ANALYSIS OF THE FOOTWEAR CLUSTER IN PORTUGAL: COMPETITIVENESS AND INTERNATIONALIZATION

ANÁLISE DO CLUSTER DO CALÇADO EM PORTUGAL: COMPETITIVIDADE E INTERNACIONALIZAÇÃO

Sandra Maria Correia Loureiro,
Instituto Universitário de Lisboa
(ISCTE-IUL) and Business research unit (BRU-IUL)
[sandramloureiro@netcabo.pt]

Rodrigo do Espírito Santo,
Instituto Universitário de Lisboa (ISCTE-IUL)
[rodrigo.esp.santo@gmail.com]

Eduardo Moraes Sarmento,
ULHT, CEsA (ISEG Business School of Economics & Management
– University of Lisbon) and ESHTE
[emoraessarmento@gmail.com]

Resumo

Este artigo pretende analisar uma das áreas de actividade económica mais competitivas de Portugal: o *cluster* do calçado. Embora ao longo dos últimos anos a economia portuguesa tenha sido afectada por diversas perturbações económicas, a indústria do calçado conseguiu manter-se como uma actividade competitiva e resiliente que apostou na inovação e no aprimoramento de processos e política de comunicação eficaz como estratégia principal de sobrevivência num mercado caracterizado pela enorme competitividade e exigência. Neste contexto, este artigo tem como principal objectivo analisar criticamente a evolução deste sector e verificar os principais desafios. Em termos metodológicos, foram feitas duas entrevistas em profundidade aos responsáveis pelo APUCCAPS além de uma análise qualitativa com base nos documentos disponíveis. Verificou-se que o *cluster* do calçado se depara com desafios significativos, mas independentemente desse facto, tem-se modernizado e adaptado a novas conjunturas com bastante sucesso.

Palavras-chave: Competitividade, *Cluster* do Calçado, Marketing, Resiliência, Estratégia

Abstract

This article intends to analyze one of the most competitive economic in Portugal: the footwear cluster.

Although the Portuguese economy has been affected by several economic disruptions in the last years, the footwear industry managed to remain as a competitive and resilient activity, resilient that has bet on a strategy of innovation, improvement of processes and effective communication policy in order to survive in a market characterized by an enormous competitiveness and demand.

In this context, this report's main objective is to analyze the developments in this sector critically and to check the main challenges.

In methodological terms, two in-depth interviews were conducted to the APUCCAPS's responsible beyond a qualitative analysis based on the available documents.

It was verified that the footwear cluster faces significant challenges, but regardless of this fact, it has been modernized and adapted to new situations with great success.

Keywords: Competitiveness, Footwear *Cluster*, Marketing, Resilience, Strategy

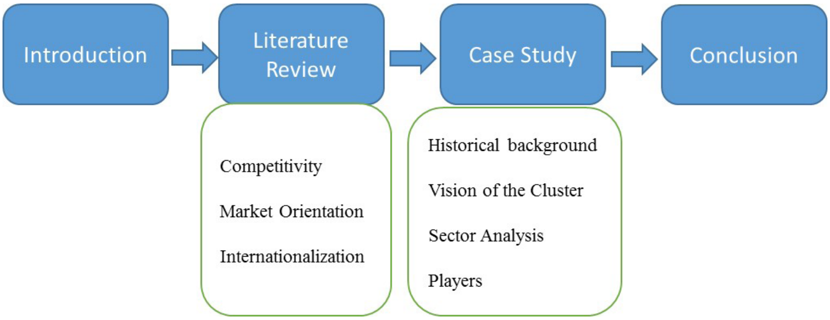
Introduction

In recent years, Portugal has encountered major challenges resulting from its dimension allied to the international crisis. Its industry has naturally been affected by these aspects. In this sense, this article intends to analyze the competitive evolution of the cluster of the footwear sector in Portugal in recent years taking into account the continuous need to strengthen its competitiveness.

More specifically, the following specific objectives were defined: (i) analyze the contribution of footwear to the Portuguese economy; (ii) investigate how the footwear cluster has managed to cope with the troubled economic period in the Portuguese economy; (iii) identify the main obstacles to the expansion and development of the footwear cluster; (iv) perceive the imminent threats and challenges facing the footwear industry.

Methodologically, we used the methodology described in figure 1 with the help of interviews (qualitative method) and a descriptive study (quantitative method).

Figure 1: Analysis methodology



Source: Authors

This article is divided into two parts. In the first part, it will be presented the review of the literature considering several aspects essential for its analysis. In the second part, we present the detailed analysis of the history of the cluster of footwear in Portugal and its evolution over the last years.

Methodologically, a mixed strategy was chosen based on two interviews carried out on 12 March 2015 to João Maia (Executive Director of APICCAPS) and Carlos Silva (APICCAPS Study Office), complemented by the research and analysis of documents that fit the theme.

1. Literature review

1.1 Competitiveness

The following part will present several key concepts for a better interpretation of the current study related to the Business and Marketing Strategy. In the first place, we find the concept of competitiveness that has been subject to different perspectives and interpretations.

Krugman (1994) argues that it makes no sense to apply the concept of competitiveness to a nation, since it is not possible to compare different countries in the same way as companies, alerting that this situation will lead to wasted public capital, increased protectionism and commercial wars.

Other authors argue that it is possible to analyse competitiveness in two distinct perspectives: economic and business. With regard to the economic perspective, its field of analysis rests with the country as a whole, and it is proposed to measure the degree of competitiveness of a country through productivity (Porter, 1990). Thus, one can define a country's competitiveness as the efficiency in the use of its natural resources, capital and human assets for the economy and whose results will be reflected in the standard of living of the country concerned, which is determined by the level of productivity of its economy. On the other hand, the entrepreneurial aspect shows the concept of competitiveness of the company as an isolated element or a cluster of companies. Thus, according to Porter (1990), the competitiveness of a country in relation to a particular sector of activity depends directly on its ability to innovate and constantly update itself. According to this point of view, competitiveness can be defined as the capacity to overcome competition.

The OECD (2014) also refers to competitiveness as the ability of firms, industries, regions, nations and supranational regions to generate, in a sustained manner and in the face of international competition, relatively high-income levels of factors and levels of employment.

