

Practical Community in Business Model

# TS STUDIO CASE

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**September / 2018**

This case was prepared by Karina Coleta under supervision of Professor Fabian Salum, both professors at Fundação Dom Cabral. It is intended to be used as a reference for discussion in classroom, rather than as a picture of how effective or ineffective a given administrative situation may be handled.

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## TS STUDIO



Tereza Santos: creator of Le Soulier, Patachou and TS Studio  
Source: TS Studio

### The seasons of value creation

*“I am not afraid, I have my certainties” Tereza Santos, founder and designer of TS STUDIO*

The orderly change of the seasons over the year plays an important role in driving fashion. Collections are named after the seasons, as in spring-summer collection or fall-winter collection. In a certain way, fashion prepares us to recognise and appreciate the characteristics of each season. Seasons change and, in changing, display the dynamic cycle of refraining and blossoming. If we pay enough attention, we will be able to see that there is a season to sow, a season to grow and a season to reap, to be sober and to be exuberant, a time to wait and a need to adapt, so that something new may emerge.

Value creation by means of a business model is something so dynamic as the passage of the seasons, whose path does not change according to the choices of managers, usually made to respond to demands from the external environment and from the internal resources and capabilities.

#### **Terezinha**

Born in Carmo do Rio Claro, in the outback of Minas Gerais state, Tereza Santos moved to the state capital to study at the traditional *Sacré-Couer de Jésus* High School at the age of eleven. When she got to the age of 15, she was emancipated, operated her

own bank account at the Crédito Real bank and, as she says, “has always been very independent and taught not to run up debts”.

During a student exchange programme in London, at the age of 17, she became aware of the impact of fashion, when observing the creative scenario of London shops.

Indeed, impact was exactly what Terezinha had already decided to somehow make in this world. She started studying communication at college, thinking about becoming a journalist, a war correspondent, or something like that. But even before leaving the university she was already thinking about fashion. She finally decided to pursue a different course and concluded that she had to “create a brand”.

The creativity of Rio de Janeiro city inspired and motivated her. Terezinha was certain that she wanted to enter the fashion market of Minas Gerais state capital Belo Horizonte and offer something new and vibrant, although she still did not know how to start.

#### **Le Soulier Season**



Terezinha's first value creation season introduced the footwear business model. In the 1970s, a footwear shop named Tereza Gureg, specialised in exclusive models, attracted her attention.

Having decided to enter the business, Terezinha wondered: "who makes the shoes of the best TV actresses like Marília Pêra? And the shoes of famous singers such as Gal Costa?" Focused on this level of excellence, Terezinha contacted the shoemakers who worked for artists in Rio de Janeiro and contracted the production of her own models.

In 1977, she opened the first footwear boutique in Minas Gerais, named *Le Soulier*. The value delivered to her clients comprised luxury hand-made and highly creative women's footwear produced by market renowned suppliers and benchmarked against renowned references, all engaged by Terezinha. *Le Soulier's* shoes "were like those of Ferragamo<sup>1</sup>", she says.

The fifteen square meter shop in the southern part of Belo Horizonte was not big enough to serve all clients who lined up in queues around the shop. Customers had to put their orders and wait until the shoes they wanted were available. In certain occasions, more than one hundred people would be waiting for one and the same model of shoes to arrive.

Following the success of the footwear boutique, Terezinha intuitively felt safe to expand the business and the corresponding initiatives that emerged from her creative mind.

Still before the end of the 1970s, she opened a second *Le Soulier* store. And, a lot before the emergency of 'coworking' schemes or collaborative work, Terezinha decided to open a store at a house and add a natural food restaurant to it. The gastronomic, gourmet and healthy food fad had not established yet. That house, however, represented a new way of living and of seeing the world, increasing possibilities and creativity. The shop's architecture also impacted customers: "it was an extremely contemporary shop, that could well be located at Fifth Avenue, in New York City", reminds Terezinha.

As certain as the succession of the seasons over the year, so were the movements made by Terezinha in such a short period of time: "From time to time I would make a jump for something even more creative", she recalls. Another *Le Soulier* store was opened at a gallery, beside the most famous beauty parlour of Belo Horizonte (Vila Della) and of Arezzo, which at that time carried only men's footwear. Thinking of synergy and positioning, *Le Soulier* was opened in partnership with an also renowned women's clothing store named Blue Sky. The idea was to gain power by sharing, the same rationale underlying the restaurant and boutique ensemble. These movements generated a new and fruitful round that led to the acquisition of a new stock storage area, a major attempt to cope with the remarkably fast growth of the production and the sales of luxury women's footwear.

