



UNIVERSIDADE CATÓLICA PORTUGUESA

MIND THE TRASH

Going Eco Across Borders

It was a sunny Summer day in August 2019 when Catarina Matos and Christian Andersen, founders of Mind the Trash, met at the office in Lisbon, to discuss the future of the company.

Mind the Trash was established in 2017 as a Portuguese on-line store and blog, which offered customers and readers alternative products aiming to reduce the ecological footprint of individuals and lifestyle advice to promote the consumption of natural products. The early positive results of the company generated a fast growth pace and revenues of almost €100.000 in 2018.

After rejecting proposals in the past to expand to other countries. It was a well-suited moment

Ana Fonseca Carragosela prepared this case under the supervision of Nuno Magalhães Guedes, in partial fulfillment of the Dissertation requirements for the degree of MSc in Business Administration, at Universidade Católica Portuguesa, in December 2019, as a basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.

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After rejecting proposals in the past to expand to other countries. It was a well-suited moment to discuss whether the company should remain operating in Portugal only. Although both entrepreneurs agreed that those proposals indicated that the future of the company could encompass an expansion to foreign markets, several questions were raised during the discussion. While Catarina was concerned that it would be difficult to find trustworthy and environmentally responsible employees able to maintain the company's values and best practices, Christian wondered if a too early international expansion could jeopardize the future of Mind the Trash.

Road to Mind the Trash

It all began long before environmental awareness was a hot topic. Catarina Matos became aware of the excessive number of plastic bags being wasted and started investigating sustainable alternatives such as purchasing vegetables and fruits at local markets and changed her habits to live merely with the fundamentals.

In 2014, Catarina quit her job in Lisbon as an architect, for a new one in London, only to discover that the amount of unnecessary plastic used was even more alarming. However, Catarina found that she was able to find more sustainable solutions than at home. Not simply drawn to become zero-waste, she was also searching for natural products, and so started experimenting homemade natural ingredient cosmetic recipes, avoiding ingredients that could cause health issues. This led Catarina to share her knowledge on how to reduce the ecological footprint and successful homemade cosmetic recipes. For that, she created an Instagram account called 'Mind the Trash'.

In 2017, returning to Portugal, Catarina was fully aware that Lisbon didn't have the same alternatives to maintain her previous lifestyle. So, along with Christian, her Danish boyfriend at the time, she founded the first Portuguese zero-waste on-line store. Although firstly the main goal was merely to satisfy the needs that their way of life required, both quickly recognized an increasing demand for this market.

The Rise of a Social Enterprise

The business was established with the savings of Catarina and Christian while both maintained a full-time job. The rationale behind opening an on-line store was primarily to ensure access to all interested buyers. With the growth of Mind the Trash, both decided to devote all their time to the company.

The office was built upon recycled items such as paper, files, and notebooks. Mind the Trash received previously used boxes from its customers to reuse in its orders, as the company didn't have problems sending orders in a Zara box. All orders were required to go through Catarina to avoid the use of plastic in the package by the distribution company. So, the company was able to reduce its costs and its ecological footprint and set itself as an example.

Catarina considered of absolute importance that all the items available in the store were products the entrepreneurs would recommend since they were all previously used and tested. This was applied for items both purchased from outside suppliers and produced in-home. The on-line service offered diverse products for distinct effects. Not counting product varieties, for instance, toothpaste flavours and designations, the on-line store offered 206 products. It presented products for the house, cosmetics and even for parties, providing ecological solutions (Exhibit 1, 2 and 3). Whenever the founders weren't satisfied with any product available in the market, the company would attempt to produce it. It was the case of the solid shampoos, that required a long process until finding the perfect formula, which received exceeding feedback from customers (Exhibit 4). Although the portfolio of items produced by the company included only 15 products, the in-house production of more articles was part of future plans, including solid hair conditioner, solid shower gel, and solid dishwashing soap. Mind the Trash bought products from more than 35 outside suppliers' brands such as Georganics, Grums Aarhus, Serradura, Patch, Last Straw, and Biataki.

The company rarely invested in Marketing. Magazine and on-line articles weren't paid, and the feedback of its customers and the workshops were the main providers of visibility. However, the company established a partnership with two ambassadors that shared the values and lifestyle of the company. More than selling products, Catarina wanted to preserve the intimate relationship with its followers on Instagram and the blog by uploading spontaneous

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posts of what she considered relevant. The friendly and close relationship developed was cherished by customers, setting an element of differentiation.