Measurement of competitiveness can be achieved through input indicators (labour costs, fiscal burden, education and training, investment, innovation, and R&D) and output indicators related to wealth and employment creation measures (GDP, employment, productivity and the unemployment rate) (AIP, 2012).

According to Vinhas da Silva (2013), one of the most important indicators of the competitiveness of nations is the nature of the competitive advantages and the way these are anchored in low labour costs or in the creation of superior value materialized in products and processes developed countries.

In the following table 1, we can see a clear association between the competitive position of a nation and its level of exports and capacity to attract FDI, suggesting that the economies that export the most and that attract more FDI are also those that in the future become more competitive (Vinhas da Silva, 2013).

Table 1: Top 20 competitivity ranking – exports and FDI (2012)

Ranking	Competitivity	Exportations	Exportations (%GDP)	Attraction of IDE
1º	Switzerland	China	Hong Kong	Hong Kong
2º	Singapore	USA	Singapore	Belgium
3º	Finland	Germany	Luxemburgo	Singapore
4º	Sweden	Japan	Belgium	Luxemburgo
5º	Holand	Holand	Ireland	Ireland
6º	Germany	France	Seychelles	Chile
7º	USA	Korea Rep.	Estonia	Kazakhistan
8º	United Kingdom	Italy	Malta	Mongolia
9º	Hong Kong	Russian Fed.	Hungary	Turkmenistan
10º	Japan	Belgium	Malasya	Lebanon

Source: Vinhas da Silva (2013)

If to the previous aspects we add the level of competitiveness of a country, we find the “triangle of success” (Vinhas da Silva, 2013).

Other sources include factors such as political stability, legal certainty, accessibility to qualified human resources, infrastructure sophistication, the quality of education in a country, the search for smaller lots, shorter delivery times, innovation, and product quality to ensure the competitiveness of a country.

Independently of these aspects, the fact that the footwear market is constantly evolving and competitiveness are increasing, can represent a very important opportunity for Portuguese companies in the sector, because it is the competition that makes the supply side develop, thus making them more professional and competent (Carvalho et al., 2010).

1.2 Market and internationalization guidelines

In second place, we find the concept of market orientation that received a great deal of attention from several authors who put the emphasis on analysis of a construct based on the compromise between the corporate culture and the systematic and superior creation of value for the client (Narver & Slater, 1994), which presupposes the existence of three components of behaviour: customer orientation, competition focus and cross-functional coordination (Kohli & Jaworski, 1990).

At the same time, it seeks to create market intelligence, effectively satisfy its customers (Kohli & Jaworski, 1990; Raju, 2011) and through entrepreneurship to achieve a work climate that fosters innovation (Narver & Slater, 1990) and organizational learning (Narver & Slater, 1994), understood as the learning or acquisition of new knowledge or realization of introspections that have the potential to influence business behaviour (Huber, 1991).

If the market information is not effectively used (applied learning), market orientation will have no effect on the organization's performance (Narver & Slater, 1995), since it promotes organizational learning. On the other side, the organization's ability to learn will lead to improved organizational performance, as it provides the organization of training tools to achieve greater advantage and efficiency in responding to inherent opportunities and threats to the market.

Following this line of thinking, market-oriented organizations should analyse a wide range of information and then use that advantage to create superior value for their customers (Hult & Ketchen, 2001).

Typically, organizations are expected to focus on interacting with their customers and then introspectively explore how customer and market information can be used to build responses across the organization (Ind & Bjerke, 2007; Raju, 2011).

Although there are two traditional perspectives: behavioural (based on the research of Kohli & Jaworski (1990) and cultural research (influenced by the work of Narver and Slater (1990), other researchers (eg. Bradshaw, Maycock, & Oztel, 2008; Homburg & Pflesser, 2000) added these two perspectives, trying to elaborate a synthesis that collided both in an integrating concept.

Regardless the perspectives (behavioural, cultural or integrative), the authors seem to be in tune with the assertion that there are common aspects such as the intention to satisfy the clients or the pursuit of the objectives of the organization (Chen & Quester, 2009). Generation, dissemination, and use of information that, a posteriori, lead to market intelligence (Hult & Ketchen, 2001).

Kohli and Jaworski (1990) initially did not refer to the market orientation as a cultural factor, although they later considered it to involve different responses to market conditions, a situation that should be observed as a form of innovative behaviour.

Years later, Hurley & Hult (1998) argued that, with regard to responsiveness, market orientation models should have the main guiding mechanism the primary focus on the concept of innovation (implementation of new ideas, processes), in detriment of the idea of organizational learning (development and knowledge sharing).

Homburg & Pflesser (2000) address the cultural perspective where they distinctly enumerate values, norms, artefacts, and market orientation behaviours. They point out that a company that aims to achieve a certain level of market orientation should standardize the beliefs, actions, and behaviours of its employees.

Gebhardt et al. (2006) also point out that it is crucial to achieving a change in the cultural aspects of the company in order to achieve the concept of market orientation.

Finally, Bradshaw et al. (2008) listed the assessment tools for customer orientation that companies should implement (competitor orientation, cross-functional coordination, performance orientation, intelligence generation, intelligence dissemination and active response) as a way to become more market-oriented, considering the role of the mental models, the perceptions and the beliefs of the collaborators.

As described above, according to Kohli & Jaworski (1990, 1993), market orientation is explained by three dimensions: (i) intelligence generation (seeks to create a range of complementary mechanisms, both informal (conversations with suppliers or customers) and formal (analysis of sales reports, meetings with customers and business partners, analysis of customer databases, market studies, etc.), (ii) intelligence dissemination and (iii) ability to plan and implement the answer.

An organization needs to map and carry out a set of solutions in order to respond to information generated and disseminated with marketing actions appropriate to market expectations given that market understanding, and the dissemination of information are intertwined with the planning and implementation of the response (Kohli & Jaworski, 1990).

This dissemination of information from consumers and competitors leads to an inter-functionality, and a coordination of efforts materialized in collective actions, in order to continually create superior value for the customer (Slater & Narver, 1994; Varela & Rio, 2003).

Hult (2001) concluded that customers do not buy the products and services of a company just because it operates in a particular type of culture. In this way, market orientation encourages employees to act according to their knowledge of customers' needs and make use of this information in order to serve them better. Thus, one can affirm that market orientation is directly and positively related to the capacity to plan and implement the response.

