus, the differentiator seeks cost proximity in relation to competitors, by reducing costs in areas that do not affect differentiation. The logic of the differentiation strategy requires that the company choose attributes in which it may be different from the rivals, having to be truly unique in something, or considered singular in order to expect a premium price. Unlike cost leadership, in this case, there may be more than one strategy of success differentiation if there are a number of attributes highly valued by buyers. According to Porter (1989, p. 113), "differentiation allows the company to ask for a premium price, to sell a larger volume of its product at a certain price or to obtain equivalent benefits, such as greater buyer loyalty during cyclical or seasonal falls."

According to Porter (1989), firms confuse the concept of quality with differentiation. Quality is just one of the items that makes up differentiation, which, in turn, is a broader concept, since quality is associated with the physical product, while differentiation can be achieved by creating value for the buyer throughout the value chain.

A company can intensify its differentiation in two ways, becoming unique in performing its existing value activities or by reconfiguring its value chain in a way that enhances its uniqueness. According to Porter (1989), a series of methods characterize successful differentiators:

- a) Proliferate the sources of differentiation in the value chain. A company can increase differentiation when it exploits other value activities, enabling new sources of uniqueness.
- b) Make actual use of the product consistent with the intended use. How the buyer uses a product will determine its performance. Therefore, the company must put the products' actual and intended use online.

- c) Employ signs of value to enhance differentiation in usage criteria. A company cannot reap the benefits of differentiation without proper attention to the signaling criteria. The activities chosen should be consistent with the company's claim for the differentiation in use criteria.
- d) Use ballooned information with the product for facilitate use and signage. Information is an important tool in differentiating, and balancing it with a product can, in general, enhance differentiation. Effective descriptions of how the product works, how it was manufactured, how to use it, and how to provide technical assistance can align the intended use and the actual use.

Lina Dellic will use the price of differentiation in its price strategy in the international market, since, in its concept, the company seeks transparency in its process, and can use this feature to make information available to its clients. In the international market, the Lina Dellic brand will have the appearance of being a Brazilian brand, with a slow fashion concept. Although quality is not an aspect of differentiation, the brand can use it to enhance the added value of the product and have the price diffusion (two or three times higher than the market average).

Therefore, for determining the price, it is necessary to consider customs tax and VAT. According to the FACEX trading company, the customs tax for the products is of 10%. These preliminary prices help the authors create a preliminary financial plan.

In the domestic market, the brand has a markup of 1.6 for wholesale and 2.5 on the wholesale price to provide the retail price. In this price range the percentage of the representatives commission, who perform the sales within the showroom and at the national fairs, is included, as well as taxes and the operational costs of the company. As the production process will continue in the country of origin, 10% should be added to the final price of the product in relation to the export rate.

The manner in which the brand enters the international market takes into account the strategy of maintaining costs and, consequently, price and risks at its control level, which is already accustomed to practice. For this reason, the price will not change in the market; only the 10% rate will be added.

It can be said that, in Brazil, the company uses mark-up for pricing after including production costs, sales commission and taxes. Brazilian multibrands have administrative education, and use mark-up as a form of understanding the business opportunity in face of purchasing a brand to comprise its store.

In Brazil, it is against the law to stipulate a fixed price for the retail to sell the product bought in wholesale. It can suggest a value, but the decision falls to the retailer to decide upon. Therefore, when a boutique purchases a brand, it questions which is the mark-up used on the wholesale price, using this pricing strategy for the store.

After stipulating a price by the mark-up, the brand researches prices, verifying product categories of the competitors that offer products with the same design or price, or present the same revenue, in order to, then, aggregate the premium price of its differentiation strategy.

5.14.4 Communication Strategy

Fashion consumers are not driven by advertising, but by the use of the pieces by well-known people, by exposure in different sales channels, and by the unpaid insertion in fashion editorials. The internationalization of a Brazilian fashion brand also requires the translation into English of the labels with the description of the products and eventual numbering changes.