The entrepreneurs considered the company's workshops a key activity and defined the task of distinguishing and selecting the products that were truly sustainable as its key challenge. Moreover, the main drivers of the business were customer satisfaction, product quality, quality of the service, consistency, transparency and no debt policy.

By the beginning of 2019, the company had already reached the break-even point. Mind the Trash growth (Exhibit 5) was based on the increase of the demand for ecological alternatives, requiring the team to expand to four people.

The goal was to grow sustainably. Believing that "It isn't the machines that need jobs and money, it is the people", it was important to invest in local businesses, although they could lack the capacity of satisfying larger orders overnight. Investors weren't sought after, to avoid pressure on the business figures. Therefore, investment proposals were rejected.

Mind the Trash operated under two distinct business models, as a Business to Consumer (B2C) and also as a Business to Business to Consumer (B2B2C). Regarding the latter, the company had partnerships with small stores throughout the country that resold products from the external suppliers and Mind the Trash manufactured products.

The company was an example and inspiration to everyone looking for an eco-friendlier life, not only due to offering the finest products that most importantly satisfied the clients' requirements of a more zero-waste life but also due to the close relationship with its clients - for example sharing office's practises to reduce waste. Clients knew they were buying from a company that practised what was selling, which was particularly important in this market. Along with the high-quality service based on fast responses and deliveries, Mind the Trash presented a unique service that differentiated the company from its competitors.

By the summer of 2019, Mind the Trash on-line store had about 4,000 visits per week and around 4,33% of the visitors would buy something, the company claiming many of those being loyal and regular customers.

Retail Evolution and Consumer Behaviour

Before the Industrial Revolution, the concept of supermarket didn't exist since each store sold specific types of products. If the people needed bread they had to go to a bakery, and if they needed meat they had to go to the butcher. Around this era was when the concept of a store with several departments was introduced. Some decades later, with the introduction and fast pace of the internet, retailers had to keep pace. For doing so, retailers started providing an online experience. With the continued growth of e-commerce, more brands were preferring to start their business through an on-line platform and only then open a physical space, because although the on-line process brought convenience it didn't invalidate the fact that some preferred to have physical contact with the products they were buying. Nevertheless, e-commerce was a solution applauded by younger generations due to the reduced effort involved in the purchasing process.

The retail industry could be considered as one of the most energetic and fastest-growing industries and had been affected and shaped by several trends. The escalation of the deterioration of the environment created awareness and knowledge regarding the causes, consequences and possible solutions to diminish the environmental repercussions. All this highlighted the importance of replacing non-conscious habits, characterized by the excessive consumption of resources and disposable items, with sustainable behaviours with an inferior environmental impact. This subject turned into a constant civic concern in developed countries and had been escalating to developing countries.

The rise in interest for environmental conscious consumption meant serious transformations. Consumers were greatly concerned regarding firms' ethics and transparency, which could dictate the final purchasing decision. To benefit from this tendency and along with the global growing pressure to go green, companies felt obliged to adjust to the new needs by embracing environmentally-friendlier processes.

Green retailing could be defined as a retail approach aiming to implement practices that protect the environment or cause less harm. Measures such as shifting packages to eco-friendlier alternatives or providing reusable bags were already taking place, as well as efforts

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to diminish the consumption of energy. There was a great deal of discussion whether turning green paid off, however many retailers noticed that customers with higher environmental concerns were making its purchasing choices accordingly. The increase of ecological practices by some retailers persuaded others to start acting to keep the pace, positively influenced consumers and contributed to increased pressure on the suppliers' side. The increasing offer of non-polluting products that could be recycled or reused was able to help combat environmental degradation. Thus, it was up to the industry to offer ecological alternatives to foster an environmentally-friendlier economy.

Other motivations led the industry to adopt green measures. The retailers realized that being associated with eco-friendly products and practices helped differentiate themselves from the others in the market. Also, when the retailers were able to assure its clients the advantages of its greener products it enabled them to charge higher prices. Throughout the years, the sector took steps towards the adoption of more green measures and products.