The three behavioural components of market orientation that must constantly be updated and embedded in organizational culture in order to create superior value for clients are (i) customer orientation, (ii) orientation towards the competitor, and (iii) cross-functional coordination (Slater & Narver, 1994).

As noted earlier, the first of the behavioural components of market orientation is customer orientation. The development and maintenance of a competitive advantage, which occurs when the superior value is created for customers in a systematic way (customer focus), is a strictly necessary aspect of achieving superior performance (Narver & Slater, 1994).

In this context, an organization must analyze and understand the value chain of buyers fully and how it will evolve over time, in the imminence of being able to create value anywhere in the chain (Narver & Slater, 1994; Siguaw et al., 1994).

Therefore, it is essential for employees to spend time with customers and constantly seek new ways to meet their needs and to establish lasting relationships with them (Saxe & Weitz, 1982). The way companies interact individually with each customer will differentiate them in the future (Ramani & Kumar, 2008).

However, in order to develop a competitive advantage and act in advance, one must identify the short-term strengths and weaknesses and the long-term strategies of present and potential competitors (Narver & Slater, 1990, 1994), as well as competitors, meet the long-term desires and needs of their customers (Kohli & Jaworski, 1990).

Finally, the third behavioural component of market orientation (cross-functional coordination) presupposes collective organization and accountability of efforts and resources throughout the organization to create superior customer value and thus help the organization achieve and maintain competitive advantages (Narver & Slater, 1990, 1994).

1.3 Internationalization

In the case of the footwear cluster, the concepts of competitiveness and market orientation are closely linked to the theme of internationalization, mainly due to the pronounced export character that this industry presents.

The emergence of new media, the development of new technologies, the liberalization of international trade, regional economic integration and the growth of international networks are factors that contribute to global competition (Loane et al., 2007), causing commercial threats but also opportunities that can be explored through internationalization.

Internationalization should be understood as a process of extending product-market strategies to other countries, and the degree of internationalization must be adjusted to the evolution of market and competition trends in order to ensure its success (Freire, 2008) and conducting to the beginning of product factors (capital transfers, development of projects or commercialization of products) in foreign countries (Abrantes, 1999).

Historically, there are several reasons for a company to embark on the path to internationalization: (i) endogenous motivations (need for growth, use of available capacity, economies of scale, exploitation of technological skills and risk diversification. It can appear as a result of the saturation of the domestic market and because there are several strategic resources and clusters that can be externally exploited (Hansson & Hedin, 2007); (ii) markets characteristics (domestic market limitations, perception of dynamism of external markets); (Iv) access to external resources (use of costs of production factors abroad, access to technological know-how), and (v) incentives (Simões, 1997).

Other authors focused their analysis on the distinction between intrinsic stimuli (those that relate to the firm's ability to make decisions to improve its competitiveness and how to use that advantage to create superior value products for its customers through of five stimuli: reducing costs, raising funds, reducing global risk, reducing transaction costs and exploiting own resources of each country (Navas-López & Guerras-Martín, 2002) and extrinsic ones (those that do not suffer any kind of and the influence of the business decision-making process, with external agents being defined as industry life cycle, external demand, consumption patterns, legal constraints and industry globalization) (Navas-López & Guerras-Martín, 2002; Freeman & Cavusgil , 2007).

In addition to these conceptions, we can also point out other approaches or motivations by several authors, namely: (i) resources demand and market demand (Dunning, 1994); (ii) demand for efficiency (Hansson & Hedin, 2007); (iii) strategic pursuit to generate / develop competitive advantage and strengthen its competitive position (Oviatt & McDougall, 2005) by strengthening sales potential, brand equity, technology complexity, international reputation, management experience, access to foreign technology (Li & Nkanseh, 2005); (iv) cost of labor; supply chain; market potential inherent to the destination country (Calof & Beamish, 1995; Disdier & Mayer, 2004); (v) proactive motivations: reactive motivations (Czinkota et al., 1999); (vi) strategic opportunities; growth, and the relationship between markets, customers, competitors, costs and the nature of the business (Viana & Hortinha, 2005).

The internationalization process, along with the market's selection, should obey strategic criteria, thus avoiding the negative impact of barriers or obstacles that may force companies to rethink their strategies (Li & Nkanseh, 2005) and will avoid maximization of the company's performance, both at home and abroad (Freire, 1997).

The internationalization process may involve several types of barriers: (i) barriers of a quantitative nature or barriers arising from customs duties and taxes levied on imported products in destination markets; (ii) qualitative barriers or technical or non-tariff barriers (AICEP, 2012); (iii) internal barriers (lack of ability to act in the external market, insufficient results obtained in the market of origin, financial difficulties, negotiation problems) and external barriers (insufficient financial incentives, lack of harmonized external policies) (Bilkey & Tesar , 1977; Poliwoda & Thomas, 1998); (iv) internal-domestic barriers (intrinsic to the company and that arise in the country of origin); external-domestic barriers (related to internal market problems that are beyond the company's control); foreign internal and external barriers (Leonidou, 1995); (v) economic, political, sociocultural, technological, financial and competitive environment barriers (Lemaire, 1999); (vi) management-specific, industry-specific, enterprise-specific barriers (Shaw & Darroch, 2004); (vii) exchange rate instability (Li & Nkanseh, 2005); (viii) insufficient knowledge about external markets (Barkema, 1996); (ix) difficult adequacy of the quality / price relation to the demands of the new markets beyond legal constraints (Bilkey & Tesar, 1977).

2. Case study

2.1 The competitiveness of Portugal

In terms of competitiveness and considering the World Economic Forum (WEF) report, in 2016/17, Portugal ranked 46th place among 138 countries (4.48 out of 7), while in 2015/16 it was in 38th place among 140 countries (4.52 out of 7) (World Economic Forum, 2016).

Nevertheless, if we verify the behaviour of the last decade, we conclude that Portugal has progressively lost competitiveness, showing significant oscillations in the period under analysis (see table 2).