However, even still living fat times, the company started to look for a new cycle. All of a sudden, and "out of the blue" in Tereza's own words, she brings in a new certainty: the company did not want to continue producing only shoes; it would now produce clothes too. But those who have the opportunity to speak directly to Terezinha notice that her insights on business models do not arrive out of thin air, but rather are the outcome of the dynamic process of creative work and of the appropriate reading of circumstances and timing.

### ***Patachou* Season**

Terezinha invited a friend to found another brand that would become important for many generations to come. The enterprise has also attracted the attention of the Blue Sky partners, and they decided to join the deal too. This is how the new business season was opened. It was named *Patachou*, a term that somehow expresses the Brazilian creativity. Although they later became aware that this was the family name of a French singer, the brand's name was inspired by the Pataxós people and suggested by the advertising agency that provided marketing services to the brand.

How much sure was Terezinha about this new season? As a creator, she says that she has always

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<sup>1</sup> Famous Italian hand-made footwear brand.



regarded clothes' design as the starting point of innovation. Indeed, she says: "I use this word since the 1980s". For Terezinha innovative clothes are real and affordable. Real, meaning that the customer does not have to reflect too much to wear it, or whether the piece is appropriate for the occasion or not. Affordable because, despite the successful experience in the luxury market, Terezinha wanted the clothes she produced to have a wider reach, while holding the premium price. "I wanted to be what Benetton was in Italy, and provide a product that was at the same time comfortable, easy to use and vibrant, especially with respect to its colours, like Brazil", she recalls.

Terezinha looked for inspiration both in Brazil and abroad, and not only in the fashion environment itself, but also in art galleries and photographs she used to make herself of people walking on streets.

In 1980, the four partners launched *Patachou*: Terezinha (who kept *Le Soulier*), her friend and the Blue Sky partners (who have also kept their brand).

Already in its first year of operation, six months after being launched, *Patachou* took part in the Rio de Janeiro Fashion Fair, at the *Nacional* hotel. For this specific enterprise, they hired the best architect in Rio de Janeiro, who had conceived the design of one of the leading competitors at that time, *Maria Bonita*. All this was accomplished "with very low working capital and without incurring any debts whatsoever", says Terezinha.

So, *Patachou* arrived at the Fair, put up a stand and displayed extremely well manufactured products. The designer used embroidery typical of Minas Gerais state in the clothes produced, a fact that attracted much attention then. At the time, the *Globo* TV Network was preparing the costumes for its new soap opera "*O Astro*". Actress Elizabeth Savala, who would play the leading role, went to the fair, identified with the style of the brand and bought the whole collection. One month later, the brand was already to be seen on the front cover of *O Globo* newspaper, where the actress appeared wearing pieces by *Patachou*.

*Patachou's* single sales channel at the time was the wholesale to retailers.

Following the success of sales, production now occupied three stories of a building in the southern part of Belo Horizonte, where large quantities of vicuña fabric were put in storage. Further development of *Patachou's* business model was driven by Terezinha's certainty that it was impossible to do everything internally; they had to outsource. Then they found a manufacture in inland Minas Gerais, in the city of Itaúna, that had already had experience in providing outsourcing services to top brands. Terezinha taught them how to achieve a neat and professional finish for the clothes, characteristic of *Patachou's* value proposition.

The exponential growth led one of the partners to restrict her participation only to *Le Soulier*, selling her interests in *Patachou*. In consequence, Terezinha ended up with a 50% participation in *Patachou*, as the brand continued to improve its creation, manufacture, sales and organisation.

Terezinha's husband, Marcos, became partner in 1986 after buying the participations of all other former partners. In 1991, they opened their first own store in Belo Horizonte. Wholesales of women's fashion articles to other Brazilian stores and boutiques in the southern, south-eastern and north-eastern parts of the country continued uninterruptedly. Production reached sixty thousand pieces per month. Orders in large numbers were placed by all means, including fax machines that operated overnight.

Terezinha recalls: "everything that is done today we already used to do, like this pre-inauguration thing; for instance, our biggest clients were already received in our stores on Sundays, when we were closed for other clients. People were amazed of how many cars lined up and of how many people booked appointments to buy at *Patachou*".

Some time later, *Patachou* opened a store in the BH Shopping Centre. Repercussions of the store opening were so important that the brand came to be a successful reference, so much so that the owner of the economic group that operated the shopping centre seemed interested in becoming a partner of the brand.