Yet for some, the changes and the sustainable products' portfolio offered by the existing retailers were still not enough. To fully support the new conscious consumer trend, new companies emerged to fulfil the demands of the most committed consumers. These firms followed zero-waste strategies and presented alternatives to cut-off the waste footprint. Similarly, sustainability markets and events were multiplying all over the country and Europe, confirming there was a growing need that the public urged to see satisfied. The first zero-waste shop, Unpackaged, opened in London in 2007. Later on, the number of zero-waste stores spread all around the world, although most were still located in Europe.

With the continuous growth of the green movement, some institutions in Portugal considered relevant to analyse the evolution of the conscious consumption in the territory. In 2015 the Conscious Consumption Observatory was created, an initiative of the Consumption Forum in partnership with GfK, IADE¹ and the Lusófona University, which run a yearly study in Portugal, based on attitudes, sustainable consumer behaviour and environmental concerns among others. According to the latest edition in 2017, there was still a long way to go, although the environmental concern was higher than in the previous year (Exhibit 6).

¹ Faculty of Design, Technology and Communication of Europeia University.

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Correspondingly, there was also an increase in the willingness to spend more on a product with less environmental impact (Exhibit 7). In 2017 there was a slight recovery of the conscious consumption and even though the Portuguese people had already a sense of responsibility regarding the need to change consumption behaviours, a more sustainable lifestyle wasn't yet fully adopted. Nevertheless, there was still a significant change in the behaviour of the Portuguese consumers, as the demand for products less harmful to the environment had increased, especially by young adults and individuals who were actively looking for environmentally conscious alternatives.

Distribution Channels

The first distribution channel was direct-to-consumer, the company's manufactured products being directly sold to customers via its online store, with no intermediaries. Second, when the products weren't produced in-house, the company would function as a retailer, buying directly from the manufacturer and selling the products straight to the end consumer through its on-line platform. For the several business partners reselling the Mind the Trash produced goods, the company operated as a manufacturer, selling directly to a retailer who would afterwards sell to the final clients. The firm would also behave as a wholesaler when purchasing the items directly from another producer and selling them to its partner retailers, who in the end would sell to the final consumer.

When buying online, the company website provided clients with multiple delivery options. The only alternative that didn't carry any additional cost was to pick up their orders at a pre-scheduled date and time at the headquarters. However, clients also could select one of the paid alternatives, such as delivery at their desired address or a Chronopost Pickup Point. In addition, the company was able to provide the delivery service on the same day if the purchase was done in Lisbon, until 2 p.m., between Monday and Friday.

The delivery service was available worldwide and although Catarina herself would always seek the best price option, it was likely that the client would still bare high costs, resulting in a less appealing and feasible option.

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Regarding the payment process, there were several possibilities available. Individuals all over the world could either pay with Debit and Credit Card or PayPal. The clients who owned a Portuguese bank account had additional options such as paying in an ATM terminal or through their banking app or with MB WAY².

At the end of the purchase, the customer would receive points, based on the products bought and their value, which could translate in a discount on a future order.

Competitors

The rising awareness regarding environmental problems increased significantly the demand for ecological alternatives, resulting in the proliferation of physical and on-line stores, striving for the same purpose. Its most direct competitors were Pegada Verde, Unii Bio, Maria Granel and Celeiro (for information on competitors, see Exhibit 8).

The Crossroads of the Future

Given the several proposals to cross national boundaries received, both Catarina and Christian wondered about the possibility of a future internationalization of the company and the hurdles it would have to overcome. All possible scenarios would need to be considered and followed by a thorough analysis. All proposals received were from admirers of the company's work that weren't living in Portugal and were interested in replicating it in their countries to help make a change in their corner of the world.

Finding the right and trustable people to represent the company in another country, who shared the same values and mission, and displayed exemplary behaviours that could set an example for its customers was crucial to continue the work that had been done in Portugal and, most importantly, not to harm its reputation. Also, the entrepreneurs considered that happy and motivated employees could do a much better job. Thus, to achieve the company's goals, it was of extreme importance to discover an accountable and flexible manager with the capacity to provide a good work environment and to stimulate and leverage other workers' expertise

² MB WAY was a smartphone app that allowed users in Portugal to shop on-line and in physical stores, generate virtual cards, send money, split accounts and also withdraw money.