ABEST, the organization with which the company is joining forces to become internationally active, is responsible for selling the brand to its international press partners. However, such action will not be fully effective in making Lina Dellic known in the American market, given that the organization constructs a marketing and communication strategy for all the brands it is developing in the international market. For this reason, it is not going to be focused solely on Lina Dellic.

In this sense, some actions will be developed along with the brand press office in Brazil, such as executive lunches with major magazines, including Vogue and Bazaar. Style productions with local celebrities can also be employed. Such actions can be paid or can occur through partnerships with the personal stylists of celebrities. Some personalities that could use Lina Dellic pieces are: Olivia Palermo, Chiara Ferragni and Caroline Daur. Because the brand press office also helps international luxury brands, such as the French Repetto, access and execution of these types of actions should be conducted with ease.

In addition, participation in fairs will also provide visibility for the brand. The brands national experience has demonstrated that the constant participation in fairs attracts even more customers, since they indicate the reliability and willingness of the brand to participate in actions and sales events that draw attention. Another important point is the relationships created during these events, since professionals from all over the fashion world

visit these events to contextualize themselves about new tendencies, brands and to improve network.

Also important is developing the wholesale customer base. This can be achieved by offering launch events in their stores, holding cocktail parties and maintaining a close relationship. Always communicating the development of the brand and its appearance are important commercial vehicles. Making customers feel close to the brand is also a marketing strategy.

Cooperation with business intermediaries, such as commercial agents, commissioned agents, and exclusive representatives is also necessary. However, in order to achieve success in sales and establish a lasting business relationship, the market expectations must be met, particularly in terms of product quality, presentation, price, service, and supply reliability.

6 BUSINESS ADMINISTRATION

Currently, Lina Dellic has idle productive capacity in its suppliers. For this reason, it will not be necessary to increase its range of partner studios to serve the international market.

The team does not need to be changed, as previously reported. The current representatives of the Lina Dellic showroom in São Paul have contractually established that they will be present at any fair that the company participates in abroad, and will receive the same commission they receive for sales in Brazil (8%). In addition, there will be a trade service company hired to conduct the logistical and bureaucratic process for customs authorities of each country.

After the sale of each collection, in each show or showroom, the internal process of the brand will be the same. However, within a horizon of two years (approximately four collections) the company will have its areas divided between wholesale and retail. To do so, the wholesale segment will have the international division, which will require the hiring of a specific financial staff member, since an increase in sales volume is estimated over time.

In this light, it can be said that the current administration will be the same for the duration of the first years of international activity.

7 FINANCIAL AND ECONOMICS ASPECTS

7.1 DETAILED DESCRIPTION OF THE FINANCIAL ASSUMPTIONS

In order to perform the economic and financial projections of the internationalization strategy for Lina Dellic, which will begin with sales at a fashion fair in New York City, the cost for the fairs, physical structure and travel for two people, which will occur twice a year for three years, must be considered and are funded by the ABEST organization.

The projections will begin in 2017, taking into account the current performance of the brand in the wholesale segment since 2016. Thus, it will be possible to institute the general average growth of the concerning sales, as well as to employ the projected growth stipulated for sales at trade shows in New York.

The costs related to the fairs, which should be borne by the Lina Dellic company refer to communication and marketing (strategies cited earlier in this paper), representative commercial fees (10% of sales), and travel costs per passenger, which exceed the limit of two people paid by ABEST (an extra person - press officer), in addition to the operational costs that are expected to rise, such as office supplies and packaging.

The national representatives of the brand, as previously mentioned, by contract, must be present at national and international fairs, to conduct the sales of the brand. In this case, the costs are already included in the monthly fee of BR\$3.000 paid annually since the beginning of the brand in 2016. For this reason, there are no costs related to sales staff outside the physical establishment of the showroom located in Vila Madalena in the city of São Paulo.