Despite the opening of these two stores, wholesales' activities proceeded. In addition, Terezinha implemented a repair shop where about twenty sewers worked to maintain, even when small repairs and adjustments were needed, the high level of products delivered by the brand. She wanted everything to be ready as quick as possible, as if saying: "see now, buy now".

*Patachou's* packaging was also very successful. Terezinha invited João Delpino, then at *New 360*, to design it; it became an object of desire so much as the clothes themselves.

The tricot manufacturer Penelope, which supplied products to *Patachou*, was incorporated following strong increase in the demand for its products. Its owner became partner of *Patachou*, holding about fifteen per cent of the stock, and was indicated to occupy the position of production director. Still growing strongly, the brand started to outsource its tricot products to producers in southern Brazil, investing in new and expensive machines imported from Japan. This has contributed to diversify *Patachou's* value proposition. Its tricot pieces were usually composed of sweaters and cardigans, and comprised a complete wardrobe.

In order to profit from the tax benefits offered in the Mercosur area, all sewing activities were transferred to Uruguay, using fabrics imported from Italy. Every month, whole containers packed with suits and dresses arrived in Brazil.

*In toto*, ten stores have been opened in Brazil and three hundred and sixty multiple brand outlets were supplied by the brand.



*Patachou's* store in the Barra Shopping - RJ  
Source: grimaldiengenharia.com.br

As a curiosity, *Patachou* was the first brand to ever hire later top model Gisele Bündchen, a new face at that time, to display its models at the then major Brazilian fashion fairs (São Paulo Fashion Week and Fashion Rio), as well as to pose for the photographs in her first solo catalogue.

Among the seeds *Patachou* sowed and the results it reaped, there came internationalisation. The first international clients were attracted during the São Paulo Fashion Week. The manager, Helen Kupfer, acted as intermediary between the brand and clients in Paris. The Parisian agency argued that the name *Patachou* would not gain international market acceptance and suggested the use of Terezinha's own name, *Tereza Santos*. Two strong names, considering the social recognition of Mother Tereza of Calcutta and Santos Dumont.



Spring – Summer Collection 1996.  
Source: Institutional Archive – Patachou 25 years

During a Brazil – France Fair promoted by APEX at *Galeries Lafayette*, in Paris, the brand, very well represented by a stand in the Exhibit, sold everything it had taken to France.

The *Tereza Santos* brand gained its exclusive place in *Galeries Lafayette*, close to the world's best fashion brands. The brand shared its space with designers such as Jean-Paul Gaultier. In the period of one month, *Tereza Santos* had to replace more than two thousand pieces of stock in Paris. The brand was granted a very expensive room inside *Galeries Lafayette*. It happened as if it were a recognition and the materialisation of a competitive advantage developed over the years.

Sales in Japan were also triggered by the activities in Paris and grew exponentially because the place it occupied inside *Galeries Lafayette's* stores, which are references to Japanese retailers. Even in Brazil, people reported having bought a *Patachou* piece in Paris, a fact that improved the brand's national visibility. Terezinha recalls how this fact improved value perception: "people felt safe and proud, as if they were indeed colonisers".

In 2000, *Patachou* was at the zenith of its trajectory, when the fashion industry started to cluster together and the brands to gather around big conglomerates such as the *Inbrands*. Many brands appeared in consequence of this movement. *Le Lis Blanc*, for instance, - the largest multiple brand organisation that sold *Patachou's* products – launched itself as a brand. *Patachou* was invited to be part of these groups, but Terezinha was sure that she did not want to adopt this model of participation in the market.

Later, some of the partners quit the partnership to take part in other projects and, in 2006, new partners joined in. After one year, and due to incorrect alignment relative to the market to be served (different from *Patachou's* original positioning), Tereza sold her participation in the business and understood the events as the arrival of a new season.

### TS Studio Season

Because the *Tereza Santos* brand already existed since when *Patachou's* exports started, Terezinha bought it. Both brands coexisted for one year (two collections). When operating as the independent brand *Tereza Santos*, there came an invitation by the *Líder Táxi Aéreo* to produce uniforms for its personnel. The invitation was recognition of the creative expertise and style Terezinha had shown when creating *Patachou*. *Líder* wanted its uniforms to display this same touch.

Terezinha had already observed this niche, when she was at *Patachou*. She believed that the corporate uniform segment could be explored in terms of quality, functionality and style. Thus, the experience with *Líder* showed her that she had a good chance to create innovative work for the Brazilian market. Hence, responding to a demand from the market, Terezinha entered a new season, the *TS Studio*, offering a new value proposition, aggregating all resources and competences collected along her journey.