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and strengths. However, the risks involved in hiring new employees had to be contemplated, as it would increase the overhead expenses, highlighting the importance of establishing an exceptional team.

The internationalization action would raise other challenges related to the present local and small-scale suppliers. Would suppliers be able to hire more employees and thus increase production in such a way that it would be possible to export to another country while keeping the Portuguese market satisfied? Would it be worth it, in the face of shipping costs and import taxes if outside the European Economic Area? Also, a new country with a different language would require changing the packaging. One thing was sure, producing solid shampoos in a different factory wasn't an option. Although the entrepreneurs could try to find a factory with reliable people and with decent costs, it was a risk Catarina was unwilling to bear due to the high quality of the product. All other items manufactured in Portugal as kitchen brushes and sponges, handkerchiefs and shopping cloth bags were options that needed deliberation. Given that the object of study was a company that lived under the premises of sustainability, additional aspects were to enter the export equation. Costs and time wouldn't be the only variables to consider: exporting to another country would demand long-distance transportation, which would translate in high polluting carbon emissions. Or could the company find a less polluting solution without compromising sustainability? And if so, could it afford those costs? On the other hand, if the company wouldn't decide to export these products, it would need to start a whole new process of finding suited suppliers for its production in the new country. Mind the Trash was aware of the difficulties it would have to face in order to run and manage an effective supply chain that crossed national borders.

Most countries bore some sort of import taxes that the company would need to take into consideration if considered territories outside the European Economic Area. Also, if the destination country wasn't within the Euro Zone, attention to currency rates would be required. Sizable fluctuations in the currency rates could strongly impact positively or negatively the business. Finding local suppliers could be a solution to diminish the effects of the fluctuations since the payments to suppliers would be in the same currency as the sales. Thus, the entrepreneurs knew that monitoring closely these fluctuations was mandatory if this path were to follow. Regarding the selection of the country, the cultural differences, the

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interest for zero alternatives from the local market, as well as the local competition would require consideration.

In the face of the possible geographical distance involved in the process, one concern that came to the entrepreneurs' minds was the question "How are we going to find a Catarina and a Christian?". One major factor that differentiated the company from the others in the market was Catarina, which had the reputation of being genuine and enthusiast and was held dear by the company's clients. On top of that was the fact that she not only preached but also acted accordingly to what her company was selling, as she often showed on Mind the Trash's Instagram account.

Inaction could lead Mind the Trash to be swallowed by the fast proliferation of similar companies and make it lose the potential first-mover advantage. Notwithstanding, the founders had to ensure that the company was solid and ready for the challenges of expansion in order to thrive and continue growing. If internationalization were the path, a thorough analysis of the advantages and drawbacks of the countries was required to select the most suitable market to expand.

Exhibit 1 – Mind the Trash Most Ordered Products

Bamboo Toothbrush



Biodegradable Cotton Swabs



Organic Cotton Bags Ideal for Carrying and Storing Fruits or Cereals



Exhibit 2 – Mind the Trash Natural Ingredients Products

Coffee Grounds Exfoliator with Packing Made from Sugar Cane



Natural Toothpaste - English Mint



Natural Deodorants - Lavender & Bergamot



Exhibit 3 – Mind the Trash Products Aiming to Reduce Plastic

Stainless Steel Straws - Curve



Wooden Dishwasher Brush



Wooden Tweezers



Exhibit 4 – Mind the Trash Different Hair Types Solid Shampoos



Exhibit 5 – Mind the Trash Income Statement

	2018	2017
Sales Revenues	97 305 €	2 321 €
(Cost of Goods Sold)	64 412 €	1 676 €
Gross Profit	32 893 €	645 €
(Operating Expenses)	22 082 €	2 997 €
(Other Expenses)	335 €	88 €
Operating Income	10 476 €	(2 440) €
Earnings Before Tax	10 476 €	(2 440) €
Net Income	9 110 €	(2 440) €