The marketing and communication costs will be estimated based on the history of actions developed by the brand press office in similar strategies. It is estimated that they should be made during four dinners, two for the press and two for multi-brand masters, throughout the year.

The costs related to paid partnerships with celebrities and bloggers will be imposed by an annual budget, with a growth of 10% per year, due to the price monitoring that the brand has internally related to this type of action and relationship. The annual budget in 2017 was of BR\$ 60,000. With entrance into the fairs in 2018, the need for investment in influencers outside the country, who have never seen the brand and who will sell to an audience that also does not know the brand, will double.

Table 1 - Exchange rate projection.

EXCHANGE RATE PROJECTION - CENTRAL BANK			
2017	2018	2019	2020
BR\$ 3.20	BR\$ 3.30	BR\$ 3.40	BR\$ 3.45

Source: From the author (2017).

Table 2 - Inflation rate projection.

INFLATION RATE PROJECTION - CENTRAL BANK			
2017	2018	2019	2020
3.20%	4.30%	4.20%	4.10%

Source: From the author (2017).

The annually projected inflation rate will correspond to the increase in operating costs and the cost of products sold.

Table 3 shows the sales growth rate, which will be used for calculating the company's average growth and, consequently, sales projection.

Table 3 - Average national fair sales growth rate.

National Fairs Sales		
Minas Trend - Summer Collection	BR\$200,000.00	(April 2017)
Veste Rio - Winter Collection	BR\$230,000.00	(October 2017)
AVERAGE NATIONAL FAIRS GROWTH RATE =		15%


Source: From the author (2017).

Table 4 - Average national showroom sales growth rate.

Showroom Sales		2016	2017
Winter collection	October/2017 - March/2018	BR\$ 100,000.00	
Summer collection	March/2017 - August/2017		BR\$ 180,000.00
Winter collection	October/2016 - March/2017	BR\$ 250,000.00	
AVERAGE NATIONAL SHOWROOM GROWTH RATE =			64%

Source: From the author (2017).

Table 5 - Company general growth through collections.

COMPANY GENERAL GROWTH THROUGH COLLECTIONS				
Winter collection	October/2017-March/2018			26%
Summer collection	March/2017-August/2017			79%
Winter collection	October/2016-March/2017			
				53%

Source: From the author (2017).

Therefore, the general growth of the company is of approximately 50%. Below are the sales projections.

Table 6 - Average growth rate calculation.

Growth Rate = 50%	Sales Projection (BR\$)	2017	2018	2019	2020
2 FAIRS PER YEAR DURING THE 3 FIRST YEARS	Minas Trend				
	Fair	R\$200.000,00	R\$300.000,00	R\$450.000,00	R\$675.000,00
	Veste Rio Fair	R\$ 230.000,00	R\$345.000,00	R\$517.500,00	R\$776.250,00
	Showroom Sales	R\$ -	R\$ -	R\$ -	R\$ -
	New York Fairs	0	R\$215.000,00	R\$322.500,00	R\$483.750,00
TOTAL (BR\$)		BR\$430,000.00	BR\$860,000.00	BR\$1,290,000.00	BR\$1,935,000.00
TOTAL (US\$)		US\$134,375.00	US\$260,606.06	US\$379,411.76	US\$560,869.57

Source: From the author (2017).

Below are the explanations of the income statement and its operational expenses:

- a) **Sale Costs:** the monthly fee of the showroom (BR\$3,000.00) is determined by contract and will be lower until 2019; after that the estimation is of an additional BR\$1,000.00. The commission is also determined by contract - 10% of the sale is fixed from the market practice, thus, this is not an amount that will change annually.
- b) **Fairs:** the fees for Minas Trend in 2017 were of BR\$17,000.00, and the cost for the Veste Rio fair was of BR\$15.000,00. It was necessary to build a sale stand at both fairs. The brand established a contract with an event organization company called CPA Design, which charged BR\$5,000.00 to build each stand (total annual cost of BR\$10,000.00). For the subsequent year, 2018, the fairs have already exceeded the previous price, which for Minas Trend will be of

BR\$18,000.00 and for Veste Rio of BR\$16,500.00. The estimation for 2019 and 2020 was an average increase in the cost of the fairs that follow this tendency, that is, an additional BR\$1,000.00 for Minas Trend, and an additional of BR\$1,500.00 for Veste Rio. The total amount spent on the stands for the following years will increase according to the inflation rate.

