Montes Calcados E-Commerce Business Strategy

Posted on September 17, 2018

Montes Calcados (MC) faces a strategic problem that is broader than simply deciding whether to "sell online." The case describes a Brazilian footwear company with established products, retail relationships, younger customers, pressure to expand geographically, changing fashion preferences, and concern that its existing target market may be too narrow (Heskett et al., 2018). The core decision is how MC should build e-commerce without destroying the retail relationships, brand identity, and operating discipline that created its earlier success.

The external market makes the digital opportunity credible. Brazil remains one of the fastest-growing major e-commerce markets. The U.S. International Trade Administration reported in 2025 that Brazilian e-commerce revenue was expected to reach about US$36.3 billion that year and that approximately 94 million Brazilians were expected to buy online (U.S. International Trade Administration [ITA], 2025a). Social platforms such as WhatsApp, Instagram, YouTube, and TikTok play major roles in product discovery, while PIX has become a central digital-payment method. These conditions strengthen the case for online footwear sales, but they also increase competition and make execution more important than merely launching a website.

E-Commerce Challenge

The original case frames the alternatives as selling through e-commerce or continuing through retail partners. That is too binary. A footwear company can combine direct digital sales, retail partners, marketplaces, physical stores, and social-commerce channels while assigning a different role to each. The real challenge is designing those channels so that customers receive a coherent brand experience and partners do not feel that the company is using online sales simply to undercut them.

MC's digital channel should therefore be treated as a source of customer access, data, experimentation, and brand control. Direct e-commerce can show which sizes, colors, categories, and designs consumers search for, where demand originates geographically, how often customers return, and which campaigns convert, making customer data a core part of digital marketing strategy (Chaffey & Ellis-Chadwick, 2022). These data can improve merchandising decisions across all channels. A retail partner, by contrast, contributes local visibility, physical trial, immediate possession, and market knowledge. The two channels create different forms of value.

This distinction matters especially in footwear because fit remains a major source of uncertainty in online shopping. Customers may like a design but hesitate because they cannot judge sizing or comfort. MC therefore needs accurate size guidance, generous but controlled returns, high-quality product photography, customer reviews, clear materials information, and responsive support. Digital growth will depend as much on reducing purchase anxiety as on attracting traffic.

Fashion risk is another reason not to rely on one channel. The case notes that older iconic styles were losing some demand as consumer preferences changed. Direct online channels can shorten feedback cycles. Small digital releases, waitlists, social engagement, and conversion data can help MC distinguish a temporary trend from a durable change in demand before committing heavily to inventory. Retail partners can simultaneously provide qualitative feedback about what customers try on but do not purchase.

Internal Capabilities

A VRIO analysis shows that MC has some useful resources but few that are automatically difficult to imitate. Design knowledge, supplier relationships, experienced managers, an established brand, and knowledge of Brazilian consumers can create value. However, materials used in footwear are generally accessible to competitors, online storefront technology can be purchased, and product designs can often be imitated quickly. Organization therefore becomes the critical capability.

MC’s advantage will depend on how quickly it can translate customer information into design, procurement, merchandising, marketing, and replenishment decisions and turn those capabilities into a defensible competitive position (Porter, 1980). A competitor can copy a shoe silhouette, but it is harder to copy a coordinated operating system with accurate demand sensing, reliable supply, strong customer service, disciplined returns, distinctive branding, and effective channel management.

The company should also avoid assuming that e-commerce automatically reduces logistics. Direct-to-consumer sales often shift logistics rather than eliminate them. MC would need individual picking and packing, last-mile delivery, reverse logistics, fraud controls, customer support, payment reconciliation, and a process for returns and exchanges. Footwear return rates can be meaningful because sizing errors are common. These costs must be incorporated into channel profitability.

Cybersecurity is likewise a business requirement rather than a secondary technical issue. Online payment, customer accounts, addresses, purchase histories, and marketing systems create risk. MC needs secure payment processing, multifactor authentication for administrators, fraud monitoring, controlled access to customer data, patching, backups, and incident response. Trust can be damaged quickly if customers associate the brand with account compromise or payment fraud.

Digital Expansion Plan

Phase	Primary objective	Recommended action	Decision metric

1. Brazil direct-to-consumer	Prove digital economics in the home market	Launch optimized e-commerce with PIX, cards, mobile-first design, size tools, reviews, and controlled returns	Contribution margin, conversion, return rate, repeat purchase, customer-acquisition cost
2. Omnichannel integration	Protect retail relationships and improve service	Coordinate pricing, inventory visibility, partner referrals, pickup/returns where feasible, and shared campaigns	Partner sell-through, channel conflict, customer satisfaction, incremental sales
3. Marketplace testing	Reach new customers without full market investment	Use selected Brazilian marketplaces with a curated assortment and strict brand presentation	Marketplace margin, new-customer rate, price erosion, counterfeit risk
4. International pilot	Test export demand	Select one or two markets based on organic traffic, diaspora demand, logistics, taxes, and category fit	Landed margin, delivery success, return cost, repeat demand

Brazil should come first because MC already understands the market and can learn digital operations without simultaneously solving unfamiliar tax, customs, sizing, language, and regulatory problems. The 2025 U.S. Commercial Service guide emphasizes both the scale of Brazilian e-commerce and its complexity, including tax rules, online fraud concerns, installment payments, and the growing importance of PIX (ITA, 2025b). A domestic launch therefore still requires sophisticated execution but offers a more controlled learning environment than immediate international expansion.

