

How can NAïF Baby Care enter the Mexican market successfully?

NAïF Export Marketing Plan

NAïF



I'm tired of being
treated like a baby

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EXECUTIVE SUMMARY

Since 2013, the Dutch baby care brand NAÏF successfully sells their natural-based baby care products on the Dutch market. NAÏF's main products include shampoo, wash gel, body lotion, diaper cream, nurturing cream, bath oil and baby oil. From 2013 to 2016, NAÏF has been expanding their sales on an international level. However, seeing as NAÏF is solely available in the United States on the American continent, an opportunity for further expansion became visible for the brand; commencing with gateway country: Mexico. Therefore, the purpose of this report is to document research conducted at The Hague University on the topic of exporting Dutch baby care brand to Mexico. The central question for this export marketing plan is: *"How can NAÏF enter the Mexican market successfully?"* In order to answer this question, different research methods were chosen. Primary data is used for the elaboration of this report by conducting interviews with among others the founder of the Dutch brand Snooze Baby, who already operates on the Mexican market, and by conducting a questionnaire directed at the potential Mexican target group. In addition, secondary data has also been collected through the use of trustworthy websites, books, reports and marketing business methods.

The research showed that there is a demand for qualitative high and natural-based baby care products in Mexico, and NAÏF can thus enter the market successfully. In order to do this, it is recommended that NAÏF starts selling their products in Mexico City and work with an experienced and professional distributor in the Mexican market who has the right contacts and acquires sufficient financial capacity. The products will be exported Ex Works, meaning all export and transport costs are for the distributor. Furthermore, with regards to pricing, it is recommended that NAÏF lowers their Ex Works selling price to €2.50 per product. This selling price will allow the distributor to set retail prices which can optimally compete with the prices of the competitors and remain feasible for the Mexican customer. In addition, the price will allow NAÏF and the distributor to make a significant profit. It is further recommended that European quality, design and service remain the same in order to reach the target audience consisting of modern and conscious parents with a middle or high income, as well as to optimally differ from the competition. In order to attract the appropriate target audience, it is recommended to base retail on high-end department stores, children boutiques and pharmacies. Furthermore, promotion requires optimal focus in order to gain brand awareness within the Mexican market. NAÏF can do this by adapting their current promotion and marketing strategies to the Mexican market. These marketing strategies include collaborations with local bloggers, dermatologists and popular brands, as well as the optimal use of social media and the provision of great customer service.

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INTRODUCTION

NAÏF Baby Care is a Dutch company which produces and sells baby care products based on natural ingredients. This startup company was established in 2012 by Mr. Trompetter and Mr. Hes. Their head office is located in The Hague in The Netherlands. NAÏF is currently internationally available in Spain, Ireland, Germany, Italy, Belgium, Hong Kong, Korea, China and The USA. Therefore, NAÏF is becoming a booming company on national, international and economic business level (Over ons, 2015). As NAÏF currently is focusing on expanding their markets and obtaining international brand awareness, potency was seen to export NAÏF to a new economically blooming and growing market; namely Mexico. Mexico is among others experiencing economic growth (Gómez, 2015). In addition, according to Mexican financial news website Dinero en imagen, there definitely is potential and demand on the Mexican baby care market when it comes to a new European brand which emphasizes the importance of natural skin-friendly baby care products. In fact, the Mexican market has already successfully been penetrated by other European brands such as French baby care brand Mustela (Espinosa, 2013). Therefore Mexico is ready for a new high-end and natural-based European baby care brand.

The purpose of this report is to analyze whether exporting NAÏF to Mexico could be feasible and successful. Therefore, this export marketing plan will answer to the following central question “*How can NAÏF Baby Care enter the Mexican market successfully?*” The central question is based on the following sub questions:

1. Who is NAÏF and what does it exactly sell?
2. What market position and segmentation does NAÏF currently have?
3. What is NAÏF's internal situation?
4. Which are NAÏF's key locations for export in Mexico and why?
5. Who are NAÏF's competitors and potential customers?
6. Which distribution centers will NAÏF use when exporting to Mexico?
7. What are NAÏF's strengths, weaknesses, opportunities and threats?
8. What entry strategies does NAÏF need to undertake in order to enter the Mexican market successfully?
9. What will be NAÏF's Marketing Mix based on the Mexican market?
10. What delivery and payment conditions will NAÏF use when exporting to Mexico?
11. What are the financial expectations for NAÏF on the Mexican market?

The report is divided into eight parts. Firstly, the used methods for the elaboration of the report will be explained. This section provides information on the used sources and why they are relevant for the research. Secondly, NAÏF's internal situation will be described. This first chapter provides insight on NAÏF's history, products, market as well as strengths and weaknesses. Thirdly, an external analysis based on the Mexican market is provided. This second chapter provides relevant information regarding Mexico's economic and politic situation, the wants and needs of potential NAÏF customers based on the results of a conducted questionnaire, the current condition of the baby care industry in Mexico, NAÏF's competitors within the Mexican market and the distribution of NAÏF in Mexico among others. Based on the information retrieved from the external and internal analysis, NAÏF's opportunities, threats, strengths and weaknesses will be presented in a SWOT matrix. Fourthly, the third chapter is based on NAÏF's confrontation matrix and entry strategies. The confrontation matrix connects NAÏF's strengths, weaknesses, opportunities and threats with each other. Based on these connections, strategies are formulated in the entry strategies section. Fifthly, an export marketing mix for the Mexican market based on price, promotion, place, politics, physical distribution, people, product and presentation will be described in chapter four. This represents the operational plan for NAÏF in Mexico. Sixthly, the last chapter will focus on the financial aspects regarding export to Mexico. This chapter explains NAÏF's payment / delivery strategies and future projections such as NAÏF's expected turnover from the Mexican market. Seventhly, based on the findings retrieved from all five chapters, a conclusion will be provided and an answer will be given to the research question. Lastly, the end of this report includes an APA bibliography presenting all used sources and appendices providing additional information.

METHODOLOGY

Overview of research done and methods used per chapter.

Internal Analysis.

In order to describe NAÏF's internal situation, desk research was conducted. NAÏF's website and annual report in combination with personal knowledge, experience and information gained as an intern at NAÏF, have been the key sources for the retrieval of trustworthy information. Additionally, in order to present NAÏF's needs, target audience and technologies; an ABELL model has been produced. This is a marketing research method retrieved from the book: "*Zo maak je een export marketingplan*" (how to write a export marketing plan) written by H. Veldman. The book describes in detail what information a complete export marketing plan should contain and is written by an Export Management lecturer from The Hague University of Applied Sciences. The elaboration of the report is for its greatest part based on the information consulted from H. Veldman's book.

External Analysis.

The external analysis is mainly based on desk research retrieved from Mexican governmental sources such as the INEGI website: a Mexican governmental website that provides official statistics and numbers regarding the Mexican population, the Pro Mexico website: a governmental website that promotes international trade and investment, and the Mexican Integrated Informational System of Foreign Trade website: www.siicex-caaarem.org.mx. These are sources that contain highly reliable secondary data. Moreover, the information retrieved in the customer analysis is considered primary data, as it is obtained from a questionnaire and the respondents. The questionnaire was filled out by 115 Mexicans aged 20-40. The questionnaire has been filled out by two target groups: parents of young children and (young) adults without children. 46% Of the respondents are parents and thus, represent the direct potential target audience and provide the most essential / trustworthy information for NAÏF. In addition, NAÏF is fully depended on their wants and needs regarding the Mexican baby care market. Moreover, Mr. H. Veldman's book has been consulted for the creation of the DESTEP and SWOT model.

In addition, in the industry / competitor and distribution analysis results from an interview conducted with Annette van der Leij; founder of baby brand BabyNella and importer of high-end Dutch baby brand Snooze Baby in Mexico, were used. As an European, high-end baby brand, Snooze Baby attracts similar customers and selling points as NAÏF. Therefore, the information retrieved from Annette van der Leij who has been representing and importing the European baby brand for two years now, thus knows the

Mexican business culture, is of great value for NAÏF. For the further elaboration on the competitor analysis, the official websites of the competitors are consulted for product information and Euromonitor's Baby and Child-Specific Products in Mexico report, has been used in order to describe the baby care market in Mexico. Euromonitor is an internationally leading, independent organization that provides strategic market research. Both sources are trustworthy and professional.

Confrontation Matrix / Entry Strategies.

For the elaboration of the confrontation matrix, once again the book: Zo maak je een export marketingplan by H. Veldman is consulted. The confrontation matrix is a valuable and frequent-used marketing research method for the elaboration of an export marketing plan.

Export Marketing Mix.

Inspiration regarding the elaboration of the 8 P's is gained from H. Veldman book. The results in the export marketing mix are mainly focused on the results of the external analysis (questionnaire).

Financial Analysis.

The financial analysis is mainly based on conducted interviews via email with one of the NAÏF founders: Mr. Trompetter. In addition, Euromonitor's Child Specific report is consulted in order to describe the (financial) value of the baby care market in Mexico and thereby NAÏF's potential market share. In addition, interviews via email with contact persons regarding the participation at interesting new) parents-oriented fairs such as Expo Tu Beb  y T , were also used for the elaboration of the costs analysis. The information retrieved from these contact persons are trustworthy and of high value for the professionalism of the report. Moreover, a break-even calculation is used in to analyze from what point the distributor would make profit on the Mexican market. The break-even calculation is based on the book "*Strategische En Operationele Marketingplanning*" (Strategic and Operational Marketing planning) by G. Rustenburg. This book is frequently used by export management lecturers and therefore is a reliable and professional source.

1. INTERNAL ANALYSIS

1.1 COMPANY DESCRIPTION

A. HISTORY / CORE BUSINESS

NAÏF is a startup company that has been founded by Mr. Trompetter and Mr. Hes in 2012. The founders are friends and both have children of their own, making them true “the founding fathers”. After they both got their first child, they analyzed the baby care market and felt there was a lack regarding qualitative high baby care products for the high-end segment. They noticed that the majority of today’s baby care brands, are based on ingredients such as mineral oil; an oil which derives from petroleum and chemical preservatives such as parabens and phenoxyethanol among others. An opportunity was seen by the founders to create a new European baby care brand based on natural, skin-friendly baby care products that avoids the use of chemical ingredients. The NAÏF products are developed and produced in a renowned Swiss laboratory, which specializes in the production of natural, skin-friendly cosmetics and personal care products. In addition dermatologists, parents and babies have been the solid base for the production and the formula of the NAÏF care products. The first NAÏF range was released in 2013 (NAÏF, 2015).

B. MISSION

NAÏF believes children should be children for as long as they can. Children do that best when they are left to grow and discover the world as naturally as possible by protecting them from damaging chemicals. Their mission is to empower parents so they can provide their children with a happy and healthy life. NAÏF believes pampering children with high qualitative baby care products, will help children become more resistant and strong (Over ons, 2015).

C. VISION

NAÏF strives to create a business in baby care products that promotes sustainability, design and health. They aim to provide the qualitative highest products at an international level. They believe children should be taken seriously and deserve nothing but the best (Over ons, 2015).

D. GOALS

- To make daily live easier by providing the best baby care essentials.
- To be a sustainable baby care brand qualified for all skin types.
- To obtain significant market share internationally in the baby care industry.
- To obtain happy customers by providing great service and beautiful products (NAÏF, 2015).

E. PRODUCT

The current NAİF product range consists of seven main products; Nourishing Shampoo, Cleansing Wash gel, Softening Body Lotion, Diaper Cream, Nurturing Cream, Milky Bath Oil and Soothing Baby Oil (Fig. 1), four types of gift sets; the NAİF Travel Kit, Baby Starter Kit, Best 15 Minutes, Basics and lastly, the NAİF Swaddle Sun & Cloud (Fig.1). This results in a total product range of 12 different products. The seven main NAİF products are sold in the form of a white tube or bottle due to hygiene. Care products that are sold in jars more likely get infected by bacteria, as potential bacteria-carrying fingertips are used to open a jar and eventually use the product. NAİF makes use of a white clean color, as they want to give their products a professional and natural look. In order to distinguish each product, each tube and bottle has its own colorful pictorial. In addition, NAİF felt there was a lack on the baby care market regarding baby care products that people can give as a present (to new parents e.g.). Therefore, the decision was made to create several gift sets. The gift sets are made out of cardboard bags filled with several combinations of products. The Swaddle Sun & Cloud is a white swaddle with a continuously printed pattern of a blue cloud and a yellow sun (NAİF: Products, 2015).



Seven main products

NAİF Best 15 Minutes



NAİF Travel Kit



Fig. 1

Source: *Products*. (2015). Retrieved September 23, 2015, from NAİF baby care web site:
<http://NAİFcare.com/#products>

All NAÏF products are based on natural ingredients such as cottonseed oil, sweet almond oil, macadamia oil, avocado oil and bisabolol (chamomile). The products are dermatologically tested, hypoallergenic and pH-neutral. The ingredients NAÏF avoids are:

- Mineral Oil
 - Derived from Petroleum.
 - Forms a film on the skin, which can clog the skin pores and thereby block moisture and oxygen circulation of the skin.
- Sodium Laureth Sulfate (SLS / SLES)
 - Used in shampoos for its detergent and foam building.
 - It can cause irritation due to its aggressive efficiency.
- Chemical preservatives (Parabens / Phenoxyethanol)
 - Allergy stimulant.
 - Skin and eye irritant.
 - Environmental contaminant.
- Allergenic perfumes
 - Perfumes that are based out of at least one of the 26 most frequent used allergens.
 - Allergy stimulant (NAÏF: What we don't use, 2015).

F. PRICE

As described in Figure 2 below, the prices of the seven main NAÏF products are between €9.95 and €15.95 and the prices of the gift sets and Swaddle are between €14.95 and 59.95.

Product	Content	Price in EUR
Shampoo	200 ML	€9.95
Wash gel	200 ML	€9.95
Body Lotion	200 ML	€14.95
Diaper Cream	75 ML	€12.95
Baby Oil	100 ML	€15.95
Bath Oil	100 ML	€14.95
Nurturing Cream	75 ML	€14.95
Travel Kit	4 Samples (15ml), Imps & Elfs Wash Cloth	€14.95
The Best 15 Minutes	Wash gel, Body Lotion and Swaddle Sun & Cloud	€39.95
Baby Starter Kit	Body Lotion, Wash gel, Diaper Cream, Nurturing Cream, Bath Oil and Baby Oil	€59.95

The Basics	Body Lotion, Wash gel, Shampoo and Diaper Cream	€39.95
Swaddle Sun & Cloud		€17.95

Source: *Products*. (2015). Retrieved September 23, 2015, from NAÏF baby care web site: <http://NAÏFcare.com/#products>

Fig. 2

The NAÏF prices displayed in Figure 2, are based on the following four factors:

1. Competition
2. Quality / production
3. Distribution costs
4. Profit margin (value-added)

In order to set their prices, NAÏF has taken into account the prices of their direct competitors; brands such as Petit & Jolie, Sophie la Giraffe and Weleda. NAÏF is positioned on the same market as these brands. In addition, besides basing their prices on the competition, NAÏF also includes production costs in the price calculation. The NAÏF formula is based on natural / qualitative high ingredients that are more expensive than cheap-production ingredients. The use of these ingredients leads to a higher production price. Lastly, distribution costs also influence NAÏF's prices nationally and internationally. The larger the distribution chain, the higher the distribution costs (NAÏF, 2015).

G. PLACE

NAÏF started to sell their products first through their web shop and in the city of Amsterdam, as Amsterdam is considered a the pilot city for startup companies. According to Dutch newspaper "Het Parool", the inhabitants in Amsterdam are known as "early adaptors"; people who are the first to try new ideas, products etc. (Early adopters, 2015) (van Zoelen, 2015). From that point on, the company has obtained selling points in several Dutch cities, initiating from the largest cities to the smaller villages. As a result, NAÏF now has more than 200 selling points throughout The Netherlands. These selling points include department store The Bijenkorf, sustainable supermarket Marqt, Dutch clothing store Sissy Boy, pharmacies, children boutiques, beauty treatment salons (Soap Treatment Store among others), concept / lifestyle stores and their own web shop. As business is growing in The Netherlands, opportunities are seen to expand to other countries. NAÏF currently has selling points in The Netherlands, Spain, Ireland, Germany, Italy, Belgium, Hong Kong, Korea, China and The USA (Store Locator, 2015). The Netherlands, Spain, Hong Kong and The USA have their own distribution center, thus online purchases in those countries will be distributed from there. In addition, products purchased via the NAÏF web shop, can be delivered worldwide. Naturally export will be conducted by the nearest distribution center and a price addition will be applied regarding delivery / transport costs. (NAÏF, 2015)

H. PROMOTION

NAÏF uses several promotion methods. So far, one of them is social media: Facebook, Instagram, Twitter and LinkedIn. The social media content NAÏF shares is based on four criteria: relevant (informative) content, references to their other social media channels, partnerships / collaboration updates and. news updates regarding PR, new selling points and products. NAÏF' works together with several partners such as Boots Pharmacies, several Dutch hospitals: Bronovo, Jeroen Bosch and Medisch Centrum, sports organization Mom in Balance, dermatologist E. Brenninkmeijer and day care center Kindergarden. NAÏF currently has 16 partnerships (NAÏF: Partnerships, 2015). The daily use of NAÏF products on newborns in hospitals has great marketing and promotional influence on the target group (the mothers). In addition, NAÏF is also collaborating with a PR- agency from Amsterdam called Ganbaroo. This agency helps NAÏF get featured in magazines such as Vogue Magazine and The Fabulous Mama (NAÏF, 2015). Lastly, NAÏF further offers discount coupons, as together with every online placed order customers receive a coupon which offers them a €4 discount on future orders. Coupons are also provided to customers via partnerships, for example all Mom in Balance members get a 25% discount on their NAÏF online purchases.

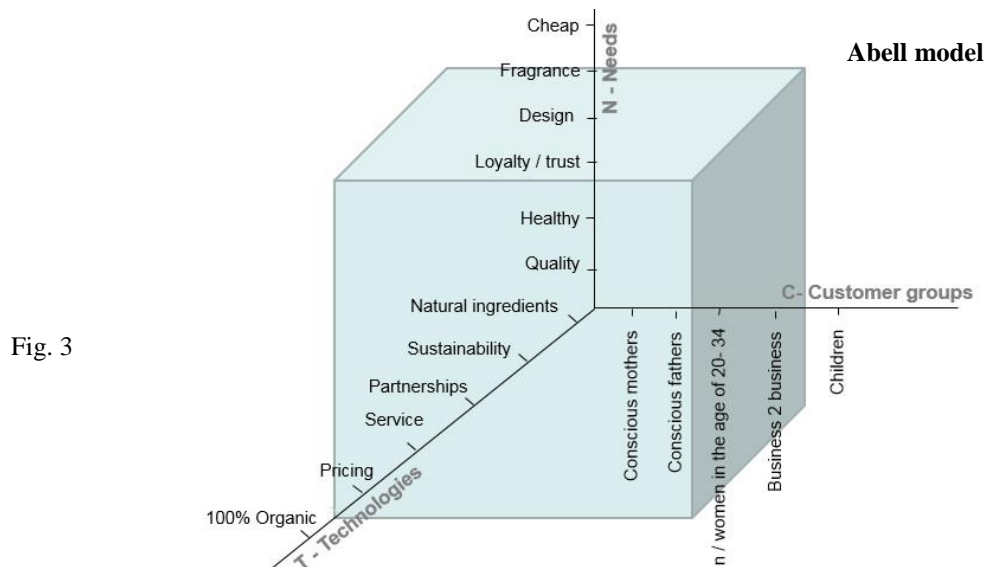
1.2 MARKET DESCRIPTION

A. POSITIONING AND SEGMENTATION

NAÏF products are positioned on the natural, sustainable and skin-friendly baby care market. NAÏF's core values are based on quality, authenticity, design and health. They aim to be a responsible baby care brand on economic, social and environmental level. Responsibility and the importance of quality is being emphasized by NAÏF by among others collaborating with a Swiss renowned laboratory who developed the NAÏF formula, dermatologist E. Brenninkmeijer who gives advice on how to take care of a baby's skin (Tips from our dermatologist, 2015) and several hospitals and pharmacies. These collaborations highlight NAÏF's quality and professionalism and help attract the right target audience which consists of modern / conscious parents. Due to the use of natural, high quality ingredients, NAÏF's prices are slightly higher than the average prices for baby care products. Therefore NAÏF represents itself as a high-end brand; a brand which is slightly higher in price and provides quality / exclusivity (NAÏF, 2015).

As their market position is based on sustainability, quality and design, NAÏF's target group is composed out of modern and conscious parents or parents-to-be (mothers in particular) aged 24–38 of high / middle income. In addition, this target group does not cover their whole target audience. The rest of NAÏF's target group are women (in particular) and men aged 20–40 who buy the products as a gift for new parents and men and women aged 20–40 who use the products for themselves.

The described customer groups, needs and technologies are displayed below in the Abell model (Fig. 3). The Abell model gives a dimensional overview of NAÏF's current business scope and helps to describe the business NAÏF's in.



Source: Veldman, H. (2012). *Zo maak je een exportplan*. The Hague: Noordhoff Uitgevers bv. Retrieved September 23, 2015

1.3 ORGANIZATION DESCRIPTION

A. THE TEAM

The NAÏF team consists of three individuals: Mr. Trompetter, Mr. Hes and Ms. Seelen. Mr. Trompetter and Mr. Hes are the founders of the company; thus the Chief Executive Officers (CEO's). Mr. Hes and Mr. Trompetter are both responsible for sales and new (international) partnerships. Mr. Trompetter is the financial manager of the company who is responsible for the financial administration and stays up to date on sales and marketing statistics. Furthermore, he is responsible for all invoices and payments. Founder Mr. Hes, mainly focuses on partnerships and sales. Sales are done through telephone, Internet (skype / mail), trade fairs and business meetings. He is also responsible for drawing up invoices for the NAÏF retailers. Niki joined the company shortly after the company started and focuses mostly on (online) marketing campaigns and partnerships as well as collaborations. In addition, Niki is also responsible for (international) sales and distribution. She makes sure all online purchases are sent in right order and that there is sufficient stock. The organizational structure of NAÏF is displayed in Figure 4 (NAÏF, 2015).