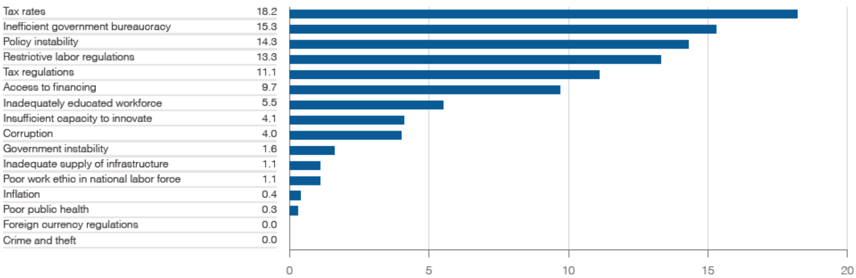
Table 2: Evolution of the Portuguese global competitiveness index

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
31	34	40	43	43	46	45	49	51	36	38	46

Source: World Economic Forum [WEF] (2016)

These aspects may be partially explained by several factors (see following table).

Table 3: Most problematic factors for conducting business in 2016



Source: World Economic Forum [WEF] (2016)

2.2 Analysis of the footwear cluster

The footwear cluster has shown significant oscillations since 1974. The period between 1974-1993 was based on customer-based growth and was a period of abundance of orders (APICCAPS, 2007), which translated into an exponential increase in the number of companies and consequent levels Employability (Annex 1 and 2) based on a vector of costs of productive factors, absorbing foreign know-how from the countries that carried out FDI and sowing a culture of ambition and positive mentality within the sector, leaving aside the use of protection of the market (APPICAPS Interview, 2015).

The Portuguese footwear sector was now a poorly educated sector, with low levels of training that had as its epicentre the use of economies of scale conferred by mass production, devoid of technological innovation and careful management, and taking advantage of politics expansionary monetary policy adopted by the country.

The culture of demand and rigor in the production rooted in the sector and during this period several Portuguese businessmen created their companies of production of footwear. The lack of academic training was in a way suppressed by an inexhaustible ambition and by the strong need to run the world to sell their products, which gave them a global mentality (Interview APPICAPS, 2015).

The second half of this period is marked by the accession process to the EEC, whose historical milestone has brought about profound changes in the commercial landscape.

The free trade area was extended to all EEC Member States, creating a much more extensive free trade area and benefiting Portuguese exports and its international competitiveness. The footwear industry -despite being involved in a period of transition and opening up of the markets- has been able to maintain its export character, continuing to show a positive evolution in external trade, which is clear by analysing its Trade Balance (Annex 1 and 2).

In this context, large European brands relocated their production units to Portugal, boosting the sector and contributing to an evolution of 673 companies and 15,299 workers in 1974, to 1,628 companies and 59,099 workers in 1994 (Interview APICCAPS).

Between 1994 and 2006 there was a change in the competitive profile with the emergence in the international scenario of countries with more competitive production factors than Portugal and with the suppression of barriers to their penetration, which triggered a wave of line relocation Productive activities for the Asian continent (APICCAPS, 2013; APPICAPS Interview, 2015).

In this period the sector was on a collision course with Asian production and the factors that previously allowed Portugal to capture FDI and establish trade relations became used by China, with lower production costs (APICCAPS Interview, 2015).

The competitive intensity of the international markets necessitated changes in the competitive model, with an ambitious structural process of modernization of the cluster, inserted in the idea of strengthening competitive capacity based on four pillars: use of more up-to-date management methods, technological upgrade, qualification of human resources and a strong commercial dynamic based on design, fashion and product quality (APICCAPS, 1996). It was concluded that the way forward would be to produce less, but increase the added value of the product and avoid competing directly with countries that benefit from more competitive production costs. This situation is notorious when the period between 2001 and 2006 is analysed. In this context, the production side was expected to be affected by the globalization of the markets and the consequent change in the strategic context of the cluster, as the number of footwear produced was reduced of approximately 35 million between 2001 and 2006 (APPICAPS, 2007).

While the 1990s may be characterized by a change in the competitive profile of the Portuguese footwear sector, where production in quantity did not increase, but production in value increased substantially, between 2000 and 2006 there is a process loss of foreign capital that had installed production units in Portugal in the 1980s, which had implications for a very sharp reduction in exports after 2001, the year of China's admission to the WTO (APICCAPS Interview).

Consequently, the employability of the footwear industry fell from 53,830 in 1996 to 36,221 in 2006 (APPICAPS, 2007). Also, at the level of industry size, the sector has been strongly affected by the "Asian threat," with a reduction of almost two hundred companies between 1994 and 2004 observable (APPICAPS, 2007). The vast majority of capital companies that were based in Portugal and focused on the nature of their competitive advantage in achieving low production costs shifted their production lines to Asian countries.

In the 2007-2016 period, there was a stabilization of the sector and a clear commitment to the promotion and visibility of the sector. Although the macroeconomic context was marked by the slowdown in world economic growth, largely due to the financial crisis of 2008, the Portuguese footwear industry counteracted the recession and registered significant increases in employment, production (APICCAPS, 2013) and export capacity, and is currently one of the industries that most contributes to the reduction of the Portuguese trade deficit (APICCAPS Interview, 2015).

Until 2009, there was "a phase marked by a certain stabilization in the sector, where the companies cemented the new productive processes and improved commercial relations." From 2010 until today, the industry as a whole began to feel the benefits of the strategic turn of the sector and presented a positive evolution (APICCAPS Interview, 2015).

Countries like Italy, Portugal or Spain, with a strong tradition in footwear production, reach the top positions in the ranking of the biggest exporters in the world, due to a "specialization focused on higher added value footwear" (APICCAPS, 2012).

The general development of the footwear sector for the period 1974-2014 can be found in Annexes 1 and 2 as well as the evolution of the industry's export rate.

2.3 Overview of the footwear cluster

In this part of the article some technical tools will be applied, with the purpose of carrying out the external analyses of the companies that make up the Portuguese footwear industry (Figure 2).

Figure 2: Sector Analysis Diagram

Technical instruments	
External analysis	Internal/External Analysis
PEST Analysis Model of the 5 Porter Forces	SWOT Matrix

Source: Author

We choose to use a PEST analysis and the Model of the 5 Porter Forces. Regarding internal / external analysis, the choice was made through the SWOT Matrix.

2.3.1 PEST Analysis

The PEST analysis is a tool for analysing the surrounding environment that illustrates the external factors (which are not subject to control and manipulation by the company) that influence the company and the market as explained in the following table.