With identity and style: Tereza Santos  
Source: Azul Magazine – September, 2016.

Positioning was now different, however, having been shifted from B2C to B2B.

Following *Líder*, other clients arrived, such as Trip airline and Hospital Mater Dei; opportunities were arising. After the Trip – Azul merger, TS was indicated to carry out the task of producing the uniforms of the newly merged company, a work that remains, to this day, a conspicuous 'letter of introduction'. According to the client's human resources division, the project

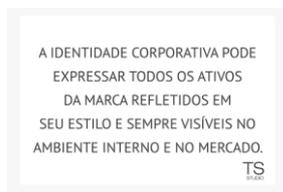


was approved by ninety-six per cent of users, having strengthened and improved the team's sense of belonging.



One of the pieces of Azul Linhas Aéreas uniform collection  
Source: TS Studio.com.br

TS Studio started to introduce itself to the retail and franchising markets, putting into practice the idea that these segments would tend to greatly value uniforms with regard to design, because employees' appearance is important for companies operating in these markets. Arezzo is a major client of TS in this segment, for over eight years.



Source: TS Studio.com.br

The corporate identity may express all the brand's assets, reflected by its style and permanently visible from the internal environment and from the market

In 2008, TS shifted to creation. The creative and graphic projects were sold to partners that would then execute them. Although TS had to approve pilot pieces beforehand and could monitor production by partners, it did not serve clients directly.

Monitoring of this kind of graphic project is, however, important because of the specificity of its reading. According to Rodrigo Santos, executive director, "this kind of project is not like those

architects hand over to engineers to execute. The execution of a graphic project of wearing apparel still requires supervision by the designer, it is not something any manufacturer will be able to undertake".

After some time, end users started to complain they were not being well served by partner manufacturers, leading TX to perceive the need to serve them directly, from the graphic project to the delivery of the completed pieces. This unveiled several service fronts. A specific division to cope with the direct service to clients had to be developed, bringing end users to a closer contact with TS, instead of with partner manufacturers.

Currently, clients may even change suppliers without having to turn to market in search of new ones, since TS itself provides this service. Thus, TS Studio relieved the clients of the "headache" of having to deal with and develop suppliers, advancing in the production chain and taking to itself this part of the relationship. They also evolved towards the management of orders, implementing e-commerce for selling uniforms within partner manufacturers.

TS' biggest challenge was learning how to deal with B2B clients, whose characteristics are very different from those of B2C clients, especially with regard to creation. As stated by Terezinha herself, "creations are not under the control of creators anymore. Creation is now part of the communication and of the identity of that company. This makes the approval of others something very important too, thus reducing the autonomy of art directors. For every project, it is necessary to understand the essence of the other company and of its brand, in addition to the expectations of other players within the company. This is a challenge for the creation staff, in that they have to privilege functional and rational matters to the detriment of affective aspects, adjusting creation to necessities and interests of others, who have the power to veto or completely change the creative project".

However, TS has been overcoming these challenges by means of an intensive field research process aimed at deepening the understanding and increasing the level of assertiveness with regard to the comprehension of the client's value proposition.



Over the years, TS Studio developed the method necessary to deal with this process. At the beginning, briefings were conducted as a more open and unstructured conversation. Now, questions to be treated in briefings are previously refined to capture what is necessary to be launched in an internal project system, where the whole company works online, from CRM to design and production. With its briefings, TS tries to reach the highest number of persons at all level of the company. But, the company is in search of key people, since trying to develop a project that has not been approved by people who are able to bar it is an effort that may end where it started. Therefore, the objective here is to assess all possible variables and to remain aligned in order to avoid dissonances in terms of expectations and results.

Terezinha explains that the *Azul* project, for instance, was conceived and developed very freely, respecting all the characteristics of the brand. The uniforms were designed in a fairly irreproducible way – although they seemed very ordinary in appearance – due to supplier competences, research, type of fabric, sewing notions and modelling.

In 2015, they started to focus on clients who did not necessarily want the design of a new uniform, but rather the management of their existing uniforms, with regard to suppliers and delivery. Burger King and Leroy Merlin – both clients of TS – adopt standardised uniforms that are the same everywhere in the world. However, they still need TS Studio’s consultancy and help to manage production. Their uniforms needed to be “tropicalised” while maintaining their original characteristics, because fabrics available in the Brazilian market were different from those available abroad. TS provided, therefore, the service of managing suppliers and production.