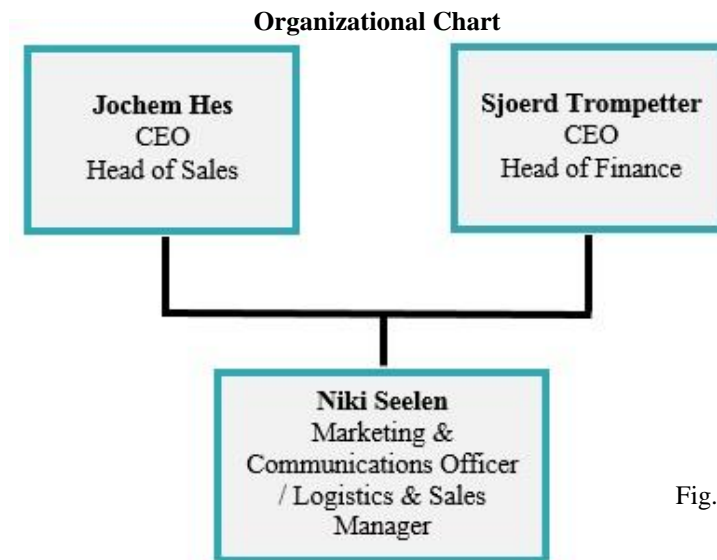


Fig. 4

Source: NAïF. (2015). *NAïF Quality Baby Care Report*. The Hague. Retrieved September 23, 2015

B. THE DISTRIBUTION STRUCTURE

NAïF's web shop allows customers to buy their products directly from the distribution center in The Hague, namely NAïF's head office. When ordered before 14:00, the order will be sent that same day and delivered the following day. If the stock is low at the distribution center in The Hague, a restock order will be placed at the distribution center in Amsterdam, and new products will be delivered. Businesses to business (retail) clients receive their restock products directly from the distribution center in The Hague. Yet, large orders; thus large business-to-business clients receive their restock directly from the distribution center in Amsterdam. In addition, the distribution centers in Hong Kong, The United States, and Spain also receive their restock directly from the distribution center in Amsterdam. When arrived at these international distribution centers, stock will be divided into business-to-business orders and orders placed via the NAïF web shop, similar to the stock in The Netherlands (NAïF, 2015). Overall, the NAïF distribution process is divided in six parts:

1. From the NAïF distribution center (office) to online consumers
2. From the NAïF distribution center (office) to business-to-business clients
3. From the distribution center in Amsterdam (Tigers) to business-to-business clients (retail)
4. From the distribution center in Amsterdam (Tigers) to international distribution centers
5. From international distribution centers to business-to-business clients (retail)
6. From international distribution centers to online consumers

Figure 5 below provides a clear overview of NAÏF's distribution process.

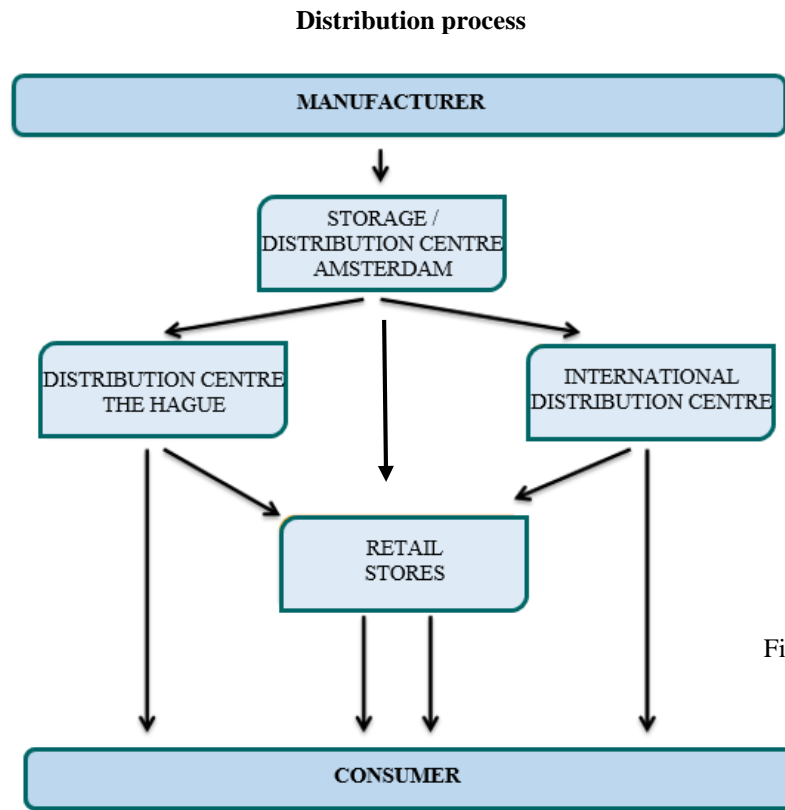


Fig. 5

Source: NAÏF. (2015). *NAÏF Quality Baby Care Report*. The Hague. Retrieved September 23, 2015

1.3 STRENGTHS AND WEAKNESSES

NAÏF's strengths and weaknesses are based on the following six areas: innovation, production, management and organization, financial capacity and market position.

A. INNOVATION

All NAÏF products are based on a mild formula composed of natural ingredients. The creation of this special formula implies innovation and emphasizes sustainability. A renowned innovative Swiss lab was used in order to formulate the special NAÏF formula. In addition, competitors in the same sustainable baby care market do not exactly use the same formula as NAÏF. This indicated that NAÏF's products differentiate from its competitors. Nevertheless, the cosmetic industry does not work with patents; therefore the competitors' formula can always be composed of similar ingredients. However, the competitors will most likely not produce the exact same product. Furthermore, not only does the formula differentiate and innovate NAÏF from its competitors, their packaging, personalized service, fragrance and design contributes to their competitive advantage.

B. MANAGEMENT AND ORGANIZATION

The NAÏF team holds both strengths and weaknesses. The team is composed of three young, driven entrepreneurs. A small team can occasionally mean lack of manpower. For example, NAÏF is not able to attend every important fair focused on the baby care market, due to their small-scale team, which can be seen as a weakness. Moreover, a team composed of three people implies inefficient task division, which can lead to an unmanageable workload.

However, the NAÏF team is composed of skilled, professional young entrepreneurs. Both of the founders have obtained experience and knowledge during their employment at multinationals such as Google and Unilever. Furthermore NAÏF works with a professional logistic planner and marketing and communications officer who is in charge for marketing, sales and distribution. Be that as it may, NAÏF works together with professional and skilled interns. Additionally, the team is already collaborating internationally and has established trustworthy partnerships with among others, their international distributors and partners such as dermatologist E. Brenninkmeijer who increases their credibility. Lastly, experience, professionalism and expertise are of great value for NAÏF and therefore are seen as part of the company's strengths.

C. FINANCIAL CAPACITY

NAÏF is a startup company; therefore their financial capacity is limited. Investments are strongly selected and held to a minimum. In order to grow as a startup company, it is essential to manage funds as smart and strategic as possible. The limited financial capacity can influence growth and export; and is thus considered as one of NAÏF weaknesses.

D. MARKETING AND MARKET POSITION

NAÏF makes use of several marketing tools. Firstly, they make use of modern marketing tools: the online media channels such as Facebook, Instagram, Twitter and LinkedIn. Through Facebook, NAÏF carries out monthly campaigns, which can be collaborations with other companies (product giveaways). Furthermore, their partnerships are extremely important marketing tools as they emphasize professionalism, quality and trust. They work together with hospitals, daycare centers, pharmacies and high-end department stores among others. Finally, their PR agency assures NAÏF receives sufficient attention in parent-oriented magazines. Figure 48. displayed in the Export Marketing Mix shows NAÏF's online marketing instruments create positive outcomes.

E. PRODUCT AND PRODUCTION IN THE INTERNATIONAL MARKET

The strengths of the NAÏF products lie on their quality. The ingredients used are natural-based and carefully chosen. Their creams get easily absorbed by the skin easily and leave the skin well moisturized. Parents who have children with a delicate skin mainly purchase the products. They have been specially developed to prevent allergic reactions and soothe the skin. Hence, NAÏF makes use of an allergen-free perfume, which gives the product a soft fragrance without risking the chance for an allergic reaction. However, NAÏF cannot carry an organic label, as organic means 100% natural and the fragrance used is synthetic. The packaging is very clean and fresh, yet still clearly directed at children due to the different colorful pictorials used for each product. Their design is consistent and promotes sustainability as their gift sets are made out of cardboard.

Furthermore, NAÏF strives to establish partnerships with other sustainable brands. Sustainability and organic, natural lifestyles are continually getting encouraged internationally. It is therefore strength to base a brand on sustainability and natural production. Moreover, the natural-based baby care brands find themselves in a very young and innovative market. Therefore, there is sufficient space for (international) growth and development. In addition, another advantage regarding skin care products in general, is that they are generally used on a frequent or daily basis. Hence, the products are quickly consumed in which customers will have to purchase new products, resulting in a routine purchase. Seeing as the products are relatively cheap, it is also a low-risk and low-involvement purchase. Naturally, this low-involvement comes with a disadvantage: the ability for the customers to easily switch to another brand whenever they are not satisfied with the product.

NAÏF's manufacturer is located in Amsterdam. Their cost structure can be considered well organized and clear. However, as their manufacturer produces in high volume, high costs are involved. This makes it financially difficult for NAÏF to adapt the packaging of their products. Product packaging can be interpreted differently per country and sometimes it can be a reason to decline a business proposal. For example, the use of certain colors on packaging as well as product sizes can be interpreted differently per country. Needless to say, NAÏF has to take into account cultural differences when positioning their products in the international market. Thus, the incapacity of easily adapting the packaging can be considered as one of NAÏF's weaknesses (NAÏF, 2015).

An overview of the strengths and weaknesses are described in Figure 6.

Strengths and Weaknesses Analysis

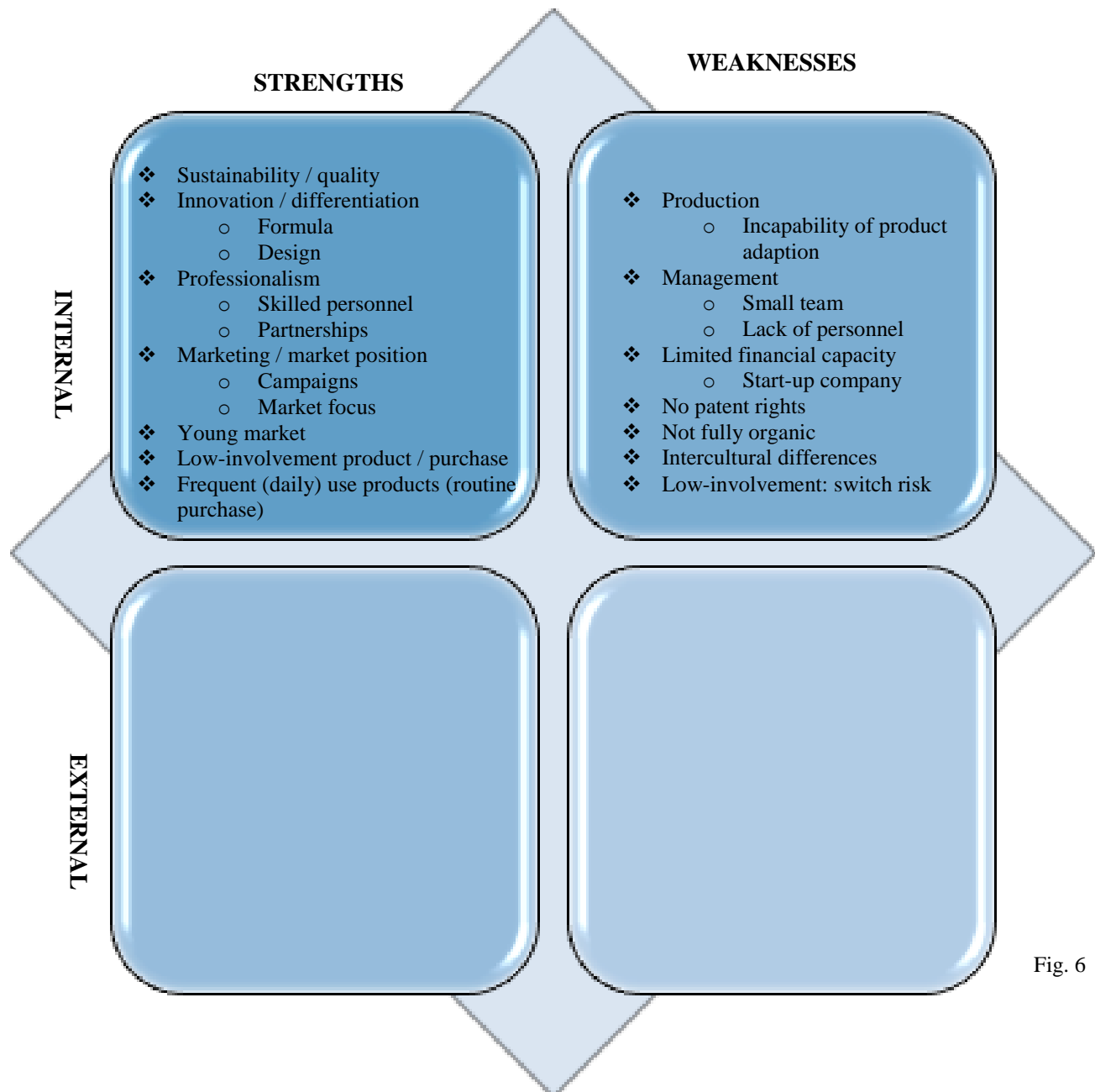


Fig. 6

2. EXTERNAL ANALYSIS

This external analysis is based upon six sections:

1. On the basis of a DESTEP analysis, the selection regarding the chosen country of export will be clarified in the first section. The analysis will connect the country of export's characteristics regarding, among others, culture, economy and technology with the export of NAÏF.
2. In the second section, the results of the questionnaire, which was filled out by 115 respondents, will be presented. The results will indicate whether or not the actual target audience of NAÏF will be the same for Mexico and most importantly, whether there is significant demand for NAÏF products at all.
3. On the basis of the five forces of porter, the country of export's cosmetic industry will be analyzed in the third section. The results will measure the threat of entering the market.
4. Section four is focused on NAÏF's competitors in the country of export. In this section, the competitors are measured on price, design and quality level.
5. A distribution analysis will be provided in the fifth section, describing the most efficient distributional process for NAÏF regarding the Mexican market.

Based on all the analyzed sections, the external opportunities and threats will be described and presented together with NAÏF's strengths and weaknesses in a SWOT matrix.

2.1 COUNTRY SELECTION & DESTEP ANALYSIS

A. COUNTRY SELECTION

Mexico is an interesting new market for NAÏF due to their growth on economic level (Gómez, 2015), competitive advantages regarding foreign investment (Competitive Advantages, 2014) and ecological factors; the emerging natural and organic market. According to the Mexican financial news website Dinero en imagen, there is a demand on the Mexican baby care market when it comes to a new European brand which emphasizes the importance of natural and skin-friendly baby care products (Espinosa, 2013). Naturally, it is essential to know in which Mexican city NAÏF will be easily accepted. In the Netherlands, NAÏF started to first sell their first in the city of Amsterdam. The inhabitants of Amsterdam are known as "early adaptors"; people who are the first to try new ideas and products (StartupAmsterdam, 2016). The same applies in Mexico regarding their capital city: Mexico City. Mexico City is the country's largest urban center, as well as the main academic, economic, financial, and business center (Salazar, n.d.). The growth of the city is one of the fastest globally with its economy

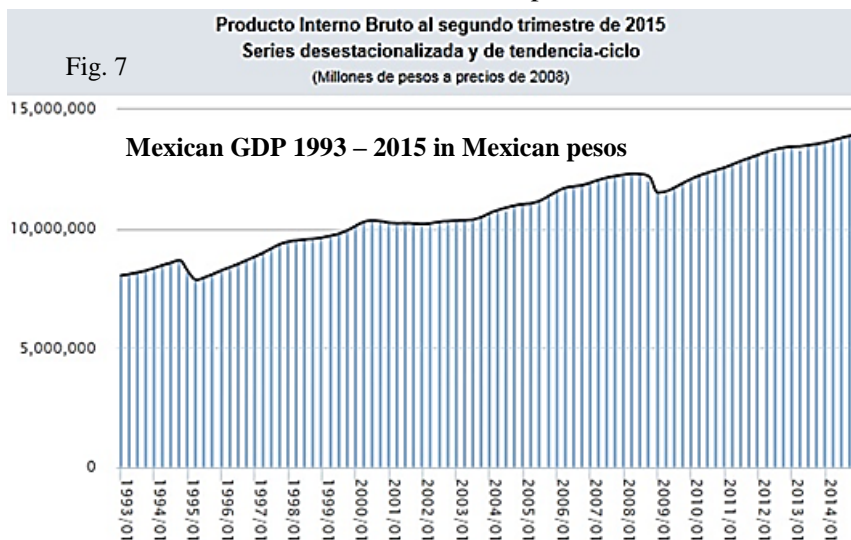
expected to triple by 2020. Lastly, the population of the capital is around 8.8 million (ProMexico, 2015). Overall, Mexico City is an appropriate and fitting city to start as a foreign startup company.

B. DEMOGRAPHY

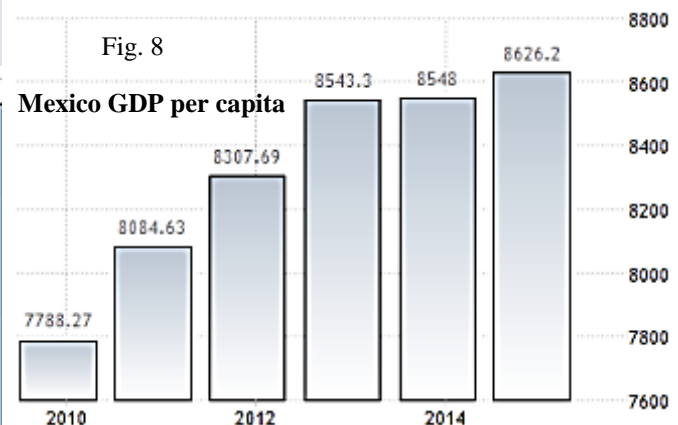
Mexico is a Spanish speaking federal republic located in North America and basically the gateway country between The United States and Middle and South America. Regarding the Spanish language, NAÏF already has a Spanish product description on their products. Furthermore, NAÏF is also interested in entering other Latin-American markets and can therefore use Mexico's geographical location for this purpose. Mexico is surrounded by (international) waters, which allows NAÏF to directly ship their products to the port of Veracruz. Generally speaking, Mexico has a population of 121,005,815 people following an increase of 1,292,612 inhabitants compared to 2014, which further indicates a growth in potential customers for NAÏF (Republica Mexicana, 2015). In 2014, 40.4% of the population was composed of men and women between the age of 25-54 with a median age of 27.3 years (World o Meters Web site, 2014). As the majority of NAÏF's segment is based on men and women between the age of 20 – 40, it is essential to take into account that almost half of the Mexican population is part of their target audience in terms of age. In addition, 21% of the men and women between the age 25-54, are women and especially women are the solid base for NAÏF's target audience (Mexico Profiel Demografie 2014, 2015).

C. ECONOMY

The growing Mexican economy is one of the most essential indicators, which will help decide whether the exportation of NAÏF will be a potential success in Mexico, as it among others reflects the purchasing power of the potential customers in Mexico. The Mexican economy is growing and becoming more stable (Taborda, 2014). As displayed in Figure 7, the Mexican GDP in 2015's second quarter amounts to 14,035,823 million Mexican pesos. The GDP has increased 307.447 million Mexican pesos compared



Source: *Producto Interno Bruto (PIB) - Trimestral*. (2015). Retrieved October 18, 2015, from INEGI Web site: <http://goo.gl/Sf3n9Z>



Source: *Mexico GDP per capita*. (2015). Retrieved October 21, 2015, from Trading Economics Web site: <http://goo.gl/v7dLD>

to 2014's second quarter, and with 690.854 compared to 2013's second quarter (Producto Interno Bruto (PIB) - Trimestral, 2015). Yet in order to truly analyze the Mexican purchase power, an overview of the GDP per head is also needed. As shown in Figure 8, in 2014, Mexico's GDP per head amounted 8626.20 US dollars, which is the highest the Mexican GDP per head has ever been between the year 1960 and 2014. It is evident that the Mexican GDP per head has also increased throughout the years, especially when comparing 2010 with 2014 (Mexico GDP per capita, 2015). Clearly, the Mexican GDP growth is of great importance for NAÏF's success, as it determines whether the company is investing in a country where they will return their investment costs by profits and investors among others. However, extreme economic division has to be taken into account when referring to Mexico's GDP rates regarding the country's division between the low, middle and high economic class. The extremely rich population as well as the direct and foreign investors are mainly responsible for Mexico's GDP growth and stability. It is essential to know that more than half of Mexico's population is poor, thus, foreign investors and companies (such as NAÏF) have to include that regarding their market entering strategies (Krozer, 2014).

D. SOCIAL AND CULTURAL

Mexico's birth rate has decreased in recent years: it decreased from 23.1 births per thousand inhabitants in 2000 to 18.87 births per thousand inhabitants in 2012. This influences the expenditure capacity per child in Mexican households. Therefore, it is expected that the consumption and acquirement of baby and children care products will increase, and household will consider purchasing higher priced products more easily (Mogena, 2013). Furthermore, the majority of the Mexicans are catholic (Características culturales de la población, 2011) and have a culture that has a more reserved ideology when it comes to the role of men and women in a family household among others. The average married Mexican woman takes care of the children and the average Mexican man is responsible for the financial family income (Pedrero, 2010). Therefore, NAÏF's segment will mainly be based on women. Furthermore, Mexicans tend to overvalue European brands over their own national and even continental brands. The potential Mexican customer will perceive NAÏF as a luxury and as a more professional and trustworthy brand due to its European descent (Mendoza, 2013). For NAÏF this is a great advantage, as according to founder of Dutch baby brand BabyNella —Annette van der Leij — Mexicans aim to radiate wealth and high social status (Appendix: Email 1.) When it comes to personal hygiene, for a non-educated Mexican citizen, a European natural-based personal care brand will sound as an impossible and unnecessary purchase due to lack of education and financial resources. According to the Organization for Economic Co-operation and Development, Mexico is the third country in the world with the highest rate of uneducated young adults. This means NAÏF's potential customers are based on the small, educated part of the Mexican population with a middle or high income.

E. TECHNOLOGY

Due to the lack of national technological resources and production, Mexico is a country does not have a leading position worldwide with respect to technology. According to the president of the Mexican Academy of Sciences, Menchaca-Rocha, in 2011 Mexico bought 94% of its technology. Therefore, the country depends on imported technology (Rosen, 2011). However, Mexico's deprived technology does not influence NAÏF, as the company solely works with a Dutch manufacturer. NAÏF is not considering collaborating with international manufacturers, thus, are not dependent on Mexico's technological skills (NAÏF, 2015). The lack of technological resources and skills in Mexico can have a positive outcome for NAÏF regarding local competitors, as they might not have the same technological access regarding product development (e.g., ingredients) as NAÏF. Furthermore, for NAÏF it is also important to take into account Mexico's ICT growth and development, regarding NAÏF's marketing and promotional activities. According to the Mexican National Institute of Statistics and Geography INEGI, 30.7% of Mexican households have Internet (Indicadores sobre sociedad de la información, 2011 a 2013, 2014). Due to the increase of Internet users in Mexico, the majority of Mexican companies have focused their marketing and promotional activities on online media.

F. ECOLOGICAL TECHNOLOGY

Despite Mexico's deprived technology, many Mexican companies have adapted to being a social responsible business. According to Elizalde Martha Duran, coordinator at the Social Responsibility faculty of the Mexican Anahuac University, in 2001 only eight Mexican companies were "Socially Responsible". In 2014 this number went up to 933 (Pineda, 2015). This new entrepreneurship is part of the ecological technology development. This emerging culture on social responsibility indicates there is a demand for social responsible products (eco-friendly and natural baby care products e.g.) As a result, the organic market in Mexico has increased. This year a great event was organised in Mexico City called the EcoFest: Festival Verde. This event included a broad personal care area represented by eco-friendly and natural brand. (EcoFest, 2015). Hence, Ecofest is an event of great value for NAÏF.