- c) **Fairs - other costs:** these are costs related to clothes transportation from São Paulo to the city of each fair, gifts for the buyers, snacks for the stand, and any other cost related to these events. They will also increase according to the inflation rate.
- d) **Marketing:** as previously discussed, the marketing budget for 2017 was of BR\$60,000.00. For 2018, it will double, and follow the inflation rate, since it higher level of consumer recognition and partner relationships are expected.
- e) **PR Agency:** the monthly fee is of BR\$2,500.00. The contract established that it increases according to the inflation rate. The contract is annual.
- f) **Utilities:** expenses related to energy, internet, telephone, city taxes and building expenses. The inflation rate will also be the basis for calculating the projection of those costs.
- g) **Rent:** the cost of the rent is of BR\$3,500.00. The office of the brand was rented during May of 2017. In Brazil, rent can only be changed after three years of rental. Therefore, until 2020 it will not change.
- h) **Overhead costs:** these costs are related to benefits given by the company to the employees, such as meal and transportation benefits. Each employee receives BR\$400.00 per month for meals and BR\$300.00 for transportation. These costs follow the inflation rate for projection purposes.
- i) **Other Administrative costs:** costs related to packaging, systems and office materials. This projection will follow the inflation rate.
- j) **Logistics and transportation:** the cost of couriers and oil for the car to take materials and pieces from and too manufacturers and suppliers. The projection will follow the inflation rate.
- k) **Taxes:** the company is included in the National Simple, also called Super Simple, which is a federal government program that aims to simplify corporate bureaucracy. The law, Complementary Law No. 123, was sanctioned by the presidency in 2006. The companies included in the program have their monthly routines and obligations facilitated, as well as a reduced

and unified tax burden (only one tax guide to pay: the DAS). The program has a chart in which each corporation can find its tax rate. In Lina Dellic's case, this rate is 4%.

- l) **Taxes - trading:** the amount of taxes paid to the trading company, which takes care of the logistics and custom costs for Lina Dellic.
- m) **The balance sheet will also be projected over four years - from 2017 to 2020.** Since Lina Dellic is a fashion company, working with two collections per year, and the projections concern the wholesale segment, the inventory is produced and sold at exactly the same amount.
- n) **The closing cash for 2016 was of BR\$150,000.00.** It will grow at the same rate as the business, which was already established at 50% per year.
- o) **Long-term assets:** Lina Dellic has eight computers, two printers and copy machines, one vehicle, and fixtures. The total at the end of 2017 will be of BR\$120,000.00.
- p) **The office supplies shown on the income statement are irrelevant.** It is of approximately BR\$10,000.00 related to packages and other office materials.
- q) **Inventory:** as stated, the inventory for the wholesale segment is equal to the sales. It takes six weeks (a fact explained during the distribution strategy point) for the production of the pieces, therefore, sometimes the company ends the year with an inventory that will be delivered at the beginning of the following year. Historically, in Lina Dellic, this corresponds to 10% of the sales.
- r) **Accounts receivable:** in Brazil, the company works with 30-60-90 days for client payments. In the US, according to the representatives who have some experience of selling overseas, the client must pay 50% when ordering and another 50% when the order is delivered. Since there are two collections per year, which are sold for six months each, the payment period begins when the order is shipped. During 2017, accounts receivable will be the ones which were shipped in September, October and November. Consequently, this will represent the amount of sales divided per month and multiplied by three. In addition, for the accounts receivable for sales that will happen internationally, the year will end with one quarter of the accounts receivable, since the second fair takes place during the second semester of the year.