As creative director at TS, Terezinha says, “The know-how of *Patachou* has made me completely differentiated as for the assertiveness of this new enterprise”. Rodrigo Santos adds: “the previous experiences enabled the acquisition of knowledge on the market, on consumers and on people’s behaviour. This knowledge, together with new technologies, is creating value for the company and

its clients alike, taking into consideration the particularities of the process of shifting from physical to corporate clients”. Accordingly, TS offers today a new way of establishing relationships with the market, while keeping its fashion industry background.

Despite the dynamic commercial activity, TS invests more in market intelligence than in marketing and publicity. A pre-sales team maps potential clients and prepares a virtual introduction. The physical introduction to a new client may only happen after an actual interest in hiring services is demonstrated.

Terezinha also perceives that the strength of the portfolio has considerable appeal to clients. “Brands with which we have already worked speak for themselves”, she says. There are more than ninety active clients from several segments: aviation, airports, health care, hotels, tourism, education, retail, telecommunications, security and services, banks, transportation and many others.



Headline of the *Diário da Indústria e Comércio* newspaper.

**Tangará Palace will gain luxury uniforms**

Source: [TSStudio.com.br/clipping](http://TSStudio.com.br/clipping)

Physically, TS Studio’s structure is deployed in Belo Horizonte, with suppliers in all parts of the country. Rodrigo Santos explains that the uniform industry is highly specialised: some are exclusively tailors; others only produce pieces to be worn by operating personnel. For instance, there are suppliers that



manufacture uniforms for white-collar workers very well, but do not supply fine tailor-made pieces demanded by some clients. “There are one thousand and two hundred manufacturers of uniforms registered at *Confederação das Indústrias* (Confederation of Industries) in Brazil. A big challenge faced by TS over the years was that of understanding who these companies actually are and how many of them are able to serve our clients with quality and affordable prices”, says Rodrigo.

To enable a comparative analysis dating back to the establishment of *TS Studio*, the executive shared some information on the financial history of the company. They show the evolution of the business model over the ten past years. The growth in the amount of pieces produced proves the excellence of the offer and the creation of value brought about by TS’ business model. As shown on Figure 1, up to 2016 there is a steady growth in the production of pieces. From 2016 on, TS’ biggest challenge is to recapture growth.

Ano	% Fat. Consult. e Proj. do Fat. Total	% Fat. Criação do Fat. Total	% Fat. Produção do Fat. Total	Quant. Peças Produzidas	Faturamento dos Fornecedores (fabricantes de uniformes)
2008	0%	49%	51%	47.152	R\$ 1.942.680,00
2009	0%	57%	43%	43.552	R\$ 1.872.741,00
2010	29%	11%	60%	94.803	R\$ 4.369.058,00
2011	34%	15%	51%	117.173	R\$ 7.577.224,00
2012	22%	25%	53%	142.380	R\$ 9.182.982,00
2013	27%	14%	59%	169.094	R\$ 12.467.629,00
2014	30%	16%	54%	142.380	R\$ 10.763.777,00
2015	39%	7%	53%	198.227	R\$ 12.458.880,00
2016	10%	24%	67%	141.434	R\$ 8.833.749,98
2017	14%	23%	63%	159.973	R\$ 9.076.135,54
2018 (até 18/07)	13%	31%	57%	134.500	R\$ 7.034.284,21
Proj. 2018	12%	24%	64%	230.571	R\$ 12.058.772,93

Figure 1: Yearly comparative report on consultancy projects, pieces produced and revenue of suppliers to the uniform market (2008-2018).

Source: TS Studio.

Year  
 Revenue Consultancy Projects (% of total revenue)  
 Revenue Creation (% of total revenue)  
 Revenue Production (% of total revenue)  
 Number of pieces produced  
 Revenue of suppliers (uniform manufacturers)

(2018 (up to July 18))

Terezinha’s life story proves that the creation of value by a business model is not a static, but rather a dynamic process of continuous adjustments focused on the external

environment and on the reallocation of resources and internal capacities, in search of ways to respond to the demands of that environment.

INSTITUTIONAL TS STUDIO VIDEO:



### References

Information has been drawn and compiled from the following sources, accessed in June and July 2018:

- Primary source: interview of Tereza Santos and Rodrigo Santos conducted by professors Fabian Salum and Karina Coleta of FDC, at TS Studio’s headquarters in Belo Horizonte.
- Official website: [www.tsstudio.com.br](http://www.tsstudio.com.br) (including Facebook page and Instagram profile).
- Institutional material supplied by TS Studio itself relative to Patachou and TS Studio.

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