G. POLITICS

The United Mexican States is a democratic, federal and secular nation, whose government is based on a presidential system. In 2012, Enrique Peña Nieto became Mexico's president. Together with the mid-left Institutional Revolutionary Party, he governs Mexico until 2018. Democracy, social justice, economic and sustainable development are the key values for the Institutional Revolutionary Party (AleFers, 2013). In January 2015, President Enrique Pena Nieto announced to encourage startup companies, by providing them financial help and reduce electrical rates (Forbes, 2015). For NAÏF, this

economic investment implies economic growth and perhaps an increase in competitors, which stimulates competition. Furthermore, the reduction of electrical rates indicate low electrical costs for potential NAİF retailers, which implies a growth in purchase power. Even though, the political institutions and system are well organized and structured, Mexico's political situation is very unstable, mainly due to corruption and violence. According to the World Bank's World Governance Indicator, the perception of Mexicans regarding political instability has deteriorated in the last five years. Mexico has been valued on six governmental indicators whereby a score of 100 points represents a stable government and 0, the contrary. As displayed below in Figure 9, Mexico obtained 22.75 points regarding political stability — a low score. Mexico's political instability is among others a result of corruption and the drug trafficking culture. For NAİF, it is essential to also take into account Mexico's political instability and unsafety regarding corruption, drug-problems and criminality. (Cossio, 2010)



Global governmental quality indicators

Fig.9

Source: Morales, Y. (2014, November 6). *México, reprobado en gobernabilidad: BM*. Retrieved October 30, 2015, from EIEconomista.com Web site: <http://eleconomista.com.mx/finanzas-publicas/2014/11/06/mexico-reprobado-gobernabilidad-bm>

Based on this DESTEP analysis, several opportunities and threats are identified. The most prominent opportunities are based on the following: Mexico's great population that is part of NAİF's segment in terms of age, Mexico being a gateway to Latin America, the growing Mexican economy and emerging eco-friendly culture, and the overvaluation of European brands. NAİF has to take into account the eventually small remaining target audience due to financial, educational and cultural aspects. Furthermore, due to political instability and corruption, NAİF can experience theft during the export process for instance.

2.2 CUSTOMER ANALYSIS

The main potential Mexican customers for NAÏF Mexico, as described in the internal analysis, are modern and conscious parents (mothers in particular) aged 24–38 with a middle or high income. In addition, this target group does not cover the whole target audience. The rest of NAÏF's target audience consists of women (in particular) and men aged 20–40, who buy the products as a gift for (new) parents. Lastly, their target audience also includes men and women aged 20–40, who use the products for themselves. This target audience mostly consists of people with sensitive skin.

In order to optimally analyze the Mexican target audience, an online questionnaire was produced. The results of the questionnaire will provide insight regarding the Mexican target audience's needs, wants and buying profile. The questionnaire was filled out by two target groups: parents of young children and (young) adults without children. Therefore, the questionnaire has been split up into two parts. One part is focused only on parents, and the other part is focused on the rest of the target audience. This division starts at question four and ends at question 11 where both target groups come together. Overall, 115 Mexican men and women have responded to the questionnaire. All answers are presented in the Appendix: Excel 3.

A. PARENTS

Question four of the questionnaire asks: *"Do you have young (age 0–10) children?"* –yes, –no. As displayed in Figure 10 below, 46.1% of the respondents have young children and 53.9% does not.

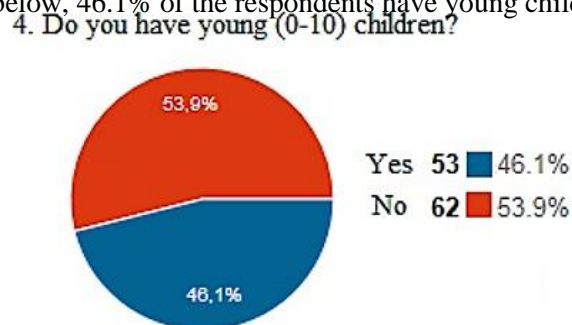


Fig.10

Out of the 53 parents, 42 (79%) of them are mothers. The questionnaire was directed to both men and women with children. However, it is apparent that the subjects of the questionnaire attracts more women than men: a result that actually confirms that NAÏF's main target group is based on mothers. The age of the parents vary from 20–40. However, as shown in Figure 11, a majority of the parents (45%) that filled out the questionnaire are between 31–35 years old. The second largest group are parents between the age of 20–25. In Mexico it is more likely to consciously get children at a young age (around 20–25). The assumption is made that this has partly to do with the catholic culture. The average age for marriage in Mexico is lower than in The Netherlands. The average age women give birth in Mexico is 21.3 years. In

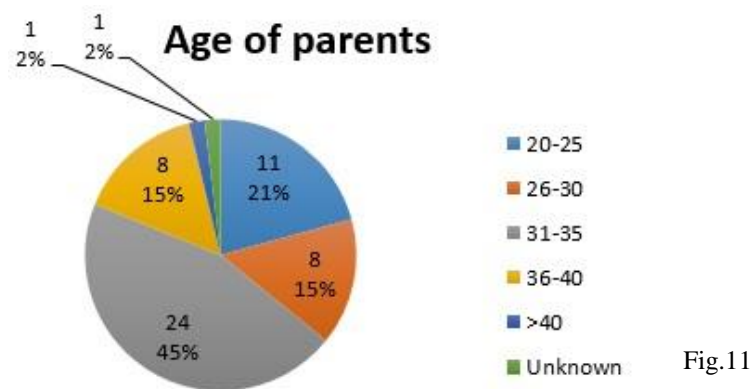


Fig.11

The Netherlands the age is 28.9 (People > Mother's mean age at first birth: Countries Compared, 2003-2015). Thus, a great part of NAÏF's target group within Mexico will be composed of younger parents than in the Netherlands.

For NAÏF it is essential to know what their product strengths are with respect to their target audience. Therefore, it is vital to know what the potential Mexican costumer finds enticing in a baby care brand. This is one of the questions asked on the questionnaire, whereby various answers were possible. According to figure 83.3% of the parents find quality the most important attribute in a baby care brand. This is followed by 51.9% of parents finding the use of natural and organic ingredients important in baby care products. NAÏF's lays great focus on these two aspects. Thus it is visible that there is a demand for baby care brands like NAÏF on the Mexican market. The least voted aspects regarding baby care brands result to be design and "other, namely". "Other, namely", has been filled out by two parents who get attracted by baby care products that are recommended by dermatologists and are allergen free.

7. Which are the aspects that attract you of a baby care brand (you can choose various)

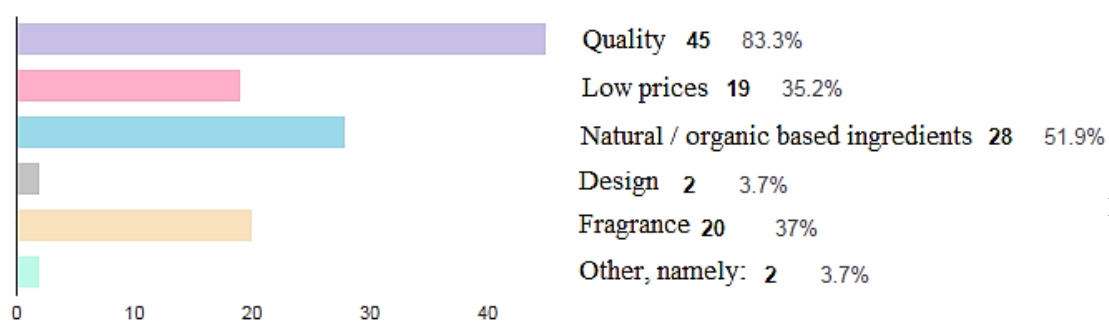


Fig.12

There is, however, a correlation between the 19 parents that indicated to be attracted by low-pricing regarding baby care products and the will of purchasing higher priced baby care products; as solely two of the 19 parents responded "yes" on the following question: *"Would you pay €9.95 for a specially developed, allergen free, pH-neutral, naturally-based and soft-fragranced baby shampoo 200ml"*

produced in a Swiss lab?” In addition, 36% of all interviewed parents are willing to buy the baby shampoo, 40% will maybe buy it and 24% will not buy it. (Fig. 13)

9. *Would you pay €9.95 for a specially developed (...) baby shampoo?*

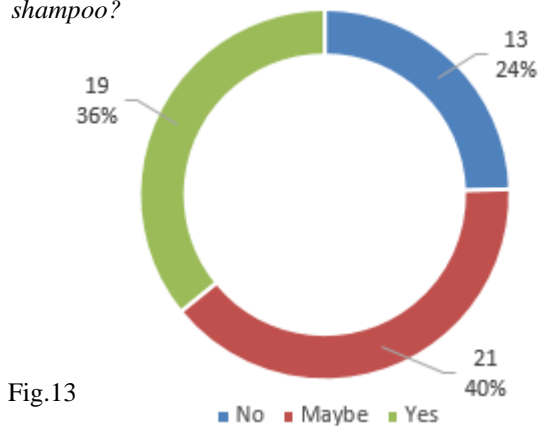


Fig.13

Correlation between the 19 parents who are willing to pay €9.95 and the price they are currently paying for a baby shampoo

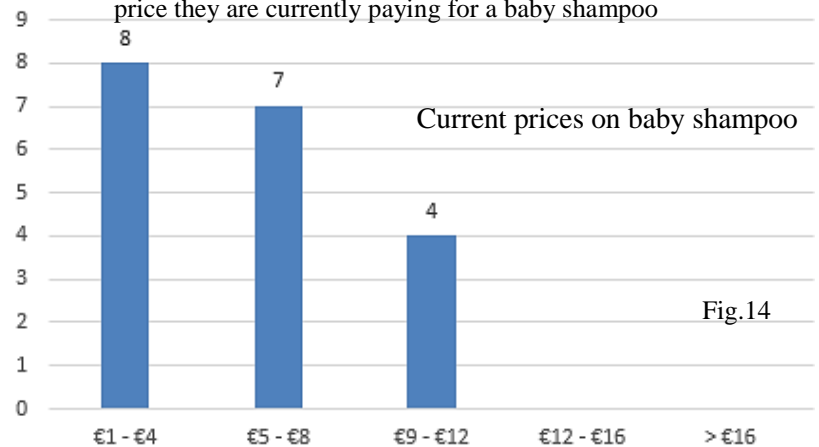


Fig.14

Another significant correlation emerged between the 19 parents who are willing to spend €9.95 on a specially developed baby shampoo and the price they currently pay for a baby shampoo (Fig. 14). 15 Of the 19 parents (79%) are currently buying a lower-priced shampoo than NAÏF's. However, they are willing to spend more in order to obtain a qualitative higher baby shampoo. In addition, all 13 parents, who indicated that they are not willing to pay €9.95, (Fig. 13) are currently not paying more than €8 on a baby shampoo. On the whole, more parents are willing and considering buying NAÏF than the contrary.

The 40 parents who responded that they are willing (19) and maybe willing (21) to pay €9.95 for a specially developed baby shampoo also had to respond where they would like to buy it. As might be expected, the results of this question will be crucial for NAÏF regarding their future selling points in Mexico. Figure 15 below shows what selling points the interviewed parents find attractive.

10. *Where would you like to buy this specially developed baby shampoo?*

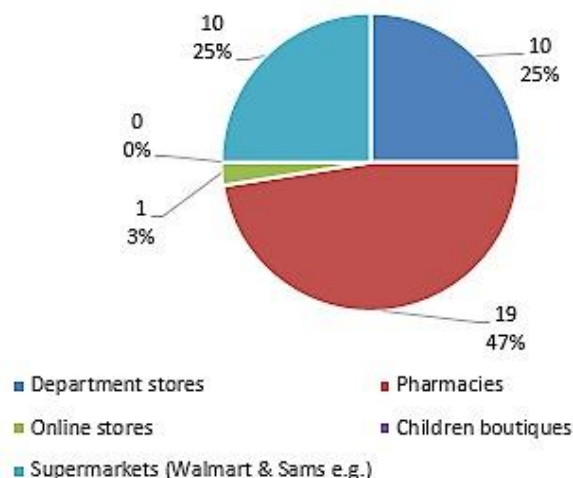


Fig.15

According to Figure 15, the best place to sell NAÏF's products is at pharmacies. Department stores such as Sears & Liverpool, and supermarkets such as Wal-Mart & Sam's are the second most attractive selling points. The least attractive selling points are online stores and children boutiques. In the Netherlands, NAÏF does not sell their products to standard supermarkets comparable to Sam's and Wal-Mart, as NAÏF believes their products should only be available at high-end, concept stores as well as sustainable supermarkets.

Furthermore, it is very important to find out which brands the interviewed parents are currently using. Figure 16 gives an overview of the current used brands by the respondents, mentioning various brands. The French brand Mustela results to be the most used baby care brand among the interviewed parents. Mustela is a brand that sells specially developed (dermatologically-tested e.g.) baby care products based on qualitative high ingredients (Ingredients and Naturalness, n.d.). Therefore Mustela is certainly a direct competitor for NAÏF on the Mexican market. The second most-wanted baby care brand, among the respondents, is the American brand Johnsons Baby. These two brands will be, among others, further discussed in the competitor analysis on page 35. In addition, 13 (marked in green) of the 26 mentioned brands are baby care brands based on mild and qualitative production. These brands have been chosen 46 times, while the rest only have been chosen 17 times. This concludes that there is more demand for

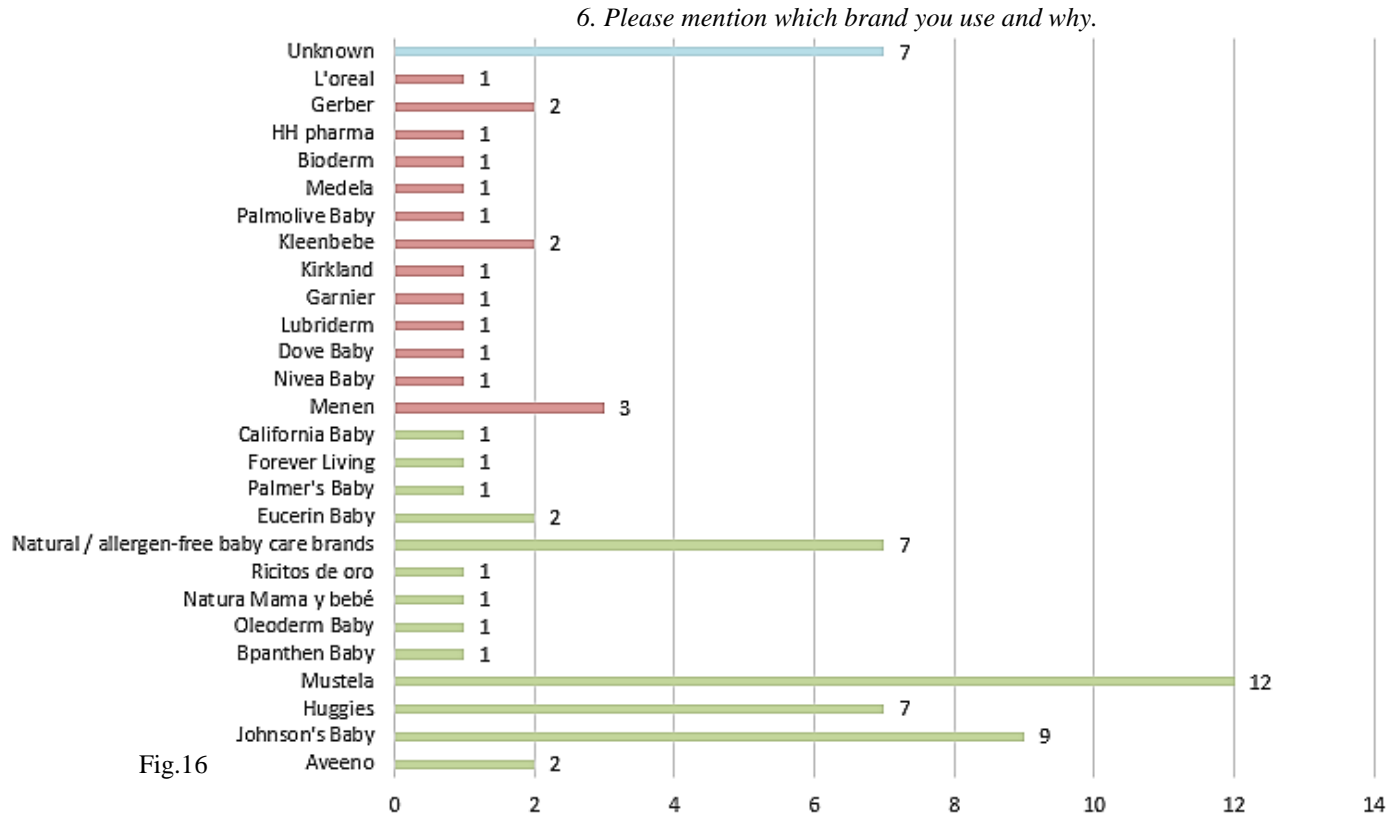
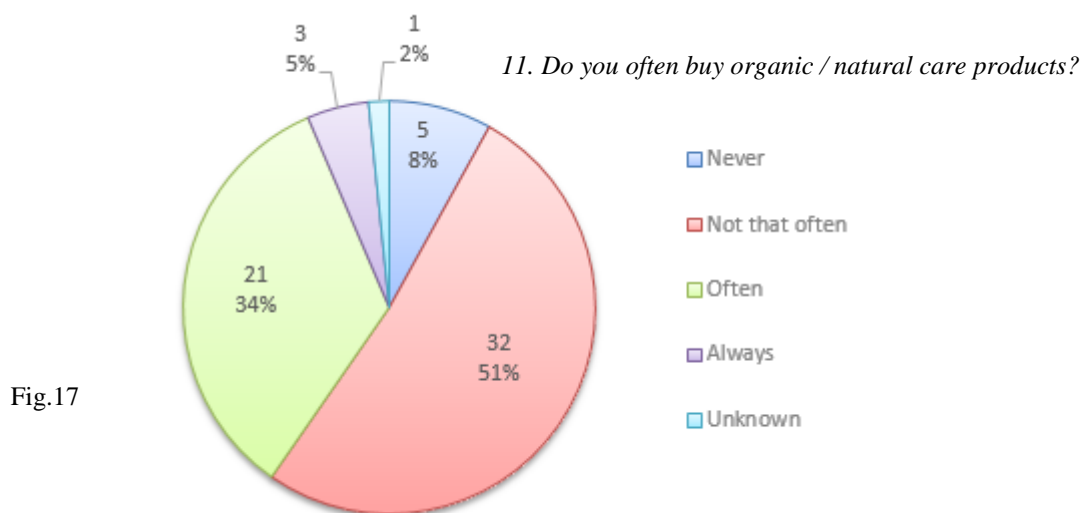


Fig.16

natural and organic based baby care products. The less qualitative high brands are mostly marketed for adults (L'Oréal, Lubriderm e.g.) and they are not based on qualitative high ingredients.

B. ADULTS WITHOUT CHILDREN

The next part of the questionnaire is focused on the results of the remaining NAÏF target audience, which is composed of women (in particular) and men aged 20–40 who buy the products as a gift for (new) parents. A small part further includes men and women aged 20–40 who use the products for themselves. As displayed in Figure 10, this group is based on 62 respondents. Figure 17 displays the target group's frequency of acquiring organic products in general.



The majority of the respondents answered “not that often”, which means they occasionally purchase organic and natural products. Moreover, 34% of the respondents indicated to buy them on a frequent basis, and 8% on a daily basis. The minority indicated not to buy them at all. The demand for organic products on the Mexican market has increased as recently, events on large scale such as EcoFest are being organized. The results on Figure 17 confirms there is a demand for organic and natural products. For NAÏF, it is important to know that not only is their core target audience interested in organic and natural products, but their indirect target audience as well.

In addition, the two out of five men and women that indicated they never purchased organic or natural based products, explained their answer: both are not informed about the benefits of organic and natural products.

NAÏF's products are specially developed for children with a sensitive skin, yet also adults can also make use of the products. There, a correlation emerged between the questions: “Do you have a sensitive skin?”

and “Would you pay €14.95 for a specially developed, allergen free, pH-neutral and naturally-based body lotion 200ml?” As displayed in Figure 18, the majority of the respondents have a sensitive skin. Together with the respondents that indicated to “*sometimes have a sensitive skin*”, a total of 40 women and men have a (potential) sensitive skin. Of the 26 respondents that indicated to have a sensitive skin, the majority has interest in buying a specially developed (...) body lotion, as shown on Figure 19. Only six people indicated not to be willing to purchase the body lotion. The results of this correlation show that also the indirect target audience, truly are interested in qualitative high care products and are willing to purchase them.

13. Do you have a sensitive skin?

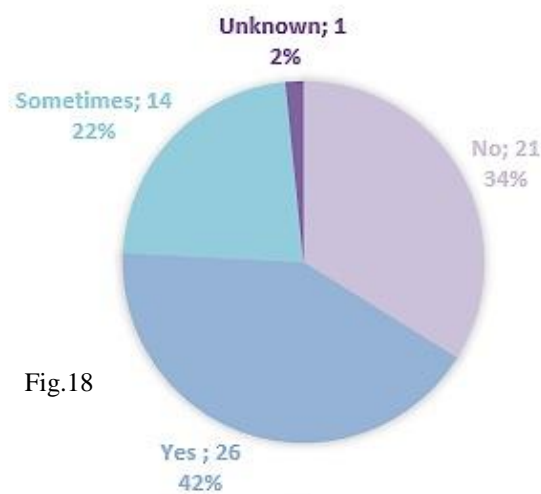


Fig.18

Correlation between 26 women and men with a sensitive skin and their will of purchasing a specially developed (...) body lotion.

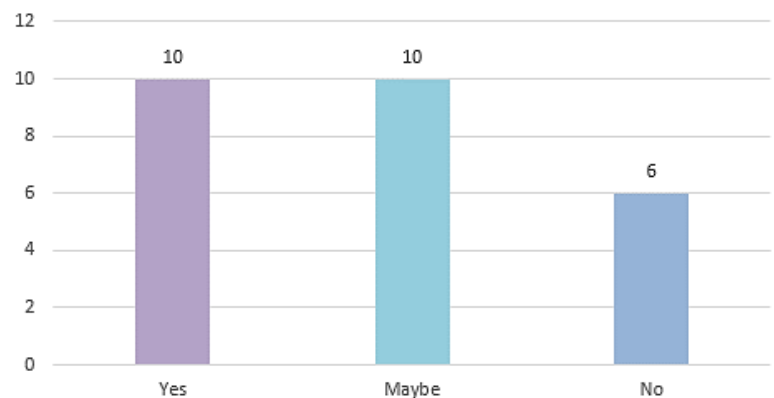
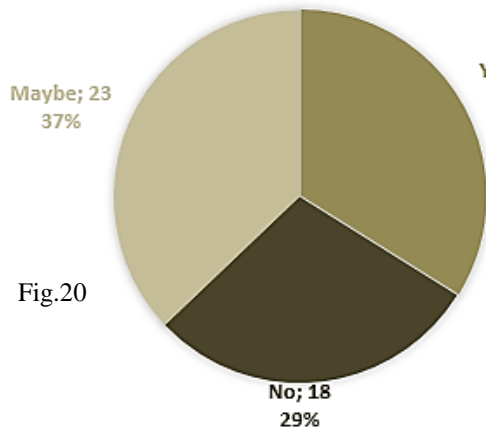


Fig.19

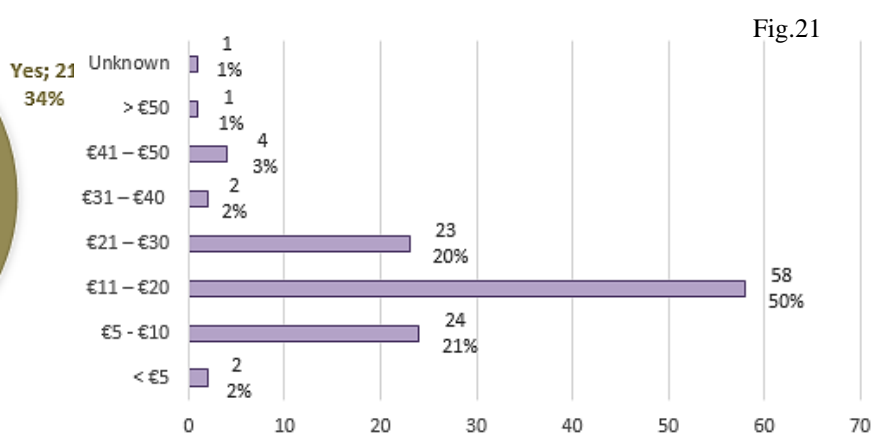
Figure 20 below displays the results regarding the indirect target audience's will to buy a specially developed (...) Body Lotion. The results show that 34% of the indirect target audience is willing to try a different specially developed personal care brand, 37% will maybe try it and 29% will not.