- s) **Accounts payable:** in order to meet the accounts receivable, Lina Dellic has a strict agreement with its suppliers. The 30-60-90 day payment policy is also establishe with the suppliers in order to pay suppliers when clients have already paid for the order.

7.2 INCOME STATEMENT AND BALANCE SHEET PROJECTIONS

Table 7 - Income statement in Brazilian Real (BR\$).

(continues)

INCOME STATEMENT (BR\$)	2017	2018	2019	2020
Sales				
Gross Sales	R\$860,000.00	R\$1,505,000.00	R\$1,741,500.00	R\$2,792,850.00
Cost of Goods Sold				
Goods Sold in Brazil (markup 2.5)	R\$344,000.00	R\$602,000.00	R\$696,600.00	R\$1,117,140.00
Goods Sold in the USA (markup 2.6)	-	R\$82,692.31	R\$124,038.46	R\$186,057.69
Total Cost of Goods Sold	R\$426,692.31	R\$726,038.46	R\$882,657.69	R\$1,489,652.31
Gross Profit	R\$433,307.69	R\$778,961.54	R\$858,842.31	R\$1,303,197.69
Operating Expenses				
MARKETING & SALES				
Sales - Showroom Cost	R\$36,000.00	R\$36,000.00	R\$48,000.00	R\$48,000.00
Sales - Showroom 10% commission	R\$86,000.00	R\$150,500.00	R\$174,150.00	R\$279,285.00
Sales - Minas Trend Fair	R\$17,000.00	R\$18,000.00	R\$19,000.00	R\$20,000.00
Sales - Veste Rio Fair	R\$15,000.00	R\$16,500.00	R\$18,000.00	R\$19,500.00
Sales - Fairs other costs	R\$3,650.00	R\$3,806.95	R\$3,966.84	R\$4,129.48
Marketing Budget	R\$60,000.00	R\$120,000.00	R\$125,040.00	R\$130,166.64
PR Agency	R\$30,000.00	R\$31,290.00	R\$32,604.18	R\$33,940.95
<i>Total Marketing & Sales Expenses</i>	<i>R\$247,650.00</i>	<i>R\$344,806.95</i>	<i>R\$388,156.84</i>	<i>R\$501,081.12</i>
GENERAL & ADMINISTRATIVE				
Office Salaries	R\$90,000.00	R\$93,870.00	R\$97,812.54	R\$101,822.85
Rent	R\$42,000.00	R\$42,000.00	R\$42,000.00	R\$42,000.00
Utilities	R\$16,800.00	R\$17,522.40	R\$17,505.60	R\$17,488.80
Other Overhead Costs	R\$33,600.00	R\$35,044.80	R\$35,011.20	R\$34,977.60
Other Administrative Costs	R\$10,200.00	R\$10,638.60	R\$11,085.42	R\$11,539.92
Logistics and Transportation	R\$9,600.00	R\$10,012.80	R\$10,433.34	R\$10,861.10

Table 7 - Income statement in Brazilian Real (BR\$).

(conclusion)

INCOME STATEMENT (BR\$)	2017	2018	2019	2020
<i>Total General & Administrative</i>	<i>R\$202,200.00</i>	<i>R\$209,088.60</i>	<i>R\$213,848.10</i>	<i>R\$218,690.28</i>
Total Operating Expenses	<i>R\$449,850.00</i>	<i>R\$553,895.55</i>	<i>R\$602,004.94</i>	<i>R\$719,771.40</i>
Net Income Before Taxes	-R\$16,542.31	R\$225,065.99	R\$256,837.37	R\$583,426.29
Taxes (4%)	R\$34,400.00	R\$60,200.00	R\$69,660.00	R\$111,714.00
Taxes - Trading (10%)	R\$-	R\$8,269.23	R\$12,403.85	R\$18,605.77
Net Income	-R\$50,942.31	R\$156,596.76	R\$174,773.52	R\$453,106.52

Source: From the author (2017).