Table 4: Summary table of PEST analysis

Politic	Economic	Social	Technological
Austerity IRC reform Incentives to investment and economic internacionalization Stable democracy with good relation to EU	High unemployment rate World crisis Positive evolution of european GDP Little Credit	More people with superior education Different life style People worried with sustainability	More use of 3D prints More use of internet

Source: Authors

2.3.2 Industry attractiveness analysis (Porter's 5 Force Model)

This model measures the threat of entry of new competitors, the rivalry between companies, the threat of substitute products, bargaining power of suppliers and the bargaining power of customers, and thus, ascertain the level of attractiveness of the industry.

Under this logic, it was concluded that the Portuguese footwear sector presents a level of average attractiveness, an idea reflected in the analysis of each of the attractiveness variables that can be found in figures 3 and 4.

Figure 3: Analysis grid of the attractiveness of the footwear industry

Industry analysis	Industry attractiveness				
	Very low	Low	Average	High	Very high
Competitive strength	**Current**				
Threat of new customer's entry					
Scale economies				x	
Product differentiation		x			
Brand identification		x			
Other costs disadvantages			x		
Capital needs		x			
Changing costs to customers			x		
Difficulty access to distribution channels				x	
				x	
Protectionist policies				x	
Global force			**2,8**		
Rivalry between industry companies					
Number of competitors					x
Market concentration		x			
Market growth			x		
Stock costs		x			
Product differentiation				x	
Changing costs to clients		x			
Global force				**3,4**	
Threat of substitute products					
Number of suppliers		x			
Dimension of suppliers				x	
Importance of the industry to client		x			
Global force		**1,8**			
Supplier's bargaining power					
Number of suppliers		x			
Dimension				x	
Importance of the industry to client		x			
Suppliers rentability			x		
Quality importance of bought products					x
Information about suppliers		x			
Global force			**3**		
Customers bargaining power					
Number of clients in the industry	x				
Rentability of clients			x		
Differentiation of products		x			
Global force				**3,1**	

Source: Authors

Figure 4: Final grid of the attractiveness of the footwear industry

	Industry attractiveness				
	Very low	Low	Average	High	Very high
Competitive strength	**Current**				
Threat of new customer's entry			x		
Rivalry between industry companies				x	
Threat of substitute products		x			
Supplier's bargaining power			x		
Customers bargaining power				x	
Global Evaluation			x		

Source: Authors

2.3.3 SWOT Analysis

Since the SWOT analysis is an external / internal analysis tool that analyses the weaknesses, strengths, threats and opportunities of the company in the industry, the following results were obtained (see Figure 5).

Figure 5: SWOT Matrix

SWOT	**Opportunities** O1) New ecological mentality O2) Growth of emergent markets O3) Proximity of European market O4) resilience in luxury market O5) Product valorisation O6) New business model (TIC) O7) Proximity with PALOP markets O8) Trend-setting	**Threats** T1) Economic crisis T2) Global and competitive market T3) International concurrent with more investment capacity T4) Delocalization of production lines to Asia countries T5) Upgrade in Asian offer T6) Constant mode mutation T7) Possibility of imitation of Portuguese strategy
Forces F1) Weight in the national economy F2) Technological centers F3) Quick answer and flexibility F4) Brands and national collections F5) Reputation F6) Experience and Know-how F7) International path F8) Differentiation (luxury brand) F9) Cultural identity with European market	**Challenges** F1+F4+F6+F9+O2+O3+O4+O7+O9 **Approach to new markets: African and American** F1+F5+F7 **More governmental supports to future investment in new production lines** F2+F6+O6 **Cooperation with knowledge centers**	**Warnings** T2+T3+T5+F4+F8 **Incrementation of average price** T4+T6+T7+F5+F6 **Other countries are copying the "Portuguese model."**
Weaknesses W1) High price of the product W2) Production costs higher than competitors W3) Little qualification of HR W4) Wek investment capacity W5) Little promotion of Portugal W6) Insufficient distribution channel W7) European dependence on exports	**Restrictions** W4+W5+O3 **Contention period and implementation of austerity measures** W1+W2+W6+O2+O9 **Trade barriers in the American market**	**Risks** W1+W2+T2+T4+T5+T7 **Loss of sales because of preference for countries with lower productions costs** W4+W5+W6+W7+W8+T1+T3 **Sector facing growing problems**

Source: Authors

Conclusions and implications for the management

Considering the work carried out, we should first of all point out the antagonistic competitive reality we saw, since while Portugal ranked 46th in the global competitiveness ranking in 2016, the Portuguese footwear industry is recognized worldwide as one of the most competitive and emerging as one of the world's largest export sectors.

Some facts contribute to this situation. With regard to the country's low competitiveness, it results from labour costs, high tax burden and low GDP growth, unemployment and low productivity. With regard to the competitiveness of the footwear cluster, the levels achieved are quite satisfactory as a corollary of a strategic shift in the sector's competitive profile based on a model focused on quality, product differentiation, design, innovation, the creation of own brands and product with greater added value.

Historically, Portuguese footwear companies have shown great resilience since the relocation of production lines to the Asian continent in the 1990s, and this cluster had the capacity to draw a strategic plan for the sector shared by all and showed an adequate capacity of response.

As far as internationalization is concerned, it has accompanied the increase in competitiveness and market orientation, largely due to the pronounced exporting character of the Portuguese footwear cluster. In the Portuguese case, when many of their companies are created, they already have inherent the objective of the satisfaction of the international markets (Born Global). From a very early stage, the footwear cluster has become international. The main reasons still stand today and are related to the characteristics of the domestic market (limitations of the Portuguese market) and relational motivations (customer follow-up is given that the main customers of Portuguese shoes are of international origin). In other words, the Portuguese footwear sector was able to take advantage of market demand and its potential.

Naturally, barriers have arisen, notably the barriers to trade, especially customs duties and the rates on imported products that some markets still have in force, namely the US market.

Historically, we can delineate the course of the sector in three distinct periods: (i) customer-based growth (1974-1993). It was essentially marked by a climate of the abundance of orders destined, mainly brands originating in the centre and north of the European continent; (ii) change in the competitive profile (1994 - 2006). In the 1990s there was a process of modernization of the sector through a change in the competitive profile of the Portuguese footwear sector, and in which quantity production did not increase, but production in value increased substantially; (iii) growth by reinforcing competitive factors in the intangible sector (2007-2016). This period was somewhat marked by a stabilization of the sector and a clear commitment to the promotion and visibility of the sector.