As discussed in the internal analysis, NAÏF also tries to focus their marketing on buying NAÏF as a gift for (new) parents. For this question, all 115 respondents are part of the target audience, as parents can also buy gifts for other (new) parents. The NAÏF gift sets have a price range between €14.95 and €59.95. The question “How much would you spend on a gift-set to new parents close to you?” will indicate the average price NAÏF's Mexican target audience would like to pay for a gift to (new) parents. Half of the 115 respondents indicated they would rather spend between €11 and €20 on a gift set. 21% Would like to spend between €5 and €10, and 20% indicated they would rather spend between €21 and €30 for a gift set. All-in all, based on the results displayed in Figure 21, the potential Mexican customer is probably not willing to pay the current prices for the NAÏF gift sets.

16. Would you pay €14.95 for a specially developed, allergen free, pH-neutral and natural-based body lotion 200ml?

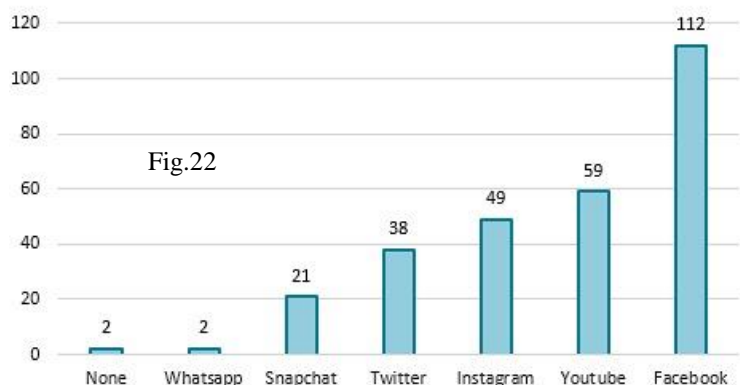


18. How much would you spent on a gift-set for (new) parents close to you?

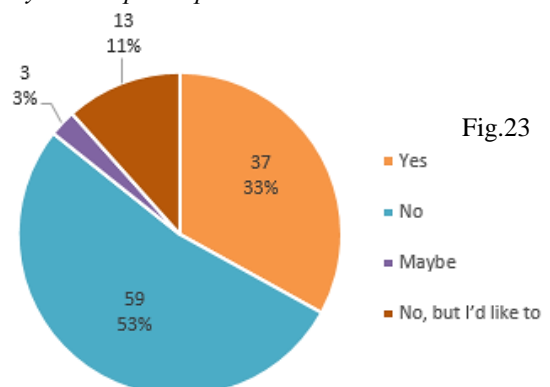


Towards the end of the questionnaire, the target audience comes together to respond to the last questions regarding marketing and promotion. It is essential to find out what marketing and promotional activities are the most effective and successful regarding the Mexican market. NAÏF is currently using several social media channels regarding marketing. Thus, it is extremely important to indicate whether social media is as popular and effective in Mexico as it is in, for example, The Netherlands. In addition, Facebook has received the most votes on the question “What social media channel(s) do you use”? (You can choose various), as 112 of the 115 respondents indicated to use Facebook (Fig. 22). YouTube ranked second with 59 users, followed by Instagram with 49 users. Furthermore, 38 of the respondents use Twitter and 21 use Snapchat. The respondents could also choose “other, namely”, two respondents chose this option and both indicated to use WhatsApp as a channel. Lastly, two indicated to not use any social media channels at all.

19. What social media channel(s) do you use?

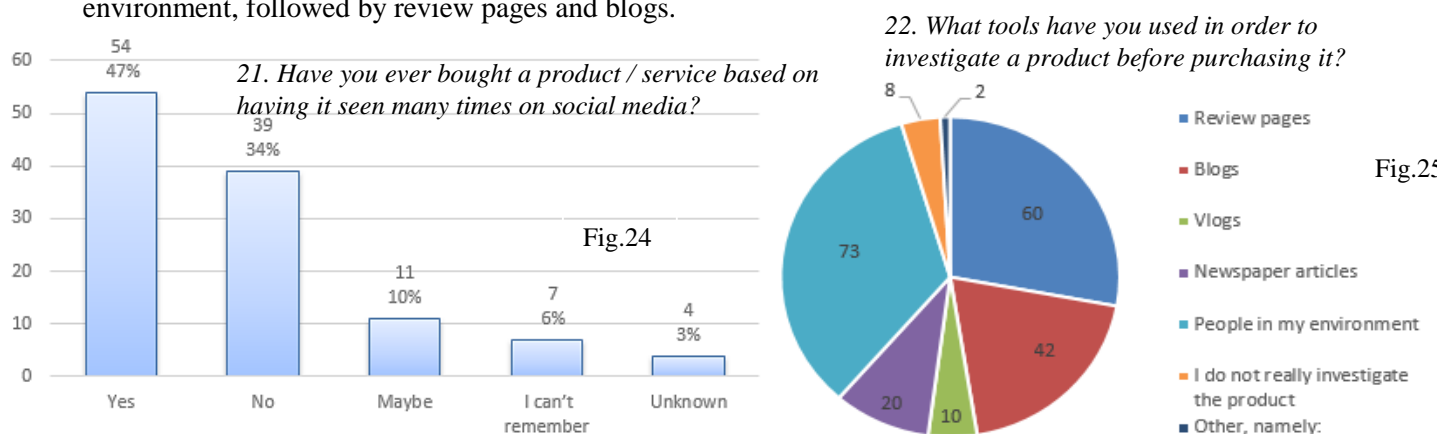


Correlation between the 112 Facebook users and their participation in some kind of promotional activity on Facebook. “Have you ever participated in such activities?”



NAİF is very active on Facebook and it is clear that based on the results displayed in Figure 22, Facebook is also the most effective social media channel regarding the Mexican market. Furthermore, NAİF regularly organizes promotional activities such as giveaways where Facebook users the chance to, among others, win NAİF products. Figure 23 shows a correlation between the 112 Facebook users and their participation in some kind of promotional activity on Facebook. The majority of the Facebook users have never participated in these activities, 33% has.

In addition, the respondents had to indicate whether they have ever consulted the Internet before completing a purchase. Product investigation has become more accessible and common. The numbers of product-review pages and blogs have increased in the past years. NAİF is aware of this development and therefore base their marketing on blog articles among others. Bloggers receive NAİF products in exchange for a blog post. In order to investigate if this type of marketing also works for the Mexican market, the following two questions were proposed: *“What tools have you used in order to investigate a product before purchasing it?”* and *“Have you ever bought a product / service based on having it seen many times on social media?”* Figure 24 shows that marketing and promotion through social media are indeed effective, as no less than 47% of the 115 respondents indicated to have bought a product / service based on having it seen on social media. Furthermore, Figure 25 confirms product investigation has become indispensable for the consumer. Most of the people investigate a product via people in their environment, followed by review pages and blogs.



Based on all the information retrieved from the respondents, several opportunities and threats can be identified. The main opportunities for NAİF are among others, the respondents' clear demand for qualitative and natural-based baby care products. In addition, this not only includes the direct target group (parents), but also the indirect target group. Furthermore, NAİF can make use of their actual promotional tools. However, NAİF mainly has to take into account their potential too high pricing, the lack of online shopping culture, high demand for supermarket selling points and naturally, their clearly present direct competitors.

2.3 INDUSTRY ANALYSIS

Before exporting NAÏF to Mexico, it is advocated to first look at the Mexican baby care industry. In order to analyse the industry for NAÏF, Porter's five forces model is used. The following five forces will be discussed: the threat of new potential entrants, the threat of substitute products, the bargaining power of suppliers, the bargaining power of buyers and the rivalry among current competitors.

A. THE THREAT OF NEW POTENTIAL ENTRANTS

NAÏF has been expanding internationally in the past two years and they remain positive towards further expansions and new business opportunities (Store Locator, 2015). However, NAÏF does not have an influence on the expansion of other companies. It is possible that other (Dutch) natural-based baby care brands such as Petit & Jolie and Sophie la giraffe attempt to enter the Mexican market as well. However, according to Petit & Jolie's store locator, the Dutch baby care brand solely has selling points in The Netherlands and Belgium (Overige Verkooppunten, 2013 - 2015). Furthermore, the French baby care brand Sophie la giraffe sells its products solely in the Benelux (Dealers, 2015). However, Swiss natural-based baby care brand Weleda, does have a significant market share worldwide. Based on these international selling points, it is clear Weleda also aims to gain international brand awareness and expansion. According to Weleda's store locator, the company does not have selling points in Mexico thus far. Therefore, Weleda can be one of NAÏF's threats, regarding potential new entrants. When in addition to the existing competitors, other new companies try to enter the baby care industry in Mexico; the competition will get more intense.

In addition, Mexico has been part of the Free Trade Agreement since 2000; this has made export and import between the EU and Mexico more accessible (Countries and regions > Mexico, 2015). However, at the Mexican border, the importation of "Essential oils and resinoids; perfumery, cosmetic or toilet preparations," (shampoo e.g.) includes a 10% tariff and 16% tax: financial barriers concerning export costs and price calculation (Tarifa de la Ley de los Impuestos Generales de Importación y de Exportación, 2015). Furthermore, according to founder of Dutch baby brand BabyNella — Annette van der Leij — it is essential for new entrants to register the company's brand name on the Mexican market, as everyone in Mexico can claim and register a business name (Appendix: Interview 1). If NAÏF's company name is already registered by someone else, there is a great chance they have to buy the name from the name-holder, and thus deal with additional costs and procedures. According to van der Leij, new entrants should also establish a trustworthy relationship with a customs-agent, as the Mexican export / import process and documentation can be unstable due to corruption. This unstable situation can be a great barrier for new entrants, as there is a possibility the Mexican customs will take financial advantage of

the (potential) lack of knowledge and expertise. Moreover, the majority of personal care products do not need to perform complex procedures regarding health authorities; except for product codes 3306.10.01, 3306.90.99 and 3307.90.99. They do need a prior import permit by the Federal Commission for Protection against Sanitary Risks in Mexico (COFEPRIS). However, None of NAÏF's products fall under the 3306 and 3307 product code (NAÏF, 2015). In addition, all imported cosmetics do require a prior health authorization by the Mexican Ministry of Health (Ministerio de Comercio, 2007).

B. THE THREAT OF SUBSTITUTE PRODUCTS

There are several factors that help indicate whether the threat of substitute products is high or low, one of them being the products' price. If the prices are high, consumers most likely do not switch from brand or service that easily. If the prices are low and therefore no real barriers and risks are involved, consumers most likely switch easier. An example of an industry that could be a potential threat for NAÏF and the skin care industry, is the food industry. More natural / raw products such as coconut oil and other natural oils could become a substitute for NAÏF's products (Coconut Oil for Skin). However, these substitutes are not very common and the number of potential substitutes in the food industry is slightly low.

However, the advantage of NAÏF's current customers worldwide is that they already chose to buy high-quality baby care products and therefore consciously agreed on buying higher-priced products. Once chosen, it is most likely they will remain in the high-end segment and will not easily switch. Thus, the target audience of NAÏF and the rest of the natural-based baby care market is critical and conscious as their purchase decisions are well considered. This is a great advantage for NAÏF with respect to the threat of substitute products. In the Netherlands the majority of NAÏF's turnover is based on existing / loyal customers that have bought their products before. In addition, regarding quality, NAÏF differentiates themselves from their potential substitutes because of their unique combination of ingredients. Furthermore, regarding appearance and design, NAÏF's packaging is unique. This in combination with the fact that the number of potential substitutes is low makes the threat of substitute products low.

C. THE BARGAINING POWER OF SUPPLIERS

NAÏF works with an independent supplier in The Netherlands that produces the final NAÏF products. Regarding price adjustment, the bargaining power of NAÏF's supplier is low. According to their contract, NAÏF's supplier *"is entitled to adjust prices for products to be delivered in case of changes in cost prices relating to the contract, such as, inter alia, (raw) materials, aids and appliances, wages, insurance policies, freight tariffs, official currency rates, taxes, duties or other measures imposed by authorities, which occur within three (3) months after conclusion of the contract, and to pass on such adjusted prices*

to the Purchaser. The Supplier may charge costs for packaging material, if such material was provided to the Purchaser” (General sales conditions of Royal Sanders, 2006). In general, the price of the products has to remain fixed after three months. As NAÏF has so far been collaborating with their current supplier for more than three months, sudden price increase from their supplier is excluded. In addition, there are sufficient alternatives regarding suppliers for NAÏF. However, according to one of the founders of NAÏF, Mr. Trompetter (Appendix: Email 1.), switching suppliers is not very straightforward, yet certainly not impossible. Thus, NAÏF is not tied to their current supplier on a long-term basis. They have chosen their current supplier based on the company’s professionalism and prices (NAÏF, 2015). Altogether, the bargaining power of NAÏF’s supplier is medium.

D. THE BARGAINING POWER OF BUYERS

NAÏF is situated in a very specific, modern and developing market. The demand for specially developed and qualitative high baby care products such as NAÏF’s is higher than the supply. This means that the bargaining power of buyers is low, especially in Mexico where there are limited high-end European baby care brands. In addition, NAÏF falls between an oligopolistic and a monopolist market, as the accession to the naturally-based baby care market is not as easy as getting into the ordinary baby care market, which also makes the bargaining power of buyers low. Furthermore, the power of buyers can also be measured by the used prices in the Mexican baby care industry. The price range regarding baby care products in the Mexican industry is not that extended, compared to for example the car industry. Therefore, whenever a buyer is not satisfied with NAÏF, they have the power and ability to switch to existing alternative brands. In this case, the power of buyers is high.

Moreover, according to van der Leij — founder of Babynella — Mexican buyers have a business-to-business sales culture based on consignment (Appendix: Interview 1.). This implies that retailers solely pay you the negotiated price margin, after they sold your products to their customers. This type of business comes with certain risks and uncertainty for the seller. Due to this business culture, the bargaining power of the Mexican buyer is high. As mentioned in the threat of substitute products, the number of substitutes regarding the (baby) skin care industry is low. These substitutes include natural oils such as coconut oil among others. The lack of substitutes makes the bargaining power of buyers low. Hence, based on all factors, the bargaining power of buyers can be considered medium level.

E. THE RIVALRY AMONG CURRENT COMPETITORS

The rivalry among current competitors in Mexico is intense, as more and more parents are becoming conscious and critical regarding the quality of baby care products. Naturally, the industry is adapting to this development and therefore, companies are striving to meet the demands of this conscious and critical society. 13 Baby care brands based on natural production have been identified in the questionnaire's results (Fig 16.), thus, current competitors are visible and competition can be considered intense. According to the customer analysis, Mustela can be seen as the market leader regarding specially developed baby care products, followed by the American baby care brand Johnson's Baby. Euromonitor's report regarding "Baby and Child-Specific Products" in Mexico reaffirms this outcome, as Figure 26 shows that Huggies, Mustela and Johnson's Baby are brands with great market share in Mexico. When the difference in market share between competitors is small or almost equal, the intensity of rivalry will increase. As displayed in Figure 26, the difference in market share between the current main competitors is not that large. Therefore, rivalry on the market can be considered intense. The prices the current largest competitors manage are quite similar, which further indicated that rivalry is intense. (Loción corporal Mustela bebé 200 ml, 2015) (Locion Corporal para Bebe Johnson's Vainilla y Avena, n.d.).

Table 6 LBN Brand Shares of Baby and Child-specific Skin Care: % Value 2011-2014

% retail value rsp	Company	2011	2012	2013	2014
Huggies	Kimberly-Clark de México SAB de CV	19.0	19.0	19.3	19.5
Mustela	Laboratorios Expanscience México SA de CV	14.2	14.2	14.4	14.9
Johnson's Baby	Johnson & Johnson de México SA de CV	9.5	9.5	9.6	9.4
Nivea Baby	BDF México SA de CV	6.8	6.8	7.0	7.0
Baby Magic	Colgate-Palmolive de México SA de CV	4.7	4.7	4.8	4.8
Avon Disney	Avon Cosmetics SA de CV	5.0	4.1	5.1	4.3
Ricitos de Oro	Laboratorios Grisi Hermanos SA de CV	3.5	3.6	3.6	3.6
Avon	Avon Cosmetics SA de CV	7.1	4.3	4.3	3.5
Kleen Bebé	Kimberly-Clark de México SAB de CV	-	0.9	2.0	3.3

Fig.26

Source: Euromonitor. (2015). *Baby and Child-Specific Products in Mexico*. Euromonitor.

Based on the use of Porter's five forces, the following opportunities and threats have been identified:

- NAİF does not have any influence on potential other new entrants.
- High export and entry costs as well as corruption can be financial barriers to enter.
- The existing competition is a threat for NAİF, especially regarding their great market shares. However, competition implies there is significant demand for qualitative baby care products.
- Sales based on consignment is a threat, as it includes risks for NAİF's distributor

- The threat of substitute products is low.
- NAÏF's quality and production costs is / are guaranteed as they hold on their actual manufacturer.
- Mexico and Europe are part of the Free Trade Agreement, which makes business between Europe and Mexico more accessible.

2.4 COMPETITOR ANALYSIS

NAÏF's main competitors are other successful baby care brands that also strive to create a business in baby care products by promoting values such as: sustainability, design and health. As mentioned in Porter's five forces analysis as well as the customer analysis, these competitors in the Mexican market include Mustela, Johnson's Baby and Huggies among others. These three competitors are currently available in the city of export, Mexico City, at American supermarkets such as Wal-Mart and Sam'. In order to measure NAÏF's competition, a multi attribute model is produced (Fig. 31), which is based on the following criteria: quality, price, design and marketing strategy. This model will compare NAÏF's outcomes with the outcomes of the competitors. In order to obtain professional and significant information from the multi attribute model, four different kinds of competitors are chosen. This election is based on the customer analysis (Fig. 16), Euromonitor's report (Fig 26), and the competitors' vision, origin and market position. The analyzed competitors are: Mustela, Johnson's Baby, Ricitos de Oro, and AVEENO. Despite Huggies' great market share (Fig. 26), they will not be included in the competitor analysis. Huggies' products are mostly diapers and baby wipes (Huggies Home Page, 2015). Therefore, Huggies is situated in a different segment than NAÏF.

Mustela

Mustela is a French care brand that exists for more than 60 years and has around 50 different kinds of products. Their baby care line is based on qualitative high / natural ingredients and is specially formulated to optimally take care of newborns, babies and children (Natural ingredients and Mustela, n.d.)(About Mustela, n.d.). The products are available across all continents (Mustela in the World, n.d.). The French renowned "*Laboratoires Expanscience*" created Mustela in 1950 (El nacimiento de Mustela, n.d.). This European brand is a big direct competitor for NAÏF on the Mexican market, especially regarding their 14.9% market share (Fig. 26).

Johnson's Baby

Johnson's Baby is one of the Johnson & Johnson brands. Johnson & Johnson is an American manufacturer of medical devices, pharmaceuticals, personal care products, perfumes and baby products. Johnson & Johnson was founded in 1886 (Johnson & Johnson History, 2016) in which Johnson's Baby exists for more than 100 years, solely focusing on baby care (Consumer Health Care Products, n.d.). Their mission is to provide safe, clinically proven, soft and delicate products to mothers, for the care of their child(ren) (Nuestra promesa, n.d.). They are available in North and South America, Europe, North Africa, The Middle East, Asia and New Zealand (Bienvenido a JOHNSON'S®, n.d.). This American brand is, just like Mustela, a great competitor to NAÏF in the Mexican market, due to, among others their 9.4% market share (Fig. 26).

Ricitos de Oro

Ricitos de Oro is a Mexican brand that has been present in the Mexican market for over 20 years. They provide a comprehensive product range consisting of five different lines, all based on natural ingredients. These lines are specially formulated for the delicate baby skin / hair (Nosotros, 2015). Besides care products for babies, they also provide accessories such as baby feeding bottles, for example, and a care line for mothers called Grisi Mamá (Accesorios, 2015) (Grisi Mamá, 2015). Ricitos de Oro is a direct local competitor for NAÏF.

AVEENO

AVEENO is an American personal care brand, created by the brothers Musher in 1945 (NUESTRO LEGADO , 2015). Just like Johnson's Baby, AVEENO falls under the Johnson family (NUESTRA RESPONSABILIDAD , 2015). The AVEENO company strives to provide products based on natural ingredients which are developed in a sustainable way. Their primary focus is to ensure safety and efficacy. AVEENO provides high-quality personal care products for men and women and has a separate baby care line named AVEENO Baby, which is also based on natural ingredients (Aveeno Baby, 2015).

A. PRICE

Price comparison is essential in order to optimally analyze the competition. As explained in the bargaining power of buyers, prices can among others indicate the buyers' power. If quality is similar, yet there is significant difference between prices, buyers easily switch. However, if quality is considered to be better according to the customer, price difference does not necessarily influence the consumer's choice. For the price comparison, two basic baby care products were chosen; firstly, the price per baby

body lotion (approx. 200 / 300 ml) per company will be given; and secondly, the price per baby shampoo (approx. 200 / 300 ml) per company will be presented. The final price measurement will be the average both products per company.

	Mustela	Johnson's Baby	Ricitos de Oro	AVEENO Baby	NAÏF
Price in Euros:					
Baby body lotion	€ 6.80	€ 2.60	€ 1.80	€ 5.00	€ 14.95
Baby shampoo	€ 5.70	€ 2.40	€ 2.50	€ 7.40	€ 9.95
Average	€ 6.25	€ 2.50	€ 2.10	€ 6.20	€ 12.45

Fig.27

The price table demonstrates that the local brand Ricitos de Oro provides the lowest prices, followed by Johnson's Baby in second place, AVEENO Baby in third place, Mustela in fourth place and NAÏF on last place (Loción corporal Mustela Hydra Bebé 300 ml, 2014) (MUSTELA: Shampoo para Bebe 200 ml, n.d.) (JOHNSON & JOHNS: Crema Liquida para Bebe 200 ml, n.d.) (JOHNSON & JOHNS: Shampoo No Mas Lagrimas 200 ml, n.d.) (RICITOS DE ORO: Crema Corporal Humectante 250 ml, n.d.) (Shampoo Ricitos de Oro manzanilla 250 ml, 2015) (Aveeno Baby Daily Moisture Lotion 8 fl oz. - 8 oz., 2015) (Aveeno Baby Gentle Conditioning Shampoo 12 oz, sd) (NAÏF: Products, 2015). The results of Figure 27 combined with the outcome of the questionnaire regarding customer behavior (prices), indicate that NAÏF's prices are most likely too high for Mexican standards, despite their focus on the high-end segment, for example, has adapted their prices to the Mexican segment. In the Netherlands, a 300ml baby body lotion costs €12.20 while the same bottle costs €6.80 in Mexico (Hydra Baby Lichaamsmelk Mustela 300ml, 2015). Johnson's Baby seem to have also lowered their prices on the Mexican market.