Below is the income statement in US Dollars. The exchange ratio projection used was available from the Brazilian Central Bank that was previously presented.

Table 8 - Income statement in US Dollar (US\$).

(continues)

INCOME STATEMENT (US\$)	2017	2018	2019	2020
Sales				
Gross Sales	\$268,750.00	\$456,060.61	\$512,205.88	\$809,521.74
Cost of Goods Sold				
Goods Sold in Brazil (markup 2.5)	\$107,500.00	\$182,424.24	\$204,882.35	\$323,808.70
Goods Sold in the USA (markup 2.6)	-	\$25,058.28	\$36,481.90	\$53,929.77
Total Cost of Goods Sold	\$133,341.35	\$220,011.66	\$259,605.20	\$431,783.28
Gross Profit	\$135,408.65	\$236,048.95	\$252,600.68	\$377,738.46
Operating Expenses				
MARKETING & SALES				
Sales - Showroom Cost	\$11,250.00	\$10,909.09	\$14,117.65	\$13,913.04
Sales - Showroom 10% commission	\$26,875.00	\$45,606.06	\$51,220.59	\$80,952.17
Sales - Minas Trend Fair	\$5,312.50	\$5,454.55	\$5,588.24	\$5,797.10
Sales - Veste Rio Fair	\$4,687.50	\$5,000.00	\$5,294.12	\$5,652.17
Sales - Fairs other costs	\$1,140.63	\$1,153.62	\$1,166.72	\$1,196.95
Marketing Budget	\$18,750.00	\$36,363.64	\$36,776.47	\$37,729.46
PR Agency	\$9,375.00	\$9,481.82	\$9,589.46	\$9,837.96
<i>Total Marketing & Sales Expenses</i>	<i>\$77,390.63</i>	<i>\$104,486.95</i>	<i>\$114,163.78</i>	<i>\$145,240.91</i>

Table 8 - Income statement in US Dollars (US\$).

(conclusion)

INCOME STATEMENT (US\$)	2017	2018	2019	2020
GENERAL & ADMINISTRATIVE				
Office Salaries	\$28,125.00	\$28,445.45	\$28,768.39	\$29,513.87
Rent	\$13,125.00	\$12,727.27	\$12,352.94	\$12,173.91
Utilities	\$5,250.00	\$5,309.82	\$5,148.71	\$5,069.22
Other Overhead Costs	\$10,500.00	\$10,619.64	\$10,297.41	\$10,138.43
Other Administrative Costs	\$3,187.50	\$3,223.82	\$3,260.42	\$3,344.91
Logistics and Transportation	\$3,000.00	\$3,034.18	\$3,068.63	\$3,148.15
<i>Total General & Administrative</i>	<i>\$63,187.50</i>	<i>\$63,360.18</i>	<i>\$62,896.50</i>	<i>\$63,388.49</i>
Total Operating Expenses	<i>\$140,578.13</i>	<i>\$167,847.14</i>	<i>\$177,060.28</i>	<i>\$208,629.39</i>
Net Income Before Taxes	<i>\$-5,169.47</i>	<i>\$68,201.81</i>	<i>\$75,540.40</i>	<i>\$169,109.07</i>
Taxes (4%)	\$10,750.00	\$18,242.42	\$20,488.24	\$32,380.87
Taxes - Trading (10%)	\$-	\$2,505.83	\$3,648.19	\$5,392.98
Net Income	-\$15,919.47	\$47,453.56	\$51,403.98	\$131,335.22

Source: From the author (2017).

As can be verified, the internationalization strategy is expected to help Lina Dellic grow and become financially healthy. The brand began in the wholesale segment in 2016, which is why it did not generate profit until 2018.

The balance sheet in Brazilian Reals and US Dollars is presented below.

Table 9 - Balance sheet in Brazilian Real (BR\$).