Players have been involved in the production of high value-added products, focusing on exports, presence in international fairs, modernization of production technologies, creation of own brands and (re) knowledge of customer preference as standard behaviour.

In this way, we can enumerate some main aspects to having in terms of the implications and lessons to be learned from the management.

From the application of the SWOT analysis, it is important to emphasize in terms of challenges / bets the need to adopt an approach to new markets, namely in a bet on the North American and African market, mainly due to the imminence of a commercial agreement (abolition of customs duties) and affinity with the PALOP market, respectively.

At the same time, we must be aware of the need to invest in new production lines because of the effects that this cluster can have on the Trade Balance.

Finally, there is an opportunity to strengthen the synergies of cooperation between Centers of Knowledge. The focus on design and R & D that the cluster has been following reinforces the importance of building bridges between educational institutions and industry.

Naturally, there are dangers, especially from the Asian countries that started to present products of higher quality and which should be a warning for the Portuguese footwear cluster. Countries with lower production costs that begin to produce higher value-added and / or higher-end items will be able to seduce customers and potential customers of the Portuguese footwear industry as they benefit from conditions that allow them to achieve lower sales prices.

On the other hand, the period of fiscal restraint, coupled with the austerity climate that has been experienced throughout Europe may influence the allocation of EU subsidies for footwear companies. It is also to be expected that there are some constraints on growth, due to the slowing down of French growth, the main destination market for Portuguese shoe exports.

In this context, Portugal must create a new path and bet at its most competitive activities where we find the footwear industry. As said before, this activity established a set of measures based on national brands, product strategy, innovation, rapid response profile, product flexibility, design and service delivery International trade shows, R & D investment.

However, there is a perception that maintaining the achieved level of excellence needs a constant innovation, dynamism and the adoption of various measures: (i) bet on online commerce; (ii) struggle for credibility of the image of the sector; (iii) increasing the productive capacity of enterprises; (iv) bet on the North American market; (v) qualification of human resources for the implementation of partnerships with knowledge centres; (vi) rejuvenating the cluster through the emergence of ideas and development of innovative strategies; (vii) innovation of materials and components; (Viii) continuation of the communication (news coverage); (ix) bet on the promotion in new technologies (Websites outdated, pages of Facebook non-existent or very little active); (x) bet on entrepreneurship to create conditions for the affirmation of new entrepreneurial talents; (xi) bet on recyclable and biodegradable materials, taking advantage of an ecological concern of society.

Annex 1: Global Statistical Evolution of the Portuguese Footwear Industry (1974-2014)

	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
Indústria											
Empresas											
(número)	673										971
Emprego											
(número)	15.299										30.850
Produção											
(milhares de pares)	15.000										48.000
Produção											
(milhares de euros)	12.330 €										318.891 €
Comércio Externo											
Exportações											
(milhares de euros)	3.093 €	3.846 €	5.282 €	9.248 €	13.859 €	28.840 €	36.635 €	41.251 €	53.032 €	91.155 €	164.060 €
(milhares de pares)	5.200										31.100
Importações											
(milhares de euros)	324 €	264 €	160 €	110 €	85 €	125 €	299 €	584 €	893 €	703 €	738 €
(milhares de pares)	2.800										200
Balança Comercial											
(milhares de euros)	2.769 €	3.582 €	5.122 €	9.138 €	13.774 €	28.715 €	36.336 €	40.667 €	52.139 €	90.452 €	163.322 €
(milhares de pares)	2.400										30.900

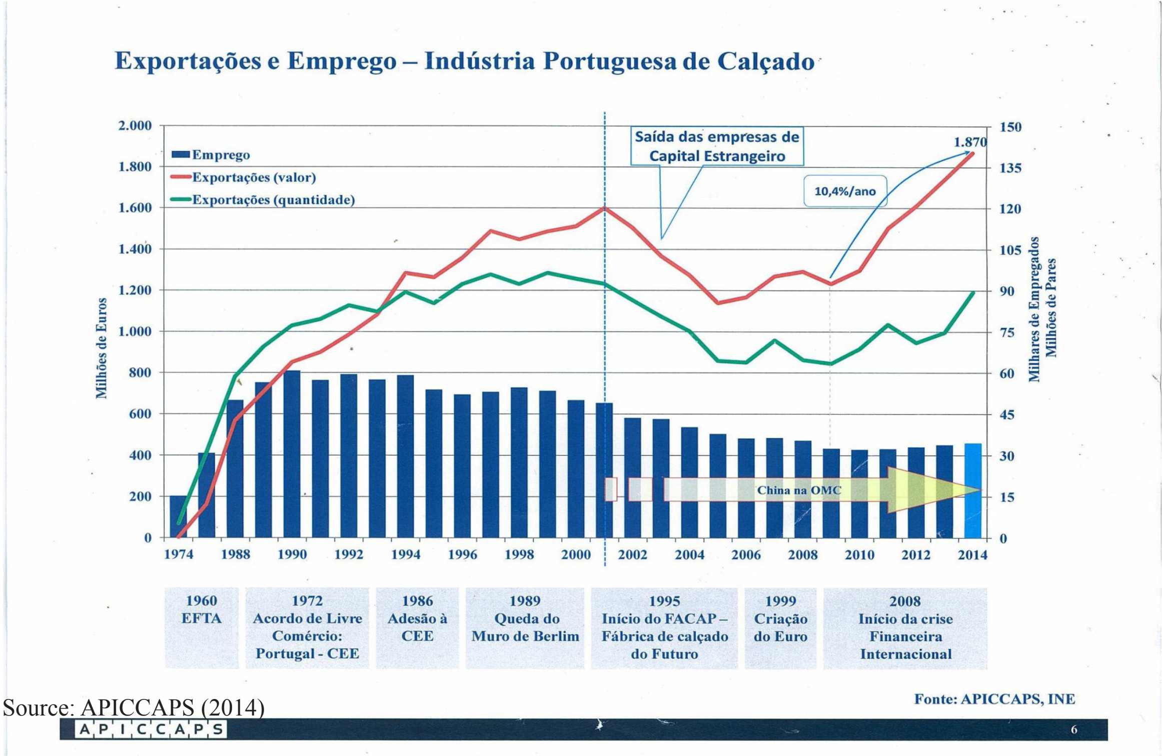
1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
			1.363	1.388	1.455	1.479	1.511	1.482	1.635	1.499
			50.018	56.440	60.721	57.277	59.423	57.469	59.099	53.830
			52.453	62.398	67.111	102.307	106.171	102.395	108.866	99.061
			497.179	621.259	717.594	1.207.856	1.287.410	1.399.517	1.620.001	1.506.941
253.963 €	372.482 €	486.832 €	567.882 €	707.335 €	851.115 €	899.186 €	984.902 €	1.081.499 €	1.283.867 €	1.262.832 €
			58.525	69.440	77.204	79.550	84.534	82.242	89.368	85.318
2.160 €	6.559 €	22.266 €	26.583 €	31.543 €	50.847 €	67.287 €	74.635 €	86.820 €	97.087 €	118.154 €
			6.072	7.042	10.093	12.832	14.289	15.054	15.005	20.760
251.803 €	365.923 €	464.566 €	541.299 €	675.792 €	800.268 €	831.899 €	910.267 €	994.679 €	1.186.780 €	1.144.678 €
			52.453	62.398	67.111	66.718	70.245	67.188	74.363	64.558
									79,30%	