B. QUALITY

Measuring the quality of the baby care products per company is vital, as it influences their customers' attraction and loyalty. Customers may be enticed by low prices, but if the product lacks quality, customers might not be willing to purchase the product. NAÏF is very aware of the importance of quality, as among others, their products are developed in a renowned Swiss laboratory and they collaborate with a Dutch dermatologist. These are examples of factors that support and acknowledge NAÏF's professionalism and quality. However, the main indicator to measure baby care products' quality is their formula: the used ingredients. Figure 28 provides an overview of the potential harmful ingredients used by NAÏF and their competitors on the Mexican market.

Quality will be measured by evaluating whether the brands make use of potential harmful ingredients such as parabens, phenoxyethanol, sodium lauryl / laureth sulfate, PEG and paraffinum liquidum. parabens and phenoxyethanol are chemical preservatives that can stimulate allergies, irritate the skin and are not environmentally friendly. Sodium lauryl / laureth sulfate is used for its detergent and foam building in shampoos among others. It can cause irritation due to its aggressive efficiency (NAÏF: What we don't use, 2015). PEG: Polyethylene Glycol is used in the production of cosmetics as a skin softener and emulsifier to help mix water and oil. However, it can contain impurities; therefore, PEG should be avoided when having a damaged skin (Claire, 2013). Lastly, mineral oil (paraffinum liquidum) is a mineral derived from petroleum that has the ability to form a film on the skin; resulting in potentially blocked skin pores. These ingredients are used in the cosmetic industry due to their low production pricing. The same body lotions and shampoos chosen for the price evaluation are used for the quality evaluation.

Fig.28	Mustela	Johnson's Baby	Ricitos de Oro	AVEENO Baby	NAÏF
Chemical Conservatives (Parabens / Phenoxyethanol)		X	X		
Synthetic Emulsifiers (PEG)		X			
Mineral Oil (Paraffinum Liquidum)	X	X	X		
Chemical foam builders (SLS)			X		
Fragrance (perfume)	X	X	X	X	X
Total	2	4	4	1	1

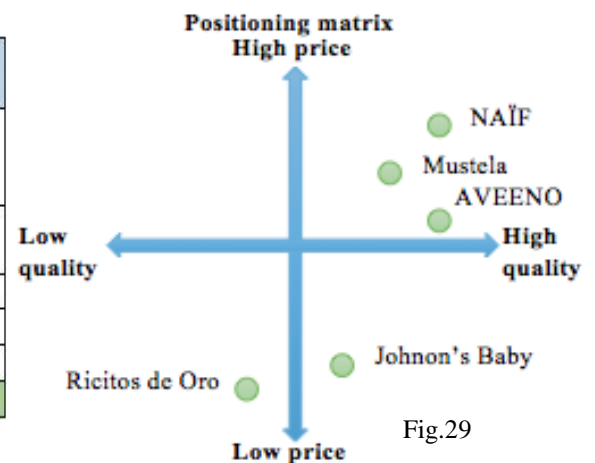


Fig.29

Regarding quality, NAÏF and AVEENO Baby turned out best, followed by Mustela. Johnson's Baby and Ricitos de Oro use four out of the five potential harmful ingredients; therefore their quality (on ingredients perspective) is lower in comparison to the rest. Johnson's Baby has already been approached by the media regarding their use of potentially harmful ingredients (Anyia, 2015). In addition, despite Ricitos de Oro's natural care lines based on chamomile and honey, their products also contain potential harmful ingredients. There is a significant correlation between the set of ingredients and the prices of the brands. Johnson's Baby and Ricitos de Oro provide cheaper prices and thereby provide poor quality. Mustela and AVEENO baby provide better quality, thus manage higher prices. Based on the findings of the price and quality analysis, a positioning matrix was produced (Fig. 29).

C. DESIGN

Packaging and design is an essential part regarding brand positioning, as design is often related to product quality. High-end brands, such as NAÏF, aim to transfer their image and vision through their

packaging and design, by making them look attractive, exclusive and professional. NAİF's competitors are compared with each other regarding packaging (color-use) and design. Once again, the same products chosen for the price and quality evaluation are used.



Source: *Our products*. (2016). Retrieved February 05, 2016, from Mustela Web site: <http://goo.gl/wYXM9L>

Source: *Baby Products*. (2015, October 27). Retrieved February 05, 2016, from Johnson's Baby Web site: <http://goo.gl/QNN4Q6>

Source: *Productos*. (2015). Retrieved December 1, 2015, from Ricitos de Oro Web site: <http://goo.gl/iqA8zi>



Source: *Aveeno Baby Products*. (2015). Retrieved November 25, 2015, from Aveeno Web site: <http://goo.gl/Dg7TkM>

Source: *NAİF: Products*. (2015). Retrieved September 28, 2015, from NAİF baby care web site: <http://goo.gl/wMkma3>

Generally, every company thoroughly researches and evaluates their product packaging before positioning their products on the market. Colors, sizes and shapes have a certain meaning regarding marketing. All products evaluated in the price and quality section are shown in Figure 30. Firstly, it is remarkable how the majority of the products contain the color white. The color white is a common color used in the cosmetic industry, as this color emphasizes and transfers cleanliness and purity (Packaging Colors, 2015). Naturally, the brands Mustela, AVEENO and NAÏF consciously chose this color to emphasize quality and cleanliness: less is more. Not only do the products chosen for the quality and price evaluation have this white packaging, all Mustela, NAÏF and AVEENO products have the similar white packaging. With regards to color, Johnson's Baby and Ricitos de Oro use different colors in comparison with the rest. Ricitos de Oro bases their packaging on their different product-lines, for example, the products of their honey and chamomile line are all yellow and the products of their lavender line are all purple (Productos, 2015). The different colors used by Ricitos de Oro and Johnson's Baby are meant to be cheerful, as the products are for babies and children. However, the color orange and yellow can also transfer a certain cheapness, which is frequently assimilated with poor quality. This does go hand-in-hand with their price and quality positioning. Furthermore, it is important to take into account the different product sizes regarding the American and European market. NAÏF works with fixed product sizes and on the Mexican market it is also more common to find large size (baby care) products (Johnson, 2015).

D. MARKETING / PROMOTION STRATEGY

In order to optimally analyze the competition, it is essential to find out what marketing and promotion tools they use. Not only does this evaluate the competition, it also indicates what marketing and promotion tools are most accepted and efficient on the Mexican market. The customer analysis (Fig. 15), already indicated that e-commerce in Mexico is not as developed and accepted as in, for example, The Netherlands. Out of 40 parents that responded to the questionnaire, solely one indicated to be willing to buy baby care products online. This is also reflected in the fact that none of the competitors' products are directly available for the Mexican market via their own websites, solely through supermarkets' websites. NAÏF's products are internationally available for online purchase through their own website. However, according to van der Leij — founder of brand BabyNella — e-commerce is slowly emerging and accepted in the Mexican market. (Appendix: Interview 1.)

Mustela

Mustela makes use of similar marketing tools as NAÏF. They have a Spanish website focused on the Mexican customer, which provides an online platform where parents can get access to their blogs among

others. These blogs provide advice and information regarding child / baby care among others, and are used in order to emphasize professionalism. For example, in one of their blogs they indicate to be a socially responsible company and further explain this concept (Blog Mustela, 2015). In addition, the Mustela formula has been founded by the Expanscience laboratory; a renowned French laboratory (Garantía de los Laboratorios Expanscience, 2015). This further supports professionalism and product quality. Furthermore, Mustela allows their customers to be part of the Mustela Club. Through this club, Mustela provides its members with expert advice regarding skin care, special offers and newsletters. This club is also part of Mustela's marketing strategy, as it gives their customers a sense of exclusivity. In addition, besides having an active and professional website, Mustela has several social media accounts in Mexico. They have a Facebook, YouTube, Twitter and Instagram account (Home Mustela, 2015).

Johnson's Baby

Johnson's Baby does not have a website specifically focused on the Mexican customer, nevertheless, they do have a website in Spanish (Bienvenido a JOHNSON'S®, n.d.). Contrary to Mustela, Johnson's Baby does not adapt their social media channels to their different markets. Therefore their customer service is less developed and personal. They solely have international (English) social media channels and they are not active on them on a daily basis. However, while they solely have one account on each channel, they do gain many followers (Johnsons Baby Facebook, 2015). They focus their market strategy on broad target groups by providing them with a large product range. In addition, their marketing strategies are mainly based on price competitiveness and quantity, rather than quality. Both Johnson's Baby products evaluated in the previous sections were reduced in price on the H-E-B Mexico online shop (JOHNSON & JOHNS: Crema Liquida para Bebe 200 ml, n.d.) (JOHNSON & JOHNS: Shampoo No Mas Lagrimas 200 ml, n.d.). Furthermore, they also make use of blogs and advice on their website (La piel de tu bebé, n.d.).

Ricitos de Oro

The Mexican Ricitos de Oro baby care Brand does not have many social media accounts. They mainly carry out their marketing and promotional strategies through Facebook. On Facebook they make use of giveaways in order to gain brand awareness. Furthermore, they also work with blogs, which they publish on their Facebook page as well. Their blogs are among others focused on parenting and childcare (Ricitos de Oro, 2015). On their website they provide a special page solely dedicated to providing advice and information regarding parenting and childcare as well (Mamá & Bebé, 2015). It is clear that Ricitos de

Oro does not operate on same quantitative scale as Johnson's Baby regarding marketing. Ricitos de Oro is a small, national-oriented company; therefore their marketing and promotional activities are small-scale oriented. On their website they do not place emphasis on collaborations with, for instance, a renowned laboratory or dermatologists like Mustela and NAÏF do.

AVEENO Baby

AVEENO is using a totally different type of marketing strategy; namely celebrity marketing. Celebrity marketing is performed when a company decides to collaborate with a famous celebrity (actor, artist, athlete etc.), in order to gain more brand awareness and among others enhance their market position / trustworthiness. AVEENO works together with famous American actress Jennifer Aniston. Jennifer Aniston is known for her girl-next-door charm and focus on a healthy lifestyle. This collaboration naturally enhances AVEENO's reputation. Furthermore AVEENO's marketing is mainly focused on living healthy; thus the use of natural ingredients. This is a strong marketing focus in order to obtain a conscious target audience. They collaborate with the internationally renowned Mayo Clinic and several scientists (Our Mission, 2015). These collaborations further strengthens their trustworthiness and professionalism. Furthermore, AVEENO also makes use of social media. They have a Facebook and YouTube account; however, they not are active on them on a daily basis. (AVEENO Facebook, 2015) (AVEENO Youtube videos, 2015)

	Price	Quality	Design	Marketing Strategy	Total
Mustela	2	3	4	5	14
Johnson's Baby	4	2	3	3	12
Ricitos de Oro	5	2	2	2	11
AVEENO Baby	3	4	5	5	17
NAÏF Care	1	5	5	5	16

Scale 1-5
5 = highest score
1 = lowest score

Fig.31

Based on the price, quality, design and marketing strategy investigation, AVEENO Baby and Mustela result to be NAÏF's main competitors. The attribute model (Fig. 31) shows that AVEENO Baby scored a total of 17 points with Mustela scoring a total of 14 points. As demonstrated above, NAÏF scored 16 points.

The main threats NAÏF faces regarding their competitors on the Mexican market are firstly, their current prices, as they are most likely too high for the Mexican market. Secondly, competitors Mustela and AVEENO use similar strategies as NAÏF regarding quality, design and promotion. Lastly, NAÏF's lack

of packaging adaption regarding bigger product sizes. However, several opportunities are identified as well. NAÏF's quality is extremely high regarding their competitors, their product design is unique, and the majority of the current managed promotional activities are also used on the Mexican market, which facilitates marketing for NAÏF. Solely e-commerce is not as developed and accepted as in The Netherlands.

2.5 DISTRIBUTION ANALYSIS

Regarding distribution, NAÏF has successfully been collaborating on an international scale with agents and distributors. NAÏF has a distribution center in The United States, Hong Kong and Spain. Regarding the Mexican market, NAÏF will work according the same distribution construction they currently use for their international distributors. The international distributors receive their restock directly from the distribution center in Amsterdam (Fig. 32). When the goods arrive at the international distribution centers, stock will be divided into business-to-business (retail) orders and direct customer orders placed via the NAÏF web shop, just like in The Netherlands. Working with a distribution center and a sales-agent is a common and efficient entry strategy for startup companies when entering new international markets. It implies working with individuals who have valuable knowledge regarding the market, possess sufficient financial capital and have significant sales and marketing expertise.

In order to gain significant market share and brand awareness, NAÏF has to find a distributor with valuable connections in the Mexican market. NAÏF aims to enter new markets on large scale, selling their products in great volume. The distributor is among others, responsible for the finances on the Mexican market and the distribution of the products. Prior to export, NAÏF negotiates the selling price with the distributor. Thereafter, NAÏF sends the required product amount to the distributor. Storage, selling points (clients) and personnel in Mexico is the distributor's responsibility. In addition, most likely an agent engaged in sales, promotion and marketing will be employed by the Mexican distributor. Entry strategies other than working with a distributor, agent and customs agent are not feasible for NAÏF due to financial, time-efficiency and practical reasons.

In addition, working with a distributor also includes disadvantages. One of them being the quality uncertainty regarding the distributor. It can be hard to find a trustworthy, professional and experienced distributor. Therefore, there is a chance the distributor does not meet a companies' expectations. Besides quality uncertainty, there is also a possibility the distributor does not only distribute NAÏF's products, but also other brands; this is a multiline distributor. The distributor will therefore not only focus on

NAĪF, which can be seen as a disadvantage. Lastly, when working with a distributor NAĪF has to transfer certain power and control to the distributor, which indicated NAĪF will not be able to be in full control.

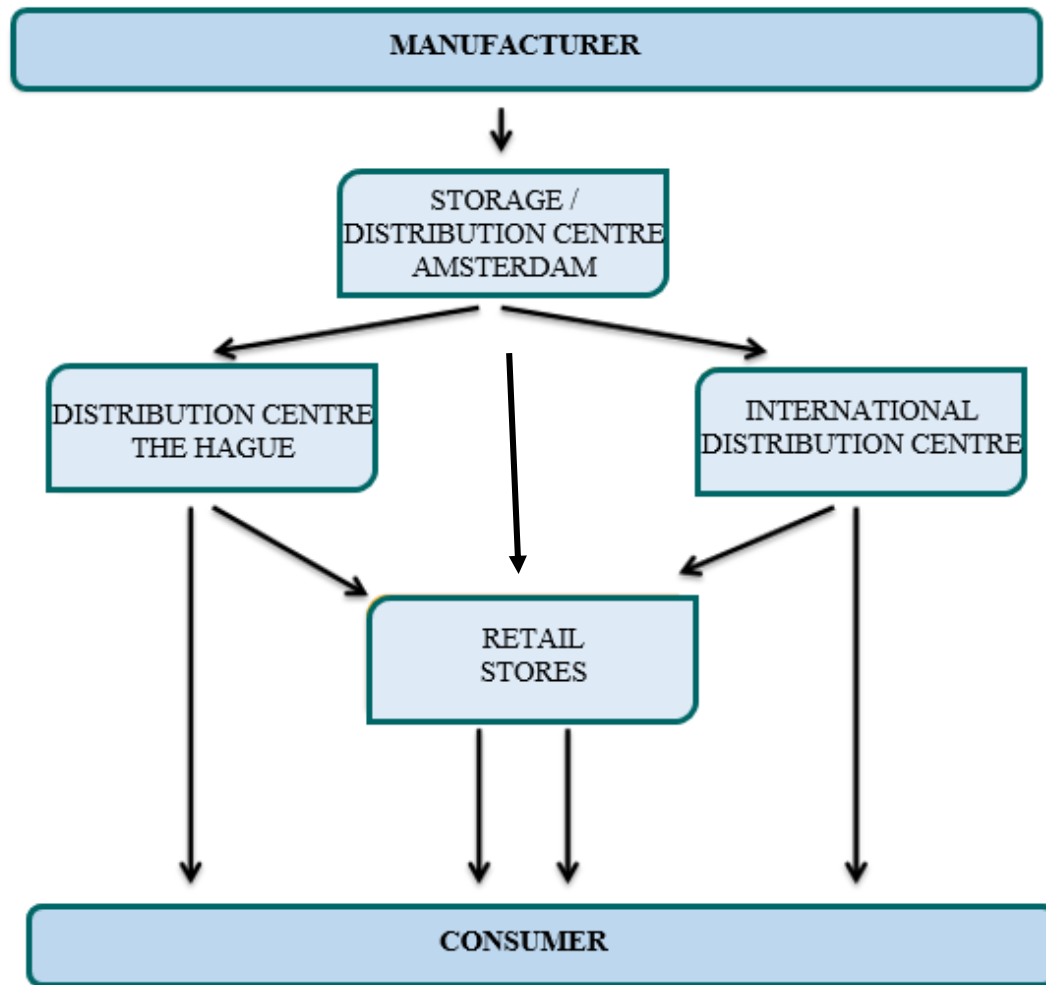


Fig.32

Source: NAĪF. (2015). *NAĪF Quality Baby Care Report*. The Hague. Retrieved September 23, 2015

2.6 OPPORTUNITIES AND THREATS / SWOT

On the basis of the information retrieved from the internal and external analysis, a SWOT matrix has been created. (Fig. 33) This SWOT matrix is based on the strengths and weaknesses regarding NAİF's internal situation and on the threats and opportunities regarding NAİF's external situation; which in this case is presented by the Mexican market.

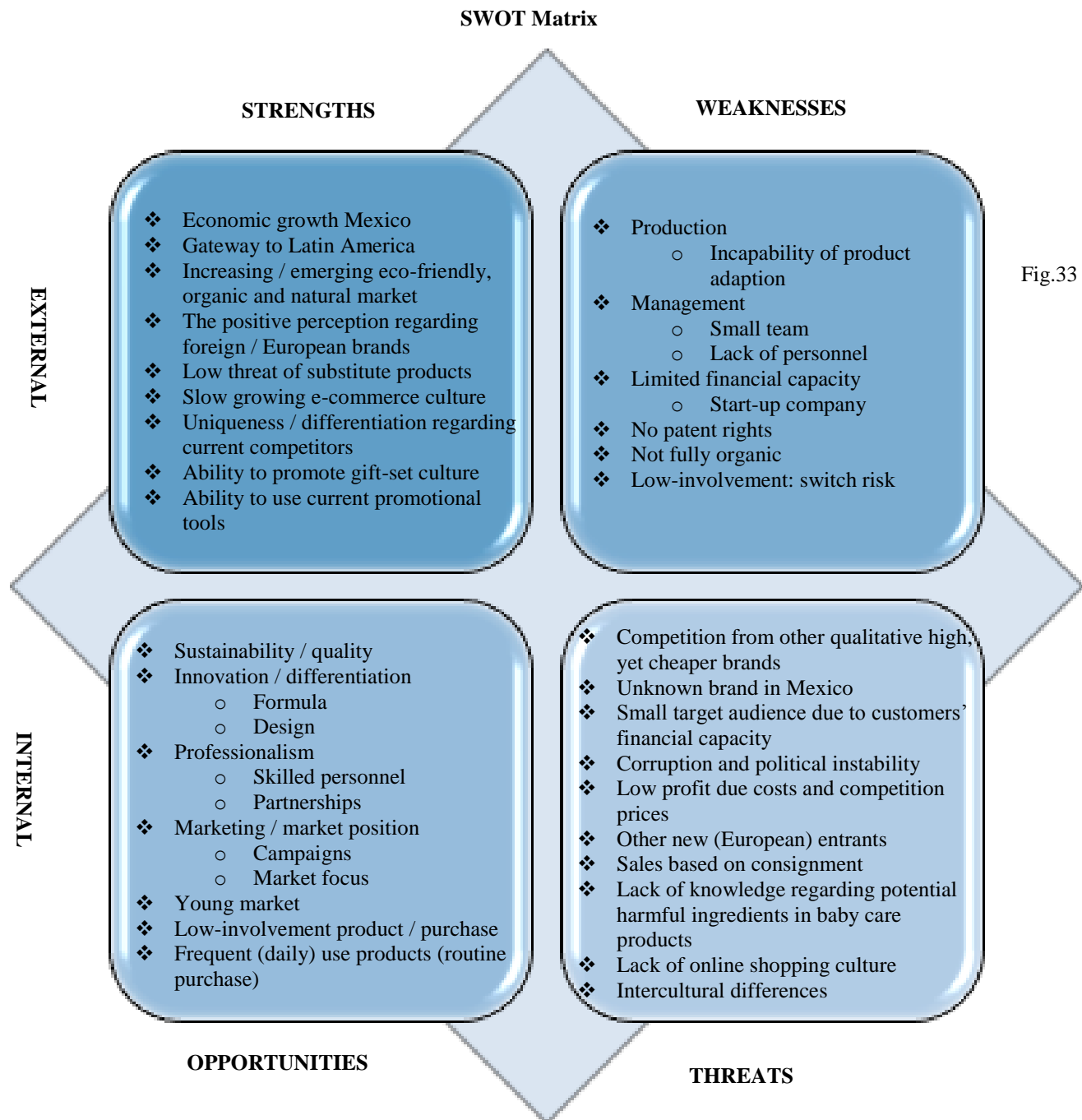


Fig.33

3. CONFRONTATION MATRIX / ENTRY STRATEGIES

3.1 CONFRONTATION MATRIX ANALYSIS

The confrontation matrix connects NAÏF's strengths, weaknesses, opportunities and threats described in the SWOT analysis with each other. The outcome of these connections will firstly describe how NAÏF's strengths can be used in order to respond to their opportunities and decrease their threats; and secondly, describe how NAÏF can fortify their weaknesses in order to make use of their opportunities and resist threats. (Fig. 34)

Confrontation Matrix

Fig. 34

		Opportunities									Threats									Total	
		O1. Economic growth Mexico	O2. Emerging organic / natural market.	O3. Positive perception regarding European brands	O4. Low threat of substitute products	O5. Slow growing e-commerce culture	O6. Uniqueness regarding current competitors	O7. Ability to promote gift-set culture	O8. Gateway to Latin America	O9. Ability to use current promotional tools	T1. Competition qualitative high, cheaper brands	T2. Unknown brand in Mexico	T3. Small target audience	T4. Lack of online shopping culture	T5. Corruption and political instability	T6. Low profit due to costs and competition prices	T7. Other new (European) entrants	T8. Sales based on consignment	T9. Lack of knowledge regarding potential harmful ingredients in baby care products	+	-
Strengths	S1. Sustainability / quality	+	++	+	0	++	0	+	0		++	+	++	0	-	+	+	+	0	17	1
	S2. Innovation / differentiation	+	++	++	+	0	++	++	++	0	++	+	++	+	-	+	++	+	++	24	1
	S3. Professionalism (personnel / partners)	0	++	++	0	+	+	+	+	++	++	+	+	+	-	0	+	+	++	19	1
	S4. Marketing / market position	+	++	++	0	+	+	++	+	++	+	++	+	+	+	++	++	+	+	22	1
	S5. Young market	+	++	+	0	++	0	++	0	++	0	0	++	+	-	0	++	0	+	16	1
	S6. Low-involvement product / purchase	+	+	++	0	0	++	0	0	0	++	0	0	0	-	-	0	-	-	8	6
	S7. Frequent-use products	++	+	+	+	+	+	+	0	0	+	0	++	+	-	+	+	+	+	16	1
Weaknesses	W1. Production (lack of product adaption)	+	+	0	0	+	0	-	-	0	-	0	0	-	-	-	-	0	0	3	8
	W2. Management (small team)	+	-	+	0	0	0	-	-	-	-	-	0	0	-	0	0	-	-	2	13
	W3. Limited financial capacity	0	0	-	0	+	+	0	-	+	-	-	0	-	-	-	0	-	0	3	12
	W4. No patent rights	+	-	0	+	0	+	-	-	0	-	0	0	0	0	-	-	0	0	3	9
	W5. Not fully organic	+	-	+	+	0	+	+	+	+	-	0	-	0	0	-	-	0	0	7	7
	W6. Intercultural differences	+	0	++	-	-	-	+	-	+	-	-	0	-	-	-	0	-	-	5	19
	W7. Low-involvement: switch risk	-	-	++	+	0	++	+	0	0	-	-	-	-	0	-	-	0	-	6	15
Total +		12	13	18	6	7	14	11	6	9	10	4	11	5	0	4	9	5	7		
Total -		1	6	1	1	2	1	3	8	1	10	7	2	7	14	12	7	6	8		

0	= No influence nor connection (Strengths and Weaknesses neutralize each other, or Weaknesses and Opportunities neutralize each other).	Symbol use Confrontation Matrix Fig.35
++	= There is a clear, strong connection between both (strengths and opportunities fortify each other)	
+	= There is a connection between both (strength outweighs threat / opportunity outweighs weakness / strength and opportunity influence each other positively)	
--	= There is a clear, strong connection between both (weaknesses and threats fortify each other)	
-	= Threat outweighs strength / weakness outweighs opportunity / weakness and threat influence each other negatively	

Source: Veldman, H. (2012). *Zo maak je een Exportplan* (Vol. I). The Hague, The Netherlands: Noordhoff Uitgevers

Opportunity fields

As displayed in the confrontation matrix (Fig. 34), NAÏF's main powers lie within their qualitative and innovative focus in combination with the emerging eco-friendly and natural-based Mexican market. The combination of this strength and opportunity can provide NAÏF possible growth. Furthermore, NAÏF's quality and professionalism will further fortify the positive perception Mexicans have regarding European brands. With their quality, design and professionalism, NAÏF will provide its Mexican customers the sense of exclusivity and luxury they seek for. Furthermore, according to the results of the customer analysis and the competitor analysis, NAÏF can further enforce their current marketing and promotional activities with, for instance, the use of blogs, bloggers and social media. This will help NAÏF grow in the Mexican market by obtaining brand awareness.