(continues)

BALANCE SHEET (BR\$)	2017	2018	2019	2020
Current Assets				
Cash	R\$155,000.00	R\$232,500.00	R\$348,750.00	R\$523,125.00
Office Supplies	R\$10,000.00	R\$10,430.00	R\$10,868.06	R\$11,313.65
Inventory	R\$86,000.00	R\$150,500.00	R\$174,150.00	R\$279,285.00
Accounts Receivable	R\$215,000.00	R\$376,250.00	R\$435,375.00	R\$698,212.50
Long-term Assets	R\$120,000.00	R\$120,000.00	R\$120,000.00	R\$120,000.00
TOTAL ASSETS	R\$586,000.00	R\$889,680.00	R\$1,089,143.06	R\$1,631,936.15
Liabilities and Capital				
Current Liabilities				
Accounts Payable	R\$82,692.31	R\$144,711.54	R\$167,451.92	R\$268,543.27

Table 9 - Balance sheet in Brazilian Real (BR\$).

(conclusion)

BALANCE SHEET (BR\$)	2017	2018	2019	2020
TOTAL LIABILITIES	R\$82,692.31	R\$144,711.54	R\$167,451.92	R\$268,543.27
Shareholders' equity	R\$503,307.69	R\$503,307.69	R\$503,307.69	R\$503,307.69
Retained Earnings	R\$-	R\$-	R\$45,013.20	R\$51,367.47
Earnings	R\$-	R\$225,065.99	R\$256,837.37	R\$583,426.29
TOTAL CAPITAL	R\$503,307.69	R\$728,373.68	R\$805,158.25	R\$1,138,101.45
TOTAL LIABILITIES AND CAPITAL	R\$586,000.00	R\$873,085.22	R\$972,610.18	R\$1,406,644.72

Source: From the author (2017).

Table 10 - Balance sheet in US Dollars (US\$).

BALANCE SHEET (\$)	2017	2018	2019	2020
Current Assets				
Cash	\$48,437.50	\$70,454.55	\$102,573.53	\$151,630.43
Office Supplies	\$3,125.00	\$3,160.61	\$3,196.49	\$3,279.32
Inventory	\$26,875.00	\$45,606.06	\$51,220.59	\$80,952.17
Accounts Receivable	\$67,187.50	\$114,015.15	\$128,051.47	\$202,380.43
Long-term Assets	\$37,500.00	\$36,363.64	\$35,294.12	\$34,782.61
TOTAL ASSETS	\$183,125.00	\$269,600.00	\$320,336.19	\$473,024.97
Liabilities and Capital	\$-	\$-	\$-	\$-
Current Liabilities	\$-	\$-	\$-	\$-
Accounts Payable	\$25,841.35	\$43,851.98	\$49,250.57	\$77,838.63
TOTAL LIABILITIES	\$25,841.35	\$43,851.98	\$49,250.57	\$77,838.63
Shareholders' equity	\$157,283.65	\$152,517.48	\$148,031.67	\$145,886.29
Retained Earnings	\$-	\$-	\$13,239.18	\$14,889.12
Earnings	\$-	\$68,201.81	\$75,540.40	\$169,109.07
TOTAL CAPITAL	\$157,283.65	\$220,719.30	\$236,811.25	\$329,884.48
TOTAL LIABILITIES AND CAPITAL	\$183,125.00	\$264,571.28	\$286,061.82	\$407,723.11

Source: From the author (2017).

8 CONCLUSION

Following the conducted market research, financial calculations, SWOT and the Five Forces analysis, it can be concluded that Lina Dellic's internationalization strategy could become profitable and help to further develop the business. Accordingly, the objectives of forming a strategy for the internationalization of the Lina Dellic brand were met through the observations and insights of its operation in the American market.

Through the market selection criteria, market research and financial projections, it is recognized that the brand can develop its business internationally. Future research areas may concern the search for the best area in which to open a store in New York City, to ascertain to which city it is best to expand to, and to discover new methods for entering different markets.

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