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
1.442	1.458	1.609	1.645	1.600	1.550	1.533	1.459	1.432	1.481
52.079	53.000	54.622	53.375	50.000	49.000	43.603	43.187	40.255	37.836
105.017	110.885	105.604	109.578	108.042	106.998	98.620	91.101	84.897	72.313
1.582.211	1.769.619	1.697.897	1.731.216	1.776.141	1.902.654	1.758.542	1.582.454	1.471.214	1.307.357
1.357.125 €	1.487.502 €	1.447.129 €	1.486.281 €	1.510.436 €	1.599.330 €	1.503.701 €	1.366.965 €	1.273.252 €	1.138.195 €
92.264	95.751	92.278	96.347	94.229	92.395	86.415	80.523	75.159	64.344
128.196 €	155.955 €	166.907 €	187.574 €	214.429 €	236.475 €	258.634 €	252.606 €	271.126 €	285.473 €
24.491	22.595	25.218	25.706	25.299	24.685	27.143	28.415	33.154	39.212
1.228.929 €	1.331.547 €	1.280.222 €	1.298.707 €	1.296.007 €	1.362.855 €	1.245.067 €	1.114.359 €	1.002.126 €	852.722 €
67.773	73.156	67.060	70.641	68.930	67.710	59.272	52.108	42.005	25.132
								86,50%	

2006	2007	2008	2009	2010	2011	2012	2013	2014
1.448	1.424	1.407	1.346	1.245	1.324	1.322	1.337	
36.221	36.366	35.398	32.510	32.132	34.509	34.624	35.044	
71.643	75.067	69.101	67.044	62.012	69.491	74.156	75.524	
1.338.555	1.336.979	1.397.617	1.414.614	1.283.475	1.511.085	1.797.030	1.848.010	
1.166.116 €	1.268.401 €	1.290.991 €	1.232.027 €	1.296.919 €	1.541.626 €	1.608.479 €	1.735.844 €	1.869.818 €
63.784	71.830	64.651	63.346	68.671	78.226	70.974	74.699	89.327
318.277 €	396.724 €	431.662 €	401.157 €	425.270 €	467.035 €	415.062 €	415.754 €	471.012 €
41.209	55.646	50.900	54.418	65.647	63.535	48.605	49.646	65.079
847.839 €	871.677 €	859.329 €	830.870 €	871.649 €	1.074.591 €	1.193.417 €	1.320.090 €	1.398.806 €
22.575	16.184	13.751	8.928	3.024	14.691	22.369	25.053	24.248
87,10%		92,40%	87,10%	101,00%	102,00%	89,50%	93,80%	

Source: Adapted from APICCAPS (2014), Monografia Estatística (2013), Monografia Estatística (2014)

Annex 2: Chronology-Summary (1974-2014)



Source: APICCAPS (2014)

References

Abrantes, A. (1999). *A internacionalização empresarial numa economia mundializada*. Viseu: Millenium 15.

AICEP (2012). Agência para o Investimento e Comércio Externo de Portugal. *Comunicado do Conselho Estratégico de Internacionalização da Economia*, Secretariado Executivo do Conselho Estratégico de Internacionalização da Economia. Lisboa, 24 de Fevereiro de 2012.

Associação Portuguesa dos Industriais de Calçado, Componentes, Artigos de Pele e seus Sucedâneos [APICCAPS] (2007). *Relatório Estatístico 1997-1996: 20 anos de crescimento*. Portugal: APICCAPS.

Associação Portuguesa dos Industriais de Calçado, Componentes, Artigos de Pele e seus Sucedâneos [APICCAPS] (2007). *Monografia Estatística 2007 – Calçado, Componentes e Artigos de Pele*. Portugal: APICCAPS.

Associação Portuguesa dos Industriais de Calçado, Componentes, Artigos de Pele e seus Sucedâneos [APICCAPS] (2012). *Monografia Estatística 2012 – Calçado, Componentes e Artigos de Pele*. Portugal: APICCAPS.

Associação Portuguesa dos Industriais de Calçado, Componentes, Artigos de Pele e seus Sucedâneos [APICCAPS] (2013). *Monografia Estatística 2013 – Calçado, Componentes e Artigos de Pele*. Portugal: APICCAPS.

Associação Portuguesa dos Industriais de Calçado, Componentes, Artigos de Pele e seus Sucedâneos [APICCAPS] (2014). *Monografia Estatística 2014 – Calçado, Componentes e Artigos de Pele*. Portugal: APICCAPS.

Barkema, H., Bell, J., Pennings, J. (1996). Foreign Entry, Cultural Barriers, and Learning. *Strategic Management Journal*, (2), 151-166.

Bilkey, W., & Tesar, G. (1977). The Export Behavior of Smaller-Sized Wisconsin Manufacturing Firms. *Journal of International Business Studies*. (8), 93-98.

Bradshaw, R., Maycock, C., & Oztel, H. (2008). Exploring SME Market Orientation: An Organisational Learning Perspective. *Education & Training*, (50), 764-777.

Calof, J., & Beamish, P. (1995). Adapting to foreign markets: Explaining internationalization. *International Business Review*, (4), 115-131.