NAÏF's qualitative and innovative focus outweighs the threat of the qualitative high, yet cheaper competitors. As analyzed in the competitor analysis, several competitors use potential harmful ingredients regarding production and are not positioned in the high-end segment. NAÏF has the strength to provide its customers the quality and exclusivity they long for and therefore outstand its competitors. Another threat NAÏF faces is the fact that they are an unknown brand on the Mexican market. However, using their professionalism by, for example, collaborating with the right partners and using their marketing skills on among others social media, will definitely help them enter the Mexican market and gain brand awareness. Collaborations with popular and known children brands on the Mexican market will be of great value for NAÏF. As mentioned in the DESTEP analysis, the organic and natural-based market is growing in Mexico, however it is not as developed yet as, for example, in The Netherlands. One of questions in the customer analysis was "*Do you often buy organic / natural products?*" Two out of five men and women indicate that they have never purchased organic or natural products. They explained their answer by indicating that they have not been clearly informed about the benefits provided by organic and natural products. NAÏF can optimally respond to this "lack of knowledge" treat, by

among others, focusing on their partnership with dermatologist E. Brenninkmeijer who gives skin-care tips, and by sharing informative blogs regarding potential harmful ingredients used in the cosmetic industry. Furthermore, they can respond to the lack of brand awareness by participating in fairs. In addition, NAÏF should also take into account the political and governmental situation regarding corruption. There is a great chance corruption can affect export due to theft and / or customs-frauds. They have to defend themselves by establishing a trustworthy partnership with a Mexican customs-agent.

Problem fields

One of NAÏF's weaknesses is their lack of product adaption regarding product sizes among others. As care products are generally used on a daily basis, NAÏF should reckon with the demand for larger products. Nevertheless, large sizes can be associated with poor quality and cheapness, values which NAÏF does not represent. In addition, the fact that NAÏF operates with a small team can be seen as a weakness regarding entering the Mexican market. Despite the fact NAÏF will work with a distributor who is responsible for all costs and sales in Mexico, NAÏF also has to dedicate time and energy to the Mexican market in order to contribute and remain informed. Therefore it is recommend to hire an employee whose main tasks involve focusing on the Mexican market and regularly perform (Skype) meetings with the distributor in Mexico. Moreover, NAÏF does not have patent rights, which also can be seen as an apparent weaknesses. However, the combination of NAÏF's unique design, product-range and formula will distinguish them from the competitors, despite the lack of patent rights. NAÏF's products can be an inspiration for other companies, however to optimally compete on a market, they will continuously need some kind of differentiation.

Based on export costs and the Mexican market regarding competition and target audience, NAÏF will have to lower their prices. This threat combined with the lack of financial capacity could lead to retreat, as there is a possibility the Mexican market does not meet their financial expectations. However, as it concerns a large country and therefore a large potential target audience, the profit will most likely still represent a significant number. Furthermore, NAÏF does not only aim on financial earnings, but more importantly on international brand awareness. Even though the Mexican market may not immediately provide the financial expectations they aim for, it will ensure brand recognition in the Latin American market as Mexico is the gateway-country to Middle and South America. Furthermore, one of the main problems for NAÏF on the Mexican market is the sales based on consignment culture: NAÏF's retailers solely pay the distributor whenever they actually sell the products. This type of business comes with great risks and uncertainty for NAÏF's distributor. Sales based on consignment, in combination with the

lack of NAÏF's financial capacity requires serious attention and reflection. Therefore, NAÏF has to work with a skilled, experienced and professional distributor on the Mexican market, who knows how to manage sales on consignment among others.

3.2 ENTRY STRATEGIES

After the analytical part of the marketing plan, which includes an internal and external analysis and a SWOT, the strategic plan follows. Companies that elaborate and implement clear strategies, are more likely to obtain success. NAÏF must follow clear strategies to achieve its goals and maintain focus. Therefore, the following long and short-term strategies emerged:

A. LONG-TERM STRATEGIES

Export strategy: The products will be exported Ex Works: all transportation and exportation costs are for the distributor. It will be exported directly from the Rotterdam harbor to the harbor in Veracruz. From there, products will be transported to the buyer's distribution center and divided into retail orders. NAÏF's distributor will have to work with a customs-agent due to potential corruption risks.

Promotion strategy: NAÏF must implement its current promotion / marketing strategies, yet adapt them to the Mexican market. These strategies include collaborations with local bloggers, dermatologists and popular brands; marketing through social media (provide information about the benefits of natural skin-care e.g.) and providing customers with great (personal) service.

Price strategy: Price calculation will be based on export costs, current prices conducted by the competition, the Mexican target audience and added value for NAÏF and the distributor (profit). NAÏF has to lower the Ex Works selling price as the exportation comes with high costs and the actual managed prices are most likely too high for the Mexican market.

Positioning / sales strategy: As mentioned by van der Leij — founder of brand BabyNella — (Appendix: Interview 1.), Mexicans value social status and tend to overvalue European brands. NAÏF has to respond to these characteristics by positioning themselves as an exclusive, high-end European brand. In addition, Focus must also lie on the natural / organic market and culture. Attending eco-oriented fairs and collaborating with the indicated selling points among others, will ensure this. NAÏF will optimally highlight quality, and above all, explain why they contribute to the health of children. This strategy will be NAÏF's key to sales.

B. SHORT-TERM STRATEGIES

Product strategy: Despite the results from the competitor analysis, which show the majority of NAÏF's competitors provide care products containing more than 200ml, NAÏF will initially not modify current product packaging or design. However this is a short-term strategy, as the Mexican market might require larger NAÏF products in the future. NAÏF is in the possession of Spanish translations regarding, among others, product application and content, which they can use for the Mexican market. Furthermore, production will remain in The Netherlands, which ensures same quality for the products exported to Mexico. In addition, this is a short-term strategy as future collaborations with international manufacturers is not 100% excluded.

Place strategy: NAÏF will start selling its products at three types of selling points in Mexico: pharmacies, department stores and high-end children boutiques. In Mexico, e-commerce is not as advanced as in The Netherlands. Therefore NAÏF should focus first on in-store sales (gain brand awareness), thereafter e-commerce will slowly initiate, earn focus and increase. In addition, supermarkets like Wal-Mart and Sam's will initially not be part of NAÏF's retailers in Mexico. This is also a short-term strategy, as future collaborations with these supermarkets is not 100% excluded.

Target audience: NAÏF's initial target audience is composed of modern and conscious parents or parents-to-be (mothers in particular) aged 24–38 with a middle or high income living in Mexico City. Whenever NAÏF obtains significant brand awareness and sales rates, geographic expansion will take place and NAÏF's target audience will expand too.

4. EXPORT MARKETING MIX

4.1 THE 8 P'S

A. PRODUCT

Regarding design, all of NAÏF's products can remain the same. There are no negative associations with the colors and pictorials used by NAÏF. In fact, NAÏF's product design is one of their strengths as is unique and therefore differs from the competition. NAÏF's product design emphasizes cleanliness and at the same time remains cheerful and children-oriented due to the used pictorials as well as colors. All products are qualified for export to Mexico. Furthermore, NAÏF has to introduce all products with their already existing Spanish names displayed in Figure 39, in order to optimally target the Mexican audience. As NAÏF is already active on the Spanish market, they are at the disposal of Spanish translations regarding product ingredients and information among others (Fig. 40). However, for NAÏF's marketing activities, linguistic differences regarding the Spanish language spoken in Spain and Mexico have to be taken into account. Moreover, the name NAÏF is pronounceable for Spanish speakers and does not have negative connotations in Spanish.

As mentioned in the competitor analysis, large product sizes are more common on the Mexican market than, for example, on the Dutch market. The majority of NAÏF's competitors on the Mexican market offer their products in different sizes, approximately 200ml to 500ml (Johnson, 2015). NAÏF works with fixed product sizes and their products do not contain more than 200ml (NAÏF: Products, 2015). Initially, product sizes will remain the same on the Mexican market, as the use of small product sizes is part of their high-end positioning (emphasis on exclusivity). However, product adaption regarding, among others, product sizes is not excluded for in a later stage.

In addition, based on the information retrieved from the respondents in the customer analysis, there is a demand for NAÏF's products. As shown in Figure 36 below, the potential Mexican customers are the most attracted by qualitative high, natural-based and nicely scented baby care products, which are key values NAÏF holds on to.



Moreover, 79% of the 19 respondents who are currently buying lower-priced baby care products, indicated to be willing to spend more on qualitative higher baby care products, which clearly is a vital outcome for NAİF. Furthermore, the indirect target audience composed of men and women aged 20–40, who might use the products for themselves, are also interested in the products and are willing to purchase them. The majority of the indirect target audience indicated they do not purchase organic or natural products on a frequent basis, meaning they occasionally do. In addition, 34% of the respondents indicated to buy them on a frequent basis and 8% on a daily basis. In addition, taking into account the high amount of respondents who indicated to have children with a sensitive skin or have a sensitive themselves (Fig. 16), NAİF's products can optimally respond to this situation, as all are based on a mild, natural and allergen free formula, which does not irritate the skin.



Fig.37

Source: NAİF Instagram. (2015, May 25). Retrieved February 11, 2016, from NAİF Instagram Web site: <https://www.instagram.com/p/3G6f3Ko76E/?taken-by=NAİFcare>



Fig.38

Source: NAİF Instagram. (2015, April 15). Retrieved February 11, 2016, from NAİF Instagram Web site: https://www.instagram.com/p/1f_Qff171u/?taken-by=NAİFcare

Spanish translation on products



Fig.39

Source: Products. (2015). Retrieved September 23, 2015, from NAİF baby care web site: <http://es.naifcare.com/#products>

Spanish product names



Fig.40

B. PLACE

As mentioned in the country selection, Mexico City is the appropriate city to start as a foreign startup company. According to the customer analysis, supermarkets, pharmacies and department stores are the most effective and appropriate selling points for the retail of NAÏF's products. NAÏF has to first start selling and promoting their products in high class neighborhoods and at elaborate malls in Mexico City, as here they will most likely find their key audience with a middle or high income that is willing to spend money on an unfamiliar, yet exclusive and qualitative high European brand. NAÏF's initial selling points in Mexico will be based on the following department stores, pharmacies and high-end children boutiques:

- Department stores
 - o Palacio de Hierro
 - o Liverpool and Fabricas de Francia
 - o Sanborns
- Pharmacies
 - o Farmacias Derma
 - o Farmacias San Pablo
- High-end children boutiques and webshops
 - o Petit Monde
 - o Lukiola (webshop)
 - o Pirinolos Polanco
 - o Pachus
- NAÏF's webshop

Department stores

One of the most elegant department stores in Mexico is the “*Palacio de Hierro*” in Polanco (one of the wealthiest neighborhoods in Mexico City). According to —van der Leij — founder of brand BabyNella, the Palacio de Hierro is a suitable place to start, as this department store sells several European high-end brands, and therefore attracts the appropriate target audience (Appendix: Interview 1.) In addition, an introduction per potential selling point is provided:

Palacio de Hierro

The Palacio de Hierro is a department store comparable to Bergdorf Goodman, Harrods and the Dutch Bijenkorf. In November 2015, the Palacio de Hierro flagship store was opened in Polanco. This flagship store is quite different from the rest, as its main target audience is focused on high-end, international

business travellers and tourists (Gollan, 2015). The department store provides a very similar sense of exclusivity and quality NAÏF aims to transfer to its target audience. Therefore, the brand would be an appropriate fit within this department store. There are ten suitable Palacio de Hierro selling points throughout Mexico City, for the retail of NAÏF (Palacio de Hierro en México DF, 2015). In addition, NAÏF should be presented at the Palacio de Hierro's children's department. Competitor Mustela is also available at the Palacio de Hierro. All NAÏF products are suitable for the retail the department store.



Fig.41



Fig.42

Source: *Tiendas / El Palacio de Hierro*. (2016). Retrieved February 1, 2016, from Soy totalmente Palacio de Hierro Web Site: <https://goo.gl/VMfo5A>
Liverpool / Fabricas de Francia

Liverpool and Fabricas de Francia are department stores founded by “*El Puerto de Liverpool*.” El Puerto de Liverpool is a Mexican company that operates department stores directed to the high and middle economic class throughout Mexico. The department stores are located in 56 Mexican cities. Throughout these cities, you can find 70 Liverpool's and 23 Fabricas de Francia (Liverpool y Fábricas de Francia, n.d.). There are 21 Liverpool's in Mexico City (Tiendas Liverpool Mapa, 2015). NAÏF should be presented in the Liverpool children's department. In addition, there are no Fabricas de Francia in Mexico City, as they are situated in other Mexican cities City (Tiendas Fabricas de Francia, 2015). Therefore Fabricas de Francia should be considered as an expansion option whenever NAÏF decides to expand outside Mexico. Competitor Mustela is also available at Liverpool and Fabricas de Francia. In addition, all NAÏF products are suitable for the retail at Liverpool and Fabricas de Francia.



Fig.43

Source: *Fachada de Liverpool Insurgentes*. (2015, January 06). Retrieved February 05, 2016, from Iluminet Web site: <http://goo.gl/uM1nw1>



Fig.44

Source: *Liverpool Polanco Department Store, Mexico City (A.R.E Awards)*. (2011, July 05). Retrieved February 05, 2016, from Retail Design Blog Web site: <http://goo.gl/X6jqV1>

Sanborns

Sanborns is a chain of Mexican department stores, offering products of various domestic and international brands. Throughout Mexico City, there are 31 Sanborns department stores (Tiendas Sanborns México DF mapa, 2015). Sanborns has a special pharmaceutical department; this could be a suitable location for NAÏF. Solely the seven main products will be set available at the pharmaceutical department in Sanborns.

Pharmacies

According to the respondents in the customer analysis, pharmacies seem to be desired / accessible selling points for the retail of NAÏF. In the Netherlands, NAÏF is also available at various pharmacies. For NAÏF it is essential to work with professional pharmacies where solely the best, renowned brands are sold. Farmacia Derma will contribute regarding sales / promotion, and most importantly fortify NAÏF's professionalism and trustworthiness.

Farmacias Derma

Farmacia Derma is a pharmacy that focuses on the dermo-cosmetic market and therefore, solely sells products which are dermatologically tested for example. Derma offers its services in several Mexican cities with more than 50 stores. Farmacia Derma sells the most recognized derma logically tested and qualitative brands such as competitor Mustela. In Mexico City, there are 15 Derma Pharmacies (Sucursales, 2016). Collaborating with Farmacias Derma will enhance NAÏF's trustworthiness and professionalism. Solely the seven main products will be set available for retail at Farmacias Derma.

Farmacias San Pablo

The San Pablo pharmacies are solely situated in Mexico City. Contrary to Farmacias Derma, Farmacias San Pablo does not only focus on dermo-cosmetics, as they offer a large scale of different brands that vary from quality and price. Collaborating with Farmacias San Pablo will enhance NAÏF's brand awareness, as the pharmacies are accessible for different target audiences and intensely present on the Mexican market. They have no less than 30 selling points throughout Mexico City (Farmacia San Pablo en México DF Mapa, 2015). Solely the seven main products will be set available for retail at Farmacias San Pablo.

High-end children boutiques

In order to emphasize quality and professionalism, NAÏF's aims to solely collaborate with high-end children boutiques that offer qualitative high and innovative brands. High-end children boutiques Petit

Monde, Pirinolos and Pachus optimally meet NAÏF's demands and expectations as potential selling points (Fig. 45). This conclusion is based on the information retrieved on their websites regarding among others, the sold brands, appearance and mission / vision of these boutiques. These boutiques are all situated in Mexico City (Petit Monde Facebook, n.d.) (PACHUS España-México Facebook, n.d.) (Pirinolos, 2015).



Fig.45

Source: *Petit Monde Facebook*. (n.d.). Retrieved February 04, 2016, from Petit Monde Facebook
Web site: <https://www.facebook.com/PetitMondeMX>

NAÏF web shop

As previously mentioned in the customer analysis, e-commerce is not that accepted / developed in Mexico. Therefore NAÏF should initially focus on in-store sales. However, this does not imply e-commerce should be excluded; therefore a Mexican web shop should be created. After significant brand awareness is obtained through the in-store selling points, web shop orders will slowly emerge.

C. PRICE

Based on the information retrieved in the customer analysis and competitor analysis, NAÏF's prices are most likely too high regarding the potential Mexican customer and NAÏF's competitors on the Mexican market. In order to obtain significant sales rates and optimally compete on the Mexican market, NAÏF is forced to lower its prices. In order to calculate NAÏF's retail price in Mexico, NAÏF firstly has to arrange a price deal with the distributor regarding the selling price. In order to still obtain reasonable profit, NAÏF will not sell its products to the distributor for a lower price than €2.50. As NAÏF solely exports its products ex-works, all costs and risks of the exportation and transportation of the products are for the distributor (NAÏF, 2015). Therefore, the distributor will be responsible for setting the eventual retail prices. Figure 46 displays a recommended landed cost price and retail-price calculation for the distributor.

In addition, the price strategy of the calculation is competitor, geographic and value added based. Meaning the current managed prices by the competition (competitor based), Mexico as a country regarding purchase power (geographic based) and profit margins for NAÏF, the distributor and the retailers (value-added based) are taken into account for the calculation of a realistic retail price. Moreover, freight and duties as well as Mexican tax are also included (Tarifa de la Ley de los Impuestos Generales de Importación y de Exportación , 2015). In addition, the calculation (Fig. 46) and the retail prices displayed in Figure 47 are solely recommendations, yet based on realistic and actual numbers retrieved from, among others, an interview with one of the NAÏF founders — Mr. Trompetter — (Appendix: Email 4.). The NAÏF prices have to be the same at every store; therefore the distributor has to produce a fixed price list, including all products. A recommended price list is displayed in Figure 47.

Recommended price calculation based on all 10% duties NAÏF products

NAÏF production	€	2.00	
NAÏF margin	€	0.50	25%
EXW Selling-price NAÏF	€	2.50	
Freight, insurance	€	0.24	
Incl freight	€	2.74	
Duties	€	0.27	10%
Landed cost price	€	3.01	
Wholesale margin	€	1.29	30%
Wholesale sales price	€	4.31	
Retail margin	€	2.87	40%
Retail sales price IVA excluded	€	7.18	
IVA	€	1.15	16%
Retail price	€	8.32	

Fig.46

Recommended retail prices per product.

Product	Product code	% IVA	% Duties	Price in € NL	Price in € according Fig. 36	Recommended retail Price in €
Shampoo	330510	16	10	€9.95	€8.32	€9.00
Wash gel	340120	16	15	€9.95	€8.70	€9.00
Body Lotion	340120	16	15	€14.95	€8.70	€9.00
Diaper Cream	330499	16	10	€12.95	€8.32	€8.50
Baby Oil	330499	16	10	€15.95	€8.32	€8.50
Bath Oil	330499	16	10	€14.95	€8.32	€8.50
Nurturing Cream	330499	16	10	€14.95	€8.32	€8.50

Fig.47

NAÏF's distributor in Mexico will be responsible regarding promotion and promotion costs. The distributor's budget regarding promotion in Mexico is unknown. Despite the unknown budget, this section will present the most essential and effective promotion tools NAÏF would like the distributor in Mexico to use. In addition, NAÏF will also solely collaborate with a distributor with sufficient financial capital who is capable to conduct the presented marketing tools described in this section.

Social media

At the moment, social media is one of NAÏF's most effective and efficient promotion tools: Facebook, Instagram, YouTube, Twitter and LinkedIn. Regarding the information obtained from the respondents in the customer analysis, the majority of the 115 respondents use Facebook, followed by YouTube, Instagram, Twitter, Snapchat and WhatsApp (Fig. 22). Furthermore no less than 47% of the 115 respondents indicated to have bought a product or service based on having it seen many times on social media (Fig. 24). Therefore, it is evident NAÏF's distributor should continue using social media as a promotional tool on the Mexican market.