Mobile design should be a priority. Brazilian consumers use social media heavily for product discovery, so campaigns should link directly to fast, mobile-optimized product pages rather than to generic homepages. WhatsApp can support service and assisted selling where appropriate, while Instagram and TikTok can support visual discovery. Social media should not become the strategy itself; it is a channel for communicating a clear product and brand proposition.

Payments also require local fit. PIX should be supported alongside credit cards and installment options because payment preference affects conversion. Fraud prevention must be strong but should not reject legitimate customers unnecessarily. Checkout friction, payment failure, and delivery uncertainty can erase the benefit of advertising spend.

MC should also develop a transparent channel policy. Recommended retail pricing, promotional windows, exclusive colorways or products for key partners, and clear rules about online discounting can reduce conflict. Retail partners should receive value from the digital system rather than simply losing customers to it. Referral commissions, shared inventory visibility, local pickup, partner-specific products, or regional service roles are possible mechanisms depending on technology and economics.

Product Strategy

The case presents a tension between fashionable designs and iconic long-running styles. MC does not need to choose completely between them. A portfolio approach is more defensible. Core products provide continuity, recognizable brand identity, and predictable replenishment. Seasonal capsules allow the company to respond to changing aesthetics. Experimental digital-only or limited-run products can test emerging demand with lower inventory commitment.

Four fashion cycles per year may be appropriate in some categories, but the number should follow customer behavior and supply capability rather than an arbitrary calendar. Faster cycles create value only if MC can design, source, manufacture, and replenish without sacrificing quality or creating excess inventory. The objective is responsiveness, not novelty for its own sake.

The age question should also be reframed. A target market of 18–35 may describe the company's current strongest segment, but age alone is a weak basis for customer strategy. MC should segment by purchase need, style preference, price sensitivity, use occasion, digital behavior, and loyalty rather than relying on age alone (Kotler et al., 2022). A 45-year-old customer who values a classic MC style may be more profitable than a younger customer attracted only by a discount. Digital customer data makes this more sophisticated segmentation possible.

Product pages should therefore combine visual storytelling with practical decision support. Customers need accurate sizing, materials, construction details, care instructions, delivery estimates, and reviews. Fashion imagery creates desire; reliable information reduces the risk of regret and returns. Both functions matter.

Strategic Recommendation

The strongest recommendation is for MC to launch and scale direct e-commerce in Brazil while preserving selected retail partnerships and using digital channels to learn faster about customers. This is preferable to either remaining dependent on retail partners or pursuing aggressive international store expansion before proving a repeatable digital model.

The business case should be evaluated using contribution margin rather than gross online revenue. Management should track product margin after payment fees, fulfillment, delivery, returns, fraud, discounts, customer service, and digital acquisition cost. High online sales accompanied by expensive returns and paid advertising may destroy value even when revenue appears impressive.

Core performance indicators should include conversion rate, customer-acquisition cost, repeat-purchase rate, average order value, return and exchange rate, delivery success, contribution margin by channel, inventory turnover, full-price sell-through, and customer satisfaction. MC should also monitor retail-partner performance to ensure that direct e-commerce is generating incremental demand rather than simply transferring sales from one channel to another at higher total cost.

International expansion should follow evidence. Website traffic, search demand, social engagement, customer inquiries, marketplace sales, and export orders can reveal which markets already show interest. MC can then evaluate logistics, customs, duties, consumer protection, competitive intensity, and local sizing expectations before committing capital to stores.

Montes Calcados therefore does not need to choose between tradition and digital commerce. Its strategic opportunity is to use e-commerce to strengthen the whole business: reach consumers directly, gather better demand information, test designs faster, serve broader customer segments, and build a platform for later expansion. The risk is treating e-commerce as merely another sales outlet. The winning model would integrate brand, product, data, logistics, service, payments, and retail relationships into one operating system.

References

Chaffey, D., & Ellis-Chadwick, F. (2022). *Digital Marketing* (8th ed.). Pearson.

Heskett, J. L., & colleagues. (2018). *Montes Calcados: A Step Ahead*. Harvard Business School case material.

Kotler, P., Keller, K. L., & Chernev, A. (2022). *Marketing Management* (16th ed.). Pearson.

Porter, M. E. (1980). *Competitive Strategy*. Free Press.

U.S. International Trade Administration. (2025a). *Brazil Country Commercial Guide: eCommerce*.

U.S. International Trade Administration. (2025b). *Brazil Market Overview*.