Carvalho, Crespo, José; Filipe, Cruz, José (2010). *Manual de Estratégia: Conceitos, Prática e Roteiro*, Lisboa: Edições Sílabo.

Chen, S. C., & Quester, P. G. (2009). A value-based perspective of market orientation and customer service. *Journal of Retailing and Consumer Services*, (16), 197-206.

Czinkota, M., Ronkainen, I., & Moffett, M. (1999). *International Business*, Orlando: The Dryden Press.

Disdier, A., & Mayer, T. (2004). How different is Eastern Europe? Structure and determinants of location choices by French firms in Eastern and Western Europe. *Journal of Comparative Economics*, (32), 280-296.

Dunning, J. (1994). *Re-evaluating the benefits of foreign direct investment.* Transnational Corporations, (3), 23-51.

Freeman, S., & Cavusgil, S. (2007). Toward a Typology of Commitment States Among Managers of Born-Global Firms: A Study of Accelerated Internationalization. *Journal of International Marketing*, (15), 1-40.

Freire, Adriano. (2008). *Estratégia – Sucesso em Portugal*. Lisboa: Verbo.

Gebhardt, F., Carpenter, S., & Sherry, F. (2006). Creating a Market Orientation: A Longitudinal, Multifirm, Grounded Analysis of Cultural Transformation. *Journal of Marketing*, (70), 37-55.

Hansson, A., & Hedin, K. (2007). *Motives for internationalization Small companies in Swedish incubators and science parks*. Sweden: Uppsala University.

Homburg, C., & Pflesser, C. (2000). A Multiple-Layer Model of Market-Oriented Organizational Culture: Measurement Issues and Performance Outcomes. *Journal of Marketing Research*, (37), 449-462.

Huber, George (1991). Organizational Leaming: The Contributing Processes and the Literatures. *Organization Science*, (2), 88-115.

Hult, G., & Ketchen, J. (2001). Does market orientation matter?: A test of the relationship between positional advantage and performance. *Strategic Management Journal*, (22), 899-906.

Hurley, F., & Hult, M. (1998). Innovation, Market Orientation, and Organizational Learning: An Integration and Empirical Examination. *Journal of Marketing*, (62), 42-54.

Ind, N., & Bjerke, R. (2007). The concept of participatory market orientation: An organisation-wide approach to enhancing brand equity. *Journal of Brand Management*, (15), 135-145.

Kohli, A. K., & Jaworski, B. J. (1990). Market Orientation: The Construct, Research Propositions, and Managerial Implications. *Journal of Marketing*, (54), 1-18.

Krugman, P. (1994). Competitiveness: A Dangerous Obsession. *Foreign Affairs*, (73), 28-44.

Lemaire, J. (1999). *Estratégias de Internacionalização – Desenvolvimento Internacional da Empresa*. Lisboa: Instituto Piaget.

Leonidou, L. (1995). Export barriers: non-exporters' perceptions. *International Marketing Review*, (12), 4-25.

Li, Y., & Nkanseh, S. (2005*). Internationalisation Process of two swedish firms – the case of Vaderstad AB and Context Vision AB*. Master Programme in Business Administration – Strategy and Custure – Department of management and economics. Sweden: Linkoping University.

Loane, S., Bell, D., & McNaughton, R. (2007). A cross-national study on the impact of management teams on the rapid internationalization of small firms. *Journal of World Business*, (42), 489–504.

Narver, J. C., & Slater, S. F. (1990). The effect of a market orientation on business profitability. *Journal of Marketing*, (54), 20-35.

Narver, J. C., & Slater, S. F. (1994). Market orientation, customer value, and superior performance. *Business Horizons*, (27), 22-28.

Narver, J. C., & Slater, S. F. (1995). Market Orientation and the Learning Organization. *Jornal of Marketing*, (58), 46-55.

Navas-López, J.Guerras-Martín, L. (2002). *La Dirección Estratégica De La Empresa –Teoría Y Aplicaciones*. Madrid: Civitas Ediciones.

OCDE (2014). *OECD iLibrary*, Glossário. Acessível em: http://www.oecd-ilibrary.org/. Consultado a 6 de Maio de 2015.

Oviatt, M., & McDougall, P. (2005). The Internationalisation of Entrepreneurship. *Journal of International Business Studies*, (36), 29-41.

Poliwoda, S., & Thomas, M. (1998). *International Marketing*. Oxford: Butterworth-Heinemann.

Porter, Michael E. (1990). The Competitive Advantage of Nations. *Harvard Business Review*, 75–91.

Protcko, Ekaterina & Dornberger, Utz (2014). The impact of market orientation on business performance – the case of Tatarstan knowledge-intensive companies (Russia). *Problems and Perspectives in Management*, 12(4), pp. 225-231.

Raju, P.S. et al. (2011). Market orientation in the context of SMEs: A conceptual framework, *Journal of Business Research*. 64(12), pp. 1320–1326.

Ramani, G., & Kumar, V. (2008). Interaction Orientation and Firm Performance. *Journal of Marketing*, (72), 27-45.

Saxe, R., & Weitz, A. (1982). The SOCO Scale: A Measure of the Customer Orientation of Salespeople. *Journal of Marketing Research*, (19), 343-351.

Shaw, V., & Darroch, J. (2004). Barriers to internationalization: A study of entrepreneurial new ventures in New Zealand. *Journal of International Entrepreneurship,* (2), 327-343.

Siguaw, A., Brown, G., & Widing, E. (1994). The influence of the market orientation of the firm on sales force behavior and attitudes. *Journal of Marketing Research*, (31), 106-116.

Simões, Vítor Corado (1997). *A internacionalização das Empresas Industriais Portuguesas: Características e Perspectivas*. Conselho Económico e Social.

Varela, A., & Río, D. (2003). Market orientation behavior: an empirical investigation using MARKOR. *Marketing Intelligence & Planning*, (21), 6-15.

Viana, C., & Hortinha, J. (2005). *Marketing Internacional*, Lisboa: Edições Sílabo.

Vinhas da Silva, Rui; Teixeira, Natália (2013). *A Competitividade das Nações no Século XXI*, Casal de Cambra: Caleidoscópio.

World Economic Forum [WEF] (2016). *The Global Competitiveness Report 2016–2017*. Geneva: World Economic Forum.