Facebook and Instagram

The social media content NAÏF will share with their Mexican followers will be based on informative content (ingredients e.g.), references to their other social media channels, collaboration updates and news regarding PR, selling points and products. NAÏF has been organizing promotional activities in the Netherlands such as giveaways with other high-end concept brands. For example, NAÏF has collaborated with one of their retailers in Spain: Bebitus. The collaboration resulted in a promotion that provided Bebitus customers a free NAÏF Travel Kit at every purchase higher than €20.00. This type of promotion is very effective whenever entering a new market, as it will increase brand awareness. In Mexico similar collaborations with retailers like, for example, Palacio de Hierro should be implemented. Furthermore, giveaways are other promotional tools that provide brand awareness, activity and increase of followers on NAÏF's social media accounts in Mexico.



Fig.48

Source: NAÏF. (2015, May 06). *NAÏF Facebook Motherday post*.
Retrieved from NAÏF Facebook Web site: <https://goo.gl/wiKezy>

An example of an effective giveaway is displayed in Figure 48. This is collaboration between NAÏF and the Dutch retailer, Soap Treatment Store. NAÏF has shared this publication on Facebook on the 6th of May 2015: just a few days before Mother's day. In collaboration with Soap Treatment Store they were raffling two facial treatments. In order to be considered as a winner, Facebook followers had to like Soap Treatment Store (brand awareness and new followers for Soap). In addition, Soap's Facebook publication indicated their followers to like NAÏF (brand awareness and new followers for NAÏF). Another requirement the Facebook followers had to satisfy in order to be considered, was tagging (mentioning) a friend they would like to take with them. Naturally this friend could become a potential new customer for both NAÏF and Soap. The publication was a success, as it obtained 107 likes, 151 comments and 3 shares on Facebook. The promotion was also conducted on Instagram. This giveaway-marketing tool through Facebook and Instagram should also be used in Mexico. They could arrange giveaways with children boutique store Petit Monde among others, as they together will fortify European allure. They could consider raffling a high-end Petit Monde product in combination with NAÏF products.

Promotions through social media in general is free. NAÏF already has a Facebook page where they can specifically target their followers based on language and country of origin among others. Therefore, NAÏF can share Spanish publications, which will solely be available for the Mexican target audience. In addition, whenever NAÏF would like to target Facebook users who have not liked their page yet or boost a publication in order to increase the audience reach, costs will be charged. Boosting a publication could cost solely €9.00 (per day) and lead to 5,100 – 14,000 reached people (Facebook, 2016). NAÏF makes frequent use of sponsored advertisement through Facebook, in order to reach out to potential new followers / customers and gain brand awareness (NAÏF, 2015). Regarding the Mexican market, it is essential to invest on obtaining followers on Facebook first; as this will be the key to brand awareness. Therefore, during NAÏF's first year on the Mexican market it is recommended to run a continuously campaign that will be active for approximately half a year. This campaign will be an introduction advertisement that will show up at Facebook users' wall who do not know NAÏF yet, but fall in the potential NAÏF target audience. In addition, according to Figure 49 this continuous six month

Location: Mexico

Age: 18 - 65+

BUDGET AND DURATION

€182.00

Estimated People Reached ⓘ

84,000 - 220,000 people of 33,000,000

Refine your audience or add budget to reach more of the people that matter to you.

Duration ⓘ

Run this ad until 8/18/2016

You will spend €1.37 per day.

Warning: The minimum budget is €1.00 per day, so your budget needs to be at least €182.00.

Fig.49

advertisement will minimally cost €182.00. In addition, as most likely additional advertisements on Facebook will be executed, a total budget of €250.00 for social media promotion is estimated.

Public Relations Agency

NAÏF collaborates with several PR agencies worldwide. In The Netherlands they have been working with two PR agencies: Ganbaroo in Amsterdam and byBOOW PR agency in Amstelveen (NAÏF in de media & pers, n.d.). These PR Agency help NAÏF to get featured in market related magazines and send out press releases. In The Netherlands, NAÏF has been featured various times in Dutch Fabulous Mama and Vogue magazine among others. Each time NAÏF gets featured in successful magazines, brand awareness increases. NAÏF also makes use of celebrity marketing, by sending products as a gift to a famous celebrity in the hope the celebrity mentions NAÏF's products in the media. In the Netherlands they have reached great publicity when they got featured in the Dutch Vogue together with supermodel Doutzen Kroes, who revealed to use NAÏF for her children. On the Mexican market NAÏF's distributor could consider collaborating with PR agency: Another Company. This agency is located in



Fig.50

Source: Joint Communications. (2010, April 28). Retrieved February 12, 2016, from Joint Communications Blogspot Web site: <http://goo.gl/zhU2mK>



Fig.51

Source: Padres e Hijos Mexico. (n.d.). Retrieved February 12, 2016, from Padres e Hijos Web site: <http://www.padresehijos.com.mx/>



Fig.52

Source: Revista de febrero. (2016). Retrieved February 12, 2016, from bbmundo Web site: <http://goo.gl/Oo5YrR>

Mexico City. In 2015 Another Company won world's biggest PR awards SABRE twice. In addition, they currently work with international brands such as Heineken and Calvin Klein; thus are experienced regarding working with international brands (Nuestro Trabajo, 2016). Another Company eventually should get NAÏF featured in big Mexican magazines such as Vogue, Hola and ELLE Mexico. However, they might start with smaller and cheaper Mexican magazines such as Padres e Hijos (Padres e Hijos Mexico, n.d.) and BBmundo (Revista de febrero, 2016). The costs regarding working with a professional PR Agency can vary from €1,000 to €13,000 per month, whereas promotional PR activities occur each

month (The Cost of PR Activities and Hiring a PR Agency, 2016). The estimated costs for PR in the Netherlands are approx. €1,300 a month (press releases / magazine features). The distributor in Mexico will most likely have similar costs regarding PR in Mexico; therefore €1,300 will be the estimated costs per month regarding PR in Mexico as well.

Partnerships

Promotion for NAÏF also includes right partnerships. In the Netherlands they have been collaborating with Mom in Balance (an organization specialized in workouts for mothers and pregnant women), several Dutch hospitals such as the Bronovo and Jeroen Bosch hospital, day care center Kinder Garden and dermatologist E. Brenninkmeijer among others (NAÏF: Partnerships, 2015). At the hospitals, NAÏF's products are among others used at the maternity ward. In Mexico NAÏF should also consider partnerships with hospitals located in Mexico City. In Mexico you can find private and public hospitals. In comparison with public hospitals, private hospitals in Mexico provide faster, more developed, yet expensive service. This service provides the hospitals clients a sense of exclusivity (Rubinstein, 2010). As the majority of NAÏF's target audience in Mexico is based on the population with a middle or high income who value quality, NAÏF will mostly find its target audience at private medical institutions. NAÏF can be used at the maternity wards of the following private hospitals among others: Hospital Angeles and Centro Medico ABC Santa Fe (Institucion ABC, 2014) (Hospitales Angeles Atencion Medica, 2016). Partnerships with these hospitals will provide brand awareness as NAÏF will be used on all newborns and parents will associate the use of NAÏF at these private hospitals with professionalism and quality. Furthermore, NAÏF can consider a partnership with Dutch entrepreneur Annette van der Leij. She represents qualitative, high-end, European brands such as Snooze Baby and Esthex (Appendix: Interview 1.). She is among others in the possession of interesting contact persons and selling points: essential information for NAÏF. Besides, a collaboration between NAÏF and Annette in Mexico will fortify their European strength and quality.

In-store / web shop promotion

All the NAÏF retailers in Mexico will be provided with essential information about NAÏF (ingredients, history e.g.) and promotional materials (photos and texts for online marketing purposes e.g.). This will give them the ability to sell NAÏF in a professional way, and optimally inform its customers about the brand. Furthermore, NAÏF should offer discount coupons on the Mexican market. Together with every online placed order, customers will receive a coupon which allows them a €4 (70 MXN pesos) discount on their future online orders. The discount keeps sales going, as it makes future purchases more accessible and tempting for the customers. Similar discounts can always be discussed and implemented

with NAÏF's selling points in Mexico. Lastly, all online placed orders should include a personal hand-written note based on whether the customer is a new or frequent customer and whether the order is a present or not.

E. PRESENTATION

NAÏF has a brand image based on quality, health, innovation and design, which naturally they have to maintain and show on the Mexican market. In order to maintain and fortify their reputation, they should make use of all presentation opportunities possible. The distributor can, among others, optimally present NAÏF at local fairs in Mexico City such as EcoFest. EcoFest is a yearly event organised in Mexico City based on sustainability and represented by eco-friendly baby care brands among others (EcoFest, 2015). At this fair NAÏF can optimally attract its conscious target audience by emphasizing their innovative, natural and qualitative strength.

EcoFest 2015



Fig.53

Source: Editores. (2015, March 16). *Llega la sexta edición del EcoFest.*

Retrieved February 15, 2016, from Estar Bien tips Web site: <http://goo.gl/0QszyB>



Fig.54

Source: IMÁGENES DE ECOFEST 2015. (2015). Retrieved

February 15, 2016, from Ecofest Web site: <http://goo.gl/IazTZS/>

In The Netherlands, NAÏF yearly attends the “Negenmaandenbeurs”, a fair especially focused on expecting and (new) parents. This fair provides a large scale of brands, products and services parents and parents-to-be will be needing, such as baby care products, baby clothes, strollers. In Mexico, a similar fair is organized every year: Expo tu Bebé y Tú. This year, Expo tu Bebé y tú is held from 18 February till 21 February 2016 at the World Trade Center in the very center of Mexico City (Expo tu Bebe y Tu, 2016). Another (new) parents-oriented fair is Expo mi Bebé, which is also held every year at the World Trade Center in Mexico City on 5-6 September (Expo Mi Bebe, 2016). Lastly, another

interesting fair for NAİF is the yearly Expo Mi Bebé y Yo, which is yearly held on 15-17 May at the Banamex Center in Mexico City (Expo Mi Bebe y Yo, sd).

Expo tu Bebé y Tú



Fig.55

Source: *Detrás de cámaras en Expo tu bebé y tú*. (2014, October 14). Retrieved February 15, 2016, from Youtube Web site: <https://goo.gl/CG4tzN>

Expo Mi Bebé y Yo



Fig.56

Source: *Expo Outlet Mi bebé y yo Mayo 2013*. (2013, August 13). Retrieved February 15, 2016, from Youtube Web site: <https://goo.gl/wf5JDh>

Furthermore, the distributor in Mexico or and his potential agent should be present at the department stores retailers several times a year. This allows them to promote and present NAİF directly to the target audience. Customers might purchase a product faster whenever they had direct contact with a brand representative, as being personally informed about a brand and its products has more impact on customers than regular online promotion. Furthermore, having the representatives presenting and promoting NAİF at the department stores will draw the visitors' attention, leading into brand awareness even though they might not purchase NAİF.

In addition, NAİF's distributor, retailer and sales-agent(s) (representatives) in Mexico should be optimally informed about NAİF regarding ingredients, selling points, and promotions among others. The service has to be the as professional as in The Netherlands. This means customer service should be personal, accurate, prompt and friendly. Whenever a customer places an order online, the distributor or his sales-agent(s) will include a hand-written note. Whenever the customer's order is a gift, the order will be nicely wrapped. Retailers must present the products on a special NAİF display (Fig. 57) and damaged products cannot be present on the shelves nor be sold.

Overall, regarding presentation NAÏF should focus on:

- Fairs
 - o Expo Tu Bebé y Tú
 - o Expo Mi Bebé
 - o Expo Mi Bebé y Yo
 - o EcoFest
- Department stores
 - o Palacio de Hierro
 - o Liverpool
- Service
 - o Personal approach
 - o Skilled / trained personnel
 - o Accurate and fast customer service

Fig.57



Source: NAÏF. (2015). *NAÏF Quality Baby Care Report*. The Hague. Retrieved September 23, 2015

F. PHYSICAL DISTRIBUTION

As mentioned before, regarding incoterms, NAÏF will export its products Ex Works: all transportation and exportation costs are for the distributor. The products will be transported by truck from NAÏF's distribution center in Amsterdam to the Rotterdam harbor. From the Rotterdam Harbor products will solely be shipped by maritime transport to the harbor of Veracruz. The Harbor of Veracruz is the most convenient Harbor for NAÏF due to distance and the harbors location relative to Mexico City. The harbor of Veracruz is situated at Mexico's east coast on the Atlantic Ocean. Regarding travel distance it will take 15 days to transport the goods from Rotterdam to Veracruz (SeaRates Rotterdam veracruz, 2016). As Veracruz is located relatively close to Mexico City. The transportation by truck from Veracruz to Mexico City will take up to approximately four hours and a half. (Google Maps Veracruz - Ciudad de Mexico, 2016) Figure 58 below provides an export overview.

NAÏF's transportation overview EX-Works Amsterdam – Mexico City

	Type of Transport	Estimated Duration
Amsterdam - Rotterdam	Road Transport (truck)	1.5 hours
Rotterdam - Veracruz	Maritime Transport (ship)	15 days
Veracruz – Mexico City	Road Transport (truck)	4,5 hours
Total		15 days and 6 hours

Fig.58

Needless to say, NAİF's distribution center has to be nearby Mexico City, as from there stock will be divided into retail orders from the retailers in Mexico City. As the export duration is high, it is recommended that the distributor in Mexico places high volume orders. Naturally, the distributor should always be in possession of sufficient stock. In addition, NAİF will solely collaborate with a distributor who has great knowledge, experience, financial capital and connections / contact persons regarding the Mexican market. Whenever NAİF decides to enter a new market, NAİF aims to enter on large scale regarding sales volume and number of selling points. They have been working on large scale in England, Spain and Hong Kong among others (NAİF, 2015).

In addition, before collaborating with a new distributor, NAİF demands a professionally elaborated and detailed proposal from the distributor. Whenever the proposal meets NAİF's criteria, several (Skype) meetings will be arranged. Based on the distributor's proposal and the outcome of the (Skype) meetings, both parties can either engage in a collaboration or decide to discontinue. At the moment, NAİF solely collaborates with one distributor per country; therefore in Mexico they will continue this method. For NAİF the communication between them and the distributors is extremely important. They communicate through e-mail, telephone and once in a while plan a visit with their distributors. The same communication techniques apply for NAİF and the distributor in Mexico. Moreover, whenever the distributor requires help regarding for example, promotional material or other documents, assistance is provided by NAİF.

Regarding safety, it is extremely important NAİF's distributor works with a fixed customs-agent, as corruption is able to affect export due to theft and / or customs-frauds. Nevertheless, corruption remains beyond the distributor's control.

G. PEOPLE

As mentioned before NAİF's representatives in Mexico have to be skilled, experienced and trained. It is important they optimally understand the lifestyle and values NAİF aims to transfer, yet also understand the Mexican customer and business culture. Therefore, they have to be a switch between both. Sales in Mexico is performed differently than in The Netherlands, as for example, the majority is based on consignment sales and the business culture is less direct / quick. This is exactly why NAİF has to collaborate with a skilled Mexican distributor with sufficient knowledge and skills regarding the Mexican market, yet has a European background.

H. POLITICS

As mentioned in the industry analysis, exports between Mexico and the EU has been facilitated since they both have signed the Free Trade Agreement (Countries and regions > Mexico, 2015). However, at the Mexican border the importation of “Essential oils and resinoids; perfumery, cosmetic or toilet preparations” (shampoo e.g.), includes a 10% tariff and 16% tax; financial regulations NAÏF has to meet (Tarifa de la Ley de los Impuestos Generales de Importación y de Exportación , 2015). Furthermore, according to founder of brand BabyNella (Appendix: Interview 1.), in Mexico everyone can claim and register a business name. Therefore, NAÏF should register their name as quickly as possible. Moreover, most personal care products do not need to perform complicated procedures of registration regarding health authorities, except product codes 3306.10.01, 3306.90.99 and 3307.90.99, who do need a prior import permit by the Mexican Federal Commission for Protection against Sanitary Risks (Ledo Mogena, 2013). Nevertheless, none of NAÏF’s products fall under the 3306 and 3307 product code (NAÏF, 2015). In addition, all imported cosmetics require a prior health authorization by the Mexican Ministry of Health (Ministerio de Comercio, 2007).

5. FINANCIAL ANALYSIS

5.1 PAYMENT & DELIVERY

As mentioned in the export marketing mix price section, NAÏF will be selling its products at a minimum of €2.50 per product and exporting its products Ex Works, meaning all transportation risks and costs will be for the importer. NAÏF's distributor in Mexico will have to place large volume orders due to shipping distance, duration and the needed stock for selling points. Therefore, the invoice will be high and naturally payment agreements must be made. Payment is mostly executed through one of the following four instruments:

Type of Payment	Description	Fig.59
1. Letter of Credit	High security level for both the exporter as the importer. The importer the transfers the invoice amount to his bank before delivery has occurred. The bank transfers the invoice amount to the exporter whenever the products are being offered and meet with the credit terms and conditions. Cons: as it is an extensive process it acquires time.	
2. Documentary Collection	Mostly used when it is the first collaboration between exporter and importer or there are potential risks involved. Payment takes place whenever NAÏF's bank offers the payment documents to the importer's bank. Delivery of goods solely takes place after the invoice is paid. Payment through a DC is simple, fast and cheaper than via a LC.	
3. Cash-in-Advance	Exporter avoids risks as payment occurs prior to delivery. Can lead into distrust of importer. However, it is the simplest, fastest and cheapest form of payment.	
4. Open account	Importer avoids risks as payment occurs after delivery. Can lead into distrust of exporter. This type of payment is normally used after previous collaborations between importer and importer; trust level is high.	

Source: Veldman, H. (2012). *Zo maak je een exportplan*. The Hague: Noordhoff Uitgevers bv. Retrieved September 23, 2015

According to an interview with founder of NAÏF — Mr. Trompetter — (Appendix: Email 2.), NAÏF mainly makes use of the cash-in-advance payment; the distributors pays before the products get shipped Ex Works. This method of export and payment ensures low costs and generates profit for NAÏF. The cash-in-advance payment is the easiest and most used international form of payment, especially for startup companies. In addition, in order to provide all distributors with restock, NAÏF also has to be in the possession of sufficient stock; this affects their liquidity. As mentioned in the export marketing mix physical distribution section, NAÏF's products will be transported by road transport (truck) and maritime transport (boat). Naturally, risks are always present when exporting and entering a new market. Besides the fact that Mexico suffers from political instability due to corruption, drug-problems and criminality among others, Mexico also frequently experiences natural disasters. Every year hurricanes and earthquakes damage Mexico on an economic and humanitarian level. Based on the combination of these potential risks, the distributor in Mexico should consider taking an export credit insurance. The export credit insurance reduces the risk of non-payment by the distributor, which in the case of NAÏF is not

relevant, as payment will take place prior to delivery. However, the export credit insurance also covers country risks, including political risks and natural disasters; potential risks the distributor in Mexico will face (Veldman, Soorten exportkredietverzekeringen, 2012). Regarding costs, taking an export credit insurance varies from country to country, as it depends on the country's (in this case Mexico's) risk assessment (15. Premie, 2015). Therefore, it is recommended the distributor consults a Mexican insurance company in order to obtain information regarding export credit insurances in Mexico.

5.2 DATA & FINANCIAL PROJECTIONS

NAÏF has been growing internationally in the past three years. In the Netherlands NAÏF has over 200 selling points and NAÏF has selling points intercontinentally. Therefore, according to founder Mr. Trompetter, NAÏF is financially capable to export its products to new markets. In fact, export provides NAÏF the growth they strive for. Moreover, regarding financial data, NAÏF cannot openly publish their financial figures / situation (Appendix: Email 3.).

A. MARKET SHARE

Regarding financial projections based on the Mexican market, NAÏF aims to obtain a minimum turnover of €500,000 in five years (Appendix: Email 3.). In 2014 the Baby and Child-specific market amounted 6.5 billion Mexican pesos (Fig. 61). From 2009 to 2014 the growth rate regarding this market was 33.1% (Fig 60). Assuming that this growth will persist, the Baby and Child-specific market will amount 9.5 billion pesos in 2021. NAÏF aims to obtain a minimum turnover of €500,000 per five years, which is 10.5 million MXN pesos. Based on the value of the Baby and Child-specific market in 2021, NAÏF' will obtain a market share of 0.1% in 2021 ($10.5 / 9,500 \text{ million} * 100$).

Sales of Beauty and Personal Care by Category: % Value Growth 2009-2014

% current value growth	2013/14	2009-14 CAGR	2009/14 Total
Baby and Child-specific Products	3.5	5.9	33.1
Bath and Shower	5.1	6.2	34.9
Colour Cosmetics	4.6	5.6	31.1
Deodorants	6.9	8.1	47.4
Depilatories	6.2	10.1	61.7
Fragrances	0.9	4.1	22.4

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Fig.60

Sales of Beauty and Personal Care by Category: Value 2009-2014

MXN bn	2009	2010	2011	2012	2013	2014
Baby and Child-specific Products	4.9	5.3	5.7	6.0	6.3	6.5
Bath and Shower	7.3	7.3	8.3	8.9	9.4	9.9
Colour Cosmetics	12.3	13.2	14.0	14.8	15.5	16.2
Deodorants	6.4	7.1	7.6	8.2	8.8	9.4
Depilatories	0.6	0.7	0.8	0.9	0.9	1.0
Fragrances	14.8	15.8	16.5	17.6	18.0	18.2

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Fig.61

Source: Euromonitor. (2015). *BEAUTY AND PERSONAL CARE*. Passport.

B. PROFIT NAİF

In addition, in order to obtain a minimum turnover of €100,000.00 per year, NAİF has to sell 40,000 products to the distributor in Mexico (100,000/€2.50). However, as per each product €2 is used for production, their profit on 40,000 sold products amounts: €20,000 per year (€100,000 - €80,000). Further costs regarding export, transport, promotion etc. are all for the distributor. According to Figure 65, the expected sold products for the distributor amounts to 40,476 units per year. Based on this expectation, the distributor will purchase more than 40,000 products per year, thus NAİF will obtain the minimum turnover of €100,000.00 per year or more in NAİF's initial stage on the Mexican market.

NAİF production	€	2.00	
NAİF margin	€	0.50	25% Profit NAİF
EXW Selling price NAİF	€	2.50	
Freight, insurance	€	0.24	
Incl freight	€	2.74	
Duties	€	0.27	10%
Landed cost price	€	3.01	
Wholesale margin	€	1.29	30% Profit distributor
Wholesale selling price	€	4.31	
Retail margin	€	2.87	40% Profit retailer
Retail sales price IVA excluded	€	7.18	
IVA	€	1.15	16% Tax
Retail price	€	8.32	

Fig.62

C. PROFIT AND BREAK-EVEN DISTRIBUTOR

The costs for the distributor are based on five areas: promotion, export, storage and personnel. Generally, export, storage and transport costs are already covered in the landed cost price. In order to calculate a realistic break-even point for the distributor, an overview of the remaining fixed costs is provided in Figure 63 below, and further explained / supported in the cost calculation section on page 71.

	Estimated costs per month EUR	Estimated costs per year EUR
Promotion (fairs/marketing/ Facebook)		€ 21,394
Personnel (agent)	€ 550	€ 6,600
TOTAL		€ 27,994

Fig.63

The distributor's break-even point, is based on the following calculations (Rustenburg, 2007):

Break even turnover = break even sales * selling price

$$\text{Calculation break-even sales} = \frac{F}{S - V}$$

F = Fixed costs

S = Selling price per item

V = Variable costs per unit

S – V = Contribution margin (remaining amount per product to cover fixed costs).

