

THEIA: Thermal Insulation – A Business Strategy

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EXECUTIVE SUMMARY

THEIA provides technical solutions for the construction industry, specializing in materials for thermal insulation. It is positioned in the middle of the distribution channel, between manufacturers and construction companies, and the profound changes that occurred in the sector had repercussions on the company's activity, forcing it to rethink its business strategy. THEIA repositioning was studied according to a specific methodology, combining analysis techniques to assess organizations' internal capacity and the exploration of external conditioning factors. The strategic plan used financial and commercial information from THEIA and from the sector where it operates, according to the following steps: analysis of THEIA's internal situation, external positioning of THEIA in the national market, definition of strategic objectives, elaboration of scenarios and recommendations.

ORGANIZATION BACKGROUND

THEIA is a Portuguese company founded in the earlier 80s, located in the Porto region, in Portugal, and it was a pioneer in providing technical solutions for civil construction that promote the well-being and increase the user's quality of life, through the application of thermal insulation materials. The company's management held an emergency meeting to try once again to find a solution to the crisis they were ex-

periencing. The president of the board of directors nostalgically recalled the success he had enjoyed for many years, allowing him to grow the company, establishing it as the sector's reference company in the Portuguese thermal insulation market. The transformation of the economic structure of the market, with the entry of large manufacturers, coupled with the prolonged recessionary environment, had very negative consequences for most small and medium-sized Portuguese companies, reflected with intensity in civil construction and, consequently, throughout the distribution channel associated with this sector. THEIA is positioned in the middle of the construction sector's distribution channel, serving as an intermediary between manufacturers and retailers or/and end customers (construction companies), experiencing both upstream and downstream the effects of the crisis. It is quite clear that the distribution channel in this market, as within most sectors, has been shrinking, with direct sales from manufacturers to end customers being the norm. This practice led to the elimination of intermediaries and to the appearance of large retailers, representing multi-brands and with the capacity to transversally fulfill, the needs of both smaller retailers and end customers. The activity of companies that sell construction materials was greatly affected by the crisis that began in 2008, and it is difficult to foresee a return to the time of high growth opportunities in the sector. The financial system imposes restrictions and the country and Europe political situation, do not anticipate immediate or rapid improvements. The environmental trends required by customers and the regulations imposed by the European Union, regarding the construction sector and the building industry, follow guidelines that increasingly bet on the use of sustainable resources. It should be logical that companies anticipate, react, adapt, and adjust to this situation, because that is the only way they can succeed. THEIA is facing important challenges, but only if it faces these challenges pragmatically and straightforwardly will it be able to continue to exist as a thermal insulation solutions company.

SETTING THE STAGE

THEIA defines itself as a supplier of technical solutions for civil construction, specialized in materials for thermal insulation, aiming to improve the energy performance and comfort of buildings. THEIA is wrongly recognized in the market as a manufacturer of thermal insulation materials because for many years it had the exclusive right to sell this kind of products in the Portuguese market. The company had a continuous, strong, and solid growth until 2010, when two events occurred that affected its activity. The first is due to the 2008 economic crisis that affected the construction market, and consequently from that year on the construction of new houses decreased sharply. In fact, from that time on, the interest focused only on the housing rehabilitation. The second occurrence was due to the entry into the Portuguese construction market of large number of thermal insulation materials manufactures. From that date on THEIA lost the commercialization exclusivity from those manufacturers and its offer became less competitive. With a continuous and sharp decrease in sales, the company has been evaluating its business, redefining strategies to remain profitable, and ensure its survival.

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