Exhibit 6 – National Index of Conscious Consumption

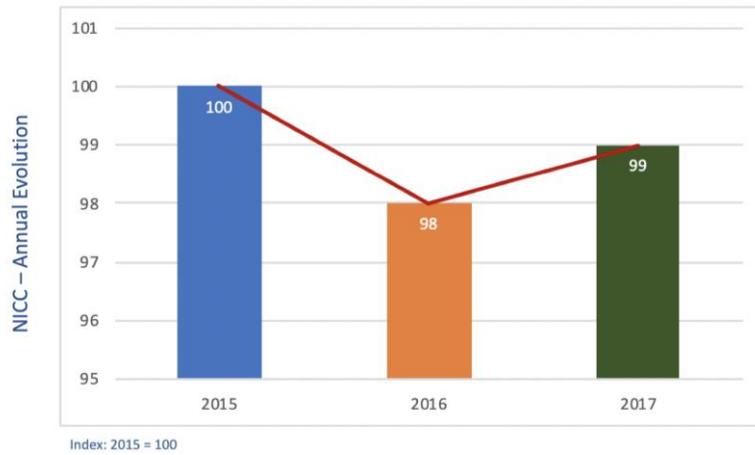


Exhibit 7 – Conscious Consumption Observatory: “I am willing to pay more for a product with less environmental impact or pay a fee”



Exhibit 8 – Information on selected competitors

Pegada Verde

Pegada Verde was an online store that offered for sale ecological products that promoted more sustainable and healthier habits. The company only acted as a reseller of products from outsourced suppliers since it did not produce any products. All products were intended for reuse and did not contain toxic substances nor were tested on animals.

Its brand's portfolio included some whose official representative in Portugal was Mind the Trash like Georganics and Grums Aarhus. Pegada Verde also commercialized Mind the Trash own-brand products.

The wide range of article's brands available for each category and the fact that Pegada Verde was not a zero-waste company were major factors of distinction between the company and Mind the Trash.

Unii Bio

The company was established in 2016 and by that time the founders already owned a biological cosmetics store in Lisbon, where the commercializing of its bio cosmetics line began. Over time it spread its presence throughout other retailers.

The company had as its primary objective to offer the purest line of bio cosmetic products, presenting quality products at an affordable price, while producing the least impact on the planet. It had several environmental concerns in its factory, where all the production was done, intending to gradually transform it into a zero-waste factory. All ingredients were subjected to a rigorous selection to avoid the presence of synthetic and chemical products that could potentially cause harm. Additional concerns could also be observed in the packaging.

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Unii was not an on-line store and focused only on producing and marketing its cosmetic products.

Maria Granel

Established in 2015 in Lisbon, Maria Granel was the first Portuguese store selling organic products in bulk with no packaging. In June 2017, the company introduced in its store a section with products that aimed for zero-waste and a few months later launched its on-line store. Its second physical store was open one year later and was also in Lisbon. It contained the organic bulk grocery store, the zero-waste store and also a space equipped for conducting workshops and events.

The company supplied additional services such as the "Z(h)ero Program". It provided consulting services and shared with companies and other entities its sustainability tracking and testimony. It also developed projects with schools regarding steps to create a more ecological environment. Also, the "Waste-free Pantry Reform" was created in 2019 and for that purpose, Maria Granel created a team with a nutritionist, an expert in organization, a vegan chef and a videographer (to document the before and after) and started offering the service of transforming people's pantries and lifestyles by going to their houses.

Maria Granel did not produce any of its products and only retailed outsourced brands that provided zero waste alternatives. By the middle of 2019, Maria Granel's on-line portfolio included 157 products.

Celeiro

In the 1970s in Lisbon one of the first supermarkets in the country, Celeiro, was formed with much success due to the wide specialized offer. The goal was to provide healthy and natural products for those looking for a more balanced lifestyle. Over the years, Celeiro had been increasing the number of stores, and in 2019 it had 44 stores throughout Lisbon, Porto and other cities. In 2014 the company launched its online

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store to reach everyone interested in its products and also to provide more convenience in its purchasing process.

By 2019, Celeiro's portfolio included natural cosmetics, healthy meals, organic products, food supplements and some items that aimed at reducing the use of plastic. Some of its stores additionally provided services such as beauty and nutrition counselling, osteopathy, massages, advice on physical exercise and healthy restaurants and take-away spaces. Also, the company published for free an on-line magazine with tips and challenges related to healthy lifestyles.

Although Celeiro was showing interest in starting to provide more products with improved packaging to reduce plastic use, it still was far from being zero-waste since the quantities of plastic being used in its products was vast, not only in the outsourced