Therefore:

$$\text{Break-even sales} = \frac{€27,994}{€4.31 - €2.74} = €17,831$$

F = €27,994

S = €4.31

V = €2.74

S – V = €4.31 – €2.74 = 1.57

Break even turnover = €17,831 x €4.31 = €76,851

In conclusion, whenever the distributor sells 17,831 products per year and therefore has a turnover of €76,851 per year, neither a profit nor loss is made. Whenever sales per year exceed 17,831 products, the distributor obtains profit.

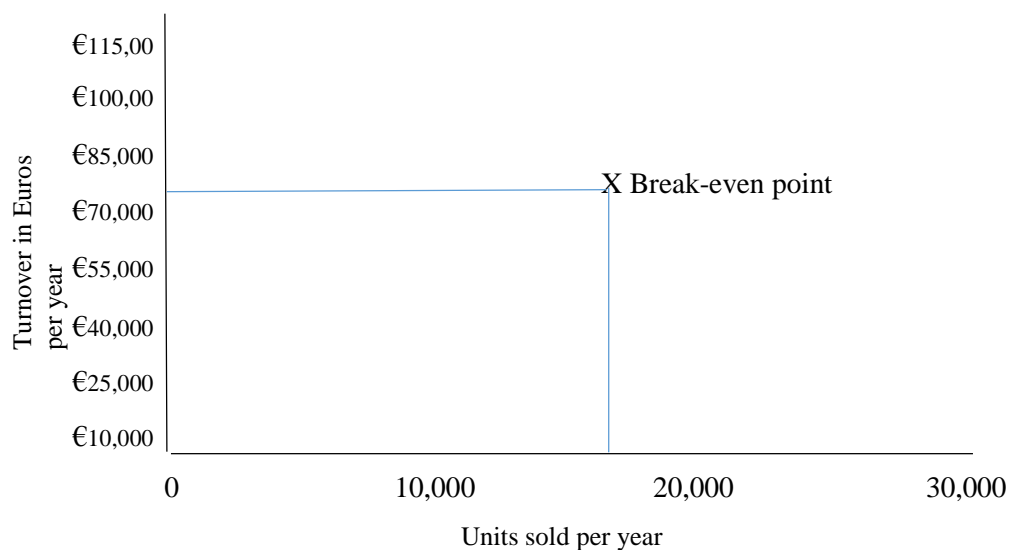


Fig.64

In addition, a calculation based on full-distribution (all selling-points described in the marketing mix are acquired), is created in order to project the expected turnover in the first year (Fig. 65).

Market potential

Selling points:	Number of stores in Mexico City	Expected sold products per month per store.	Expected sold products per month in all stores	Expected turnover per month EUR	Expected turnover per year EUR
Palacio de Hierro	10	40	400	€ 1,724.00	€ 20,688.00
Liverpool	21	35	735	€ 3,167.85	€ 38,014.20
Sanborns	31	32	992	€ 4,275.52	€ 51,306.24
Farmacias Derma	15	28	420	€ 1,810.20	€ 21,722.40
Farmacias San Pablo	30	25	750	€ 3,232.50	€ 38,790.00
Petit Monde	1	20	20	€ 86.20	€ 1,034.40
Lukiola Web shop	1	8	8	€ 34.48	€ 413.76
Pirinos	1	20	20	€ 86.20	€ 1,034.40
Pachus	1	20	20	€ 86.20	€ 1,034.40
NAÏF webshop	1	8	8	€ 34.48	€ 413.76
TOTAL	112	236	3,373	€ 14,537.63	€ 174,451.56

Fig.65

The expected sold products in Mexico are based on NAÏF's experiences regarding entering new markets. NAÏF will probably sell half the number of products they currently sell in the Netherlands per selling point. According to Figure 65, the total expected products sold per year amounts to 40,476 units ($3,373 \times 12$), resulting in a turnover of €174,452 per year ($40,476 \times €4.31$).

D. COSTS CALCULATION

In this section an explanation of the distributor's costs on the Mexican market is provided.

Promotion

Promotion costs includes Facebook, PR and fairs among others. Figure 66 provides a cost overview regarding these three promotion tools. Based on the findings retrieved from the export marketing mix promotion section, promotion conducted through Facebook will approximately cost €250 per year and hiring a PR agency will approximately cost €1,300 a month. According to an interview conducted with employee Kara Mejia who is responsible for the customer service regarding Expo Tu Bebé y Tú (Appendix: Email 5.), the participation in fair Expo Tu Bebé y Tú, costs €2,772. In addition, as NAÏF must first gain brand awareness in Mexico, it is recommended to attend two fairs a year. Therefore, taking €2,772 as an estimation for the participation fee at fairs, €5,544 ($€2,772 \times 2$) will be the costs for the distributor regarding fairs. The total costs regarding Facebook, PR and fair amounts €21,394 per year.

Promotion tool:	Estimated costs per month EUR	Estimated costs per year EUR
Facebook		€ 250
PR	€ 1,300	€ 15,600
Fairs		€ 5544
TOTAL		€21394

Fig.66

Personnel

In order to optimally start in the Mexican market, NAİF's distributor has hire a sales-agent who helps acquiring selling points and enhance sales. Naturally, the distributor has to provide him with a monthly salary. According to Mexican insurance company GNP, the monthly salary of a sales-agent in Mexico amounts 11,000 MXN pesos (Agente de Ventas Comisionistas, 2016), which equals to €550. Thus, on a yearly basis, the distributor will pay the sales-agent €6,600 ($€550 \times 12$).

Export

Export / transport costs are already covered in the landed cost price. However, according to NAİF's annual report, shipping one pallet containing 2500 products costs €600 (NAİF, 2015) (Appendix: Excel 2.). In addition, 17 pallets are needed in order to ship all 40,476 expected products sold products ($38,064/2500$). Therefore the total export costs are €10,200 (16×600).

CONCLUSION & RECOMMENDATIONS

The results of the strategic export marketing plan has helped answer the research question: *“How can NAÏF Baby Care enter the Mexican market successfully?”*

According to the results and especially the customer analysis, there is a definite demand for qualitative high-end baby care products. The findings in this report indicate that the eco-friendly and natural-based market is emerging in Mexico. From the 53 parents interviewed in the customer analysis, 83.3% find quality in a baby care brand the most important. This is followed by 51.9% of the parents who find the use of natural and organic ingredients in baby care products important. This outcome is vital for the success of NAÏF in Mexico, and further indicates that NAÏF is able to meet the target audience’s wants and needs. In fact, the Mexican market has already successfully been penetrated by other natural-based European brands such as Mustela. Mustela is currently the leading brand with regards to the natural-based baby care market in Mexico. Moreover, regarding differentiation, the results of the competitor analysis show that the combination of NAÏF’s quality, design, service and European origin is the key to differentiation on the Mexican market, and thereby the company’s most powerful key to success. In addition, the calculations made in the financial analysis, show that the Mexican market can lead to interesting financial outcomes for NAÏF, as well as for the distributor. Based on the expected sold products, NAÏF will obtain their minimum required turnover and the distributor will exceed the calculated break-even point; thus also make profit. In addition, the calculation is based on the initiating phase of NAÏF in Mexico, therefore sales and turnover numbers will most likely increase within years. Furthermore, as NAÏF aims to further expand on the Latin American continent, Mexico will be the company’s gateway to the rest of Latin America.

However, despite the fact there is a definite chance for success on the Mexican market, exporting NAÏF to Mexico is only feasible and potentially successful provided that (recommendations):

- ❖ Entering the Mexican market starts with Mexico City.
- ❖ Products will be shipped from the Rotterdam harbor to the harbor in Veracruz.
- ❖ Modern and conscious parents or parents-to-be aged 24–38 with a middle or high income living in Mexico City, become NAÏF’s initial target audience in Mexico.
- ❖ High-end department stores, children boutiques and pharmacies are used for the retail of NAÏF’s products, as they attract NAÏF’s target audience.

- ❖ NAÏF possesses a prior health authorization by the Mexican Ministry of Health.
- ❖ NAÏF registers the company name in the Mexican market.
- ❖ NAÏF lowers the Ex Works selling price to €2.50, as the retail price in Mexico is value-added, costs-added, geographic and competitor based. An Ex Works selling price of €2.50 can provide significant profit for NAÏF and the distributor as well as it can ensure that the retail price remains feasible for the Mexican market.
- ❖ NAÏF's distributor on the Mexican market is experienced, professional and has the proper contact persons regarding business and high-end selling points on the Mexican market.
- ❖ NAÏF's distributor is willing to work with a customs-agent, sales-agent and on the basis of consignment sales.
- ❖ NAÏF's distributor has the financial capacity to continuously maintain sufficient stock for the Mexican retailers and customers, promote NAÏF on the Mexican market and pay his personnel (sales-agent). In addition, regarding local transport the distributor might consider to close a deal with his retailers regarding costs.
- ❖ Continuous promotion is implemented in order to gain brand awareness and sales on the Mexican market. Promotion includes collaborations with local bloggers, dermatologists and popular brands, as well as the use of social media and the participation at fairs.
- ❖ The health of children obtain emphasis by informing the target audience about potential harmful ingredients and the benefits NAÏF provide with its natural-based formula.
- ❖ European quality, design and service remain the same and require focus, as they are the key to differentiation with respect to the competition on the Mexican market.
- ❖ Product information is available in Spanish.
- ❖ Production remains in The Netherlands, as it assures same quality and provides exclusivity.

In addition, naturally entering the Mexican market will include barriers and problem fields for NAÏF and the distributor. One of these barriers is the corruption in Mexico. Corruption is an extremely difficult barrier to handle, as it is uncontrollable. There is a great chance corruption can affect export due to theft and / or customs-frauds. As mentioned in the recommendation, NAÏF's distributor can defend himself by establishing a trustworthy partnership with a Mexican customs-agent and hiring a lawyer. In addition, if possible, the distributor should consider making use of insurance policies regarding theft and potential country risks. These country risks include political risks and natural disasters. In addition, the lack of financial capacity is a barrier for NAÏF regarding the export to Mexico, as lowering their Ex Works price to €2.50 does not provide them the profit margin they usually work with. Naturally, this means NAÏF will initially not gain the profit they are currently used to from the Mexican market. According to the

calculation presented in the financial analysis which is based on the expected sold products in the first year, NAÏF will most likely precisely obtain the indicated minimum turnover of 100,000 per year. This calculation is based full-distribution (all selling points described in the marketing mix are calculated). Naturally, there is a risk not all selling points will be acquired. However, as the Mexican market is very extended and the number of expected sold products per year is solely based on Mexico City, within years, NAÏF's distributor will probably expand throughout Mexico and number of sales will increase. The low profit margin will remain the same, yet the potential increase in sales will provide NAÏF the significant profit they aim for.

Furthermore, one of the main problems for NAÏF on the Mexican market is the sales on consignment culture. Sales based on consignment means NAÏF's retailers solely pay the distributor the negotiated price margin whenever they actually sell NAÏF's products. This type of business comes with great risks and uncertainty for NAÏF's distributor. Sales based on consignment in combination with the lack of NAÏF's financial capacity requires serious attention and reflection. Hence, it is extremely important NAÏF works with a skilled, experienced and professional distributor who is familiar with the Mexican business culture.

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APPENDIX

Emails, Interviews Questionnaire and Excel

Emails

Email 1. (Translated from Dutch)

November 20, 2015

Sjoerd Trompetter <sjoerd@NAïFcare.com>

Hi Hilda,

I would say the power of suppliers is moderate. We are working with a Dutch (West-European) supplier. There are surely alternative, yet switching is not very easy. On the other side, we are certainly not tied and on long-terms, we definitely have good alternatives regarding suppliers. The supplier we currently work with is a trustworthy company with good prices. That is why we choose them.

Good luck,
Sjoerd

Email 2. (Translated from Dutch)

February 10, 2016

Sjoerd Trompetter <sjoerd@NAïFcare.com>

Hi Hilda,

We make use of payment in advance of the Ex Works delivery. This type of payment ensures profit, as it does not cost us much. However, in order to provide our clients with enough stock we naturally have to stock sufficient products, this does influence our liquidity. We are financially capable to do this and to grow by means of export.

Greetings,
Sjoerd

Email 3. (Translated from Dutch)

February 11, 2016

Sjoerd Trompetter <sjoerd@NAïFcare.com>

Hi Hilda – unfortunately we do not openly publish our financial figures.

The Mexican market is interesting for NAÏF whenever we can obtain a minimum turnover of €100,000 per year.

Greetings,

Sjoerd Trompetter

Email 4. (Translated from Dutch)

February 22, 2016

Sjoerd Trompetter <sjoerd@NAÏFcare.com>

Hi Hilda,

Generally seen, all costs for the Mexican market are for the distributor.

Our EXW sales price indeed is not equal to our profit. Production costs and other possible costs must be subtracted from it. To keep it simple, I would calculate 2 for the product costs and other possible costs. There are few additional costs regarding an EXW sales price. Therefore, The EXW sales price of 2,50 would rather be quite low.

Good luck.

Sjoerd

Email 5. (Translated from Spanish)

January 10, 2016

Karla Mejia <karla.mejia@tubebeytu.com>

Hi Hilda,

Thank you for contacting us.

With pleasure we send you the price for participation in Expo Tu Bebé y Tú, with a stand of 3x3 meters. Whenever you confirm this week, the costs for participation will amount 3,080 dollar.

I will remain alert to your comments and please respond to this email by sending it to my address.

Greetings!

Interviews

Interview 1. (Translated from Dutch)

November 9, 2015

Interview with Dutch Annette van der Lei (importer of Dutch baby brand Snoozebaby and Esthex and founder of BabyNella SRL de CV in Mexico). Living in Leon Guanajuato, Mexico.

Annette van der Lei < clientes@babynella.com.mx >

1. Can you provide me background information about yourself? Nationality, education etc.

I am from the North of The Netherlands (Friesland) and I have studied IBL at the Hanze University in Groningen. During my studies I went on (Erasmus) exchange at the Sup de Co Rennes in France. I did my internship in Valencia, Spain and besides my study I started working as a translator in Spain as well. I lived 5 years in Spain. In 2010 I went to visit my friend in Mexico and decided to stay. Two years ago I started BabyNella in order to introduce and represent Dutch baby brands to/on the Mexican market.

2. You are selling Dutch baby brand Snoozebaby and Esthex in Mexico. Can you tell me a bit more about the vision / positioning of this brand and how long you have been collaborating with Snoozebaby?

Both brands are directed to the mid / high market in the Netherlands. However, in Mexico we decided to position the brands as premium and absolute high-end brands that will solely be available at special children/baby boutiques and concept stores. I have been collaborating with Snoozebaby for two years now and I recently decided to collaborate with Esthex as well.

3. In 2013 you started your own baby brand called BabyNella. Can you tell me what products BabyNella represents and why?

Besides the brands Snoozebaby and Esthex, we also indeed represent the brand BabyNella. The products we make are inspired by all kinds of children (age 0 -10) products you see in Dutch living rooms. In fact, the first sample of a Baby Box is currently in the making; a product that is not familiar on the Mexican market. The SnoozyBaby blankets and cloths fit perfectly in this new Baby Box.

4. What kind of segment does Snoozebaby and BabyNella attract? Where do you find this segment in Mexico?

The highest baby segment. Children of wealthy families that are especially looking for American and European design products/brands that provide high-quality functions.

5. Now in 2015, BabyNella and Snoozebaby have been growing on the Mexican market. Can you tell me about their selling points in Mexico?

We sell our products through boutiques located in fancy neighborhoods in Mexico City. Not all boutiques are as suitable. The boutiques must be in line with our vision and positioning, thus the appearance of the store is very important as we strive to project exclusivity and quality. Boutiques as MamaKaii and Bibiki are examples of boutiques we are pleased to work with. Bibiki for example pays special attention to the children as they have a little playground in their store. You can say we are very critical regarding our retail/selling points. We recently improved our website and adopted a new logo in order to fit into the high-end market even better. Sales through our website is slowly increasing, however e-commerce in Mexico is not as accepted/successful as in The Netherlands yet.

6. *What advantages does BabyNella and Snoozebaby/Esthex have compared to your competitors on the Mexican market? What makes you different from the rest.*

Our biggest competitors are European companies. Thus the same competitors we have in The Netherlands, for example the Belgian company Lilliputiens. Yet I have the idea they are not that big in Mexico as we are yet. Our advantages / strengths lie in our European concept and vision which is new to the Mexican market. Regarding design, you can say Esthex's biggest competitor on the Mexican market is Artmosfera. Yet Esthex differentiates from them by naming their products (dolls) and adding characters / storybooks to them. They so to speak give their products life. Furthermore, the packaging made of recycled materials also is one of their main strengths. The majority of the Mexican children toys are made of plastic, our products are made of textile.

7. *Who are your main competitors in Mexico and what threats are you face from them on the market? Vooral concurrentie uit Europa (lilliputiens, Moulin Roty...), zoals hierboven vermeld. Met een goede website, uitstekende klantenservice, direct contact met de winkels en target marketing proberen we ons te onderscheiden.*

The majority of the competitors are European companies (lilliputiens, Moulin Roty e.g.) With our website, excellent customer service and accessible direct communication towards our selling points, we try to differentiate ourselves from them.

8. *What marketing / promotional strategies do you use to communicate with your segment and gain brand awareness? (participation at events / use of social media etc.)*

We make use of press releases, paid blogs (<http://descubriendomaternidad.com/>), social media (Facebook, Twitter, Instagram), B2B mailings directed to children boutiques throughout Mexico, magazines and fairs.

9. *How are you working regarding distribution? How is your chain structured?*

Direct contact with the retailers (no intermediaries). I work with a representative who is responsible for business in Mexico City.

10. Do you have tips regarding Mexican import policies and export from The Netherlands? (certificates / connections etc.)

Optimally organize business. Focus on what is demanded in order to enter the Mexican market. Collaborate with a lawyer and customs agent. Register the brand on national level.

11. Regarding sales, you have mentioned the Mexican business is quite different than here in The Netherlands. What type of sales techniques do you use and what should you take into account regarding this cultural difference?

E-commerce is only just emerging, however, it is getting accepted more and more. The idea of buying something from home does appeal people. Sales to retail based on consignment is still the most common business method in Mexico. I leave price-setting to the retailers, yet indicate the minimum selling price. I do not believe in harmonization, but rather in entrepreneurship. The retailers know their customers best. I do assure there is no other store selling my products within a radius of 5km. During the “Buen Fin” and Christmas we will have several discounts on the web shop as in the stores. Mexicans tend to rather buy something qualitative low, but cheap, than qualitative high and expensive. Furthermore, it is about attracting the customer instead of forcing sales. Especially in the high-end segment. You need to make sure people want something, because a certain “lifestyle” is attached to it. Social status plays a big role in Mexico.

12. When exporting NAİF to Mexico, what do you believe are the main threats NAİF will face? NAİF for example does not have the capacity to change their packaging that easily, do you believe this will work against them on the Mexican market?

I think the packaging and design differs NAİF from the rest. I also believe the products will be successful, positioning them to the highest segment. The European origin gives provides the customers with a sense of professionalism and trustworthiness. The products do not contain potential harmful ingredients and they transfer a certain lifestyle.

13. Do you have any tips for NAİF regarding finding the right selling points on the Mexican market?

Try stores where they also sell Spanish children fashion and products, pharmacies and luxury department store such as Palacio de Hierro.

Questionnaire

(Translated from Spanish)

1. What is your gender?

- Male -Female

2. How old are you?

- a. 20 – 25
- b. 26 – 30
- c. 30 – 35
- d. 36 - 40
- e. > 40

3. In what city do you live in Mexico?

- Blank space

4. Do you have young (age 0 – 10) children?

- Yes
- No (if no, please go to question 11.)

5. For the following statement please circle *O* the number which matches your view most closely

“Personal care regarding my children is important..”

Not important 1 2 3 4 5 very important

6. Do you use special baby care products for your children?

- Yes
- No
- Sometimes

Please let us know which brand you use and why.

- Blank space

7. Which are the aspects that attract you of a baby care brand (you can choose various)

- Quality
- Low-priced
- Natural / organic based ingredients
- Design
- Fragrance
- Ather, namely:

8. What would you usually spend on a baby wash gel 200ml.

- < €1
- €1 - €4
- €5 - €8
- €9 - €12
- €12 - €16
- > €16

9. Would you pay €9,95 for a specially developed, allergen free, ph-neutral, naturally-based and soft-fragranced baby shampoo 200ml produced in a Swiss lab?

- Yes
- No (Please go to question 11).
- Maybe

10. Where would you like to be able to buy this shampoo

- At an online store
- At department stores (Liverpool, sears)
- At children boutiques
- At pharmacies
- Other, namely:

If you chose “other, namely”, please let us know why you would like to buy it there

- Blank space

11. Do you often buy organic / natural care products?

- Never
- Not that often
- Often
- Always

Why:

- Blank space

12. How important is taking care of your skin to you from 1 to 4?

1= Not important

4 = very important

1	2	3	4
1	2	3	4
5	6	7	8
9	10	11	12
13	14	15	16
17	18	19	20
21	22	23	24
25	26	27	28
29	30	31	32
33	34	35	36
37	38	39	40
41	42	43	44
45	46	47	48
49	50	51	52
53	54	55	56
57	58	59	60
61	62	63	64
65	66	67	68
69	70	71	72
73	74	75	76
77	78	79	80
81	82	83	84
85	86	87	88
89	90	91	92
93	94	95	96
97	98	99	100

13. do you have a sensitive skin?

- No
- Yes
- Sometimes

14. Which are the aspects that attract you when buying a body lotion?

- Perfume
- Softness
- Low prices
- Excellent hydration
- Nurturing / natural ingredients
- Other:

Please let us know which brand you are currently using for your skin.

- Blank space

15. What would you usually spend on a body lotion 200ml.

- < €1
- €1 - €4
- €5 - €8
- €9 - €12
- -€12 - €16
- > €16

16. would you pay €14,95 for a specially developed, allergen free, ph-neutral and naturally-based body lotion 200ml?

- Yes
- No (please go to question 18)
- Maybe

17. Where would you like to be able to buy this body lotion?

- At an online store
- At department stores (Liverpool, sears)
- At children boutiques
- At pharmacies
- Other, namely:

If you chose “other, namely”, please let us know why you would like to buy it there

- Blank space

18. How much would you spent on a gift-set to (new) parents close to you?

- < €5
- €5 - €10
- €11 – 20
- €21 – 30
- €31 – 40
- €41 – 50
- > €50

19. What social media channel(s) do you use?

(The Internet has become very important. Therefore, company use their channels optimally to gain brand awareness and market their selves.)

- Facebook
- Instagram
- Twitter
- YouTube
- Snapchat
- None (please go to question 21)
- Another, namely:

**20. Companies frequently make use of social media for their promotional / marketing activities.
Have you ever participated in such activities?**

(For example giveaways which allow you to win products)

- Yes
- No
- Sometimes
- Maybe
- No, but I'd like to

21. Have you ever bought a product / service based on having it seen many times on social media?

(You can think about products being promoted through blogs, vlogs or photo's on Facebook for example)

- Yes
- No
- Maybe
- I can't remember

22. What tools have you used in order to investigate a product before purchasing it.

- Review pages
- Blogs
- Vlogs
- Newspaper articles
- People in my environment
- I don't really investigate a product
- Other, namely: