

RIGA TECHNICAL UNIVERSITY
FACULTY OF ENGINEERING ECONOMICS AND
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INNOVATION AND MANAGEMENT DEPARTMENT



Distribution company Business Plan



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I would like to express my gratitude to the many people who were with me through this Erasmus experience; to all those who provided support, encouraged me, and helped me when I needed.

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Motivation

This business idea came up due to a personal experience when I moved to Riga, Latvia at the beginning of 2016.

One of the products that first caught my attention when I first came to Latvia was **Laima** chocolate. Laima is a company with the perfect level of **availability** because their products can be found in most supermarkets, and also it offers an extremely wide range of products and formats with very different characteristics, but each one of them has the distinguishing Laima brand.

The perception I got of Laima after a few days after arriving Riga was **elaborate** (meaning good quality and thoroughness), **reliable** and **affordable**.

Far from being only a “first impression”, as the weeks went by, this image of trustworthiness continued, and I could see that that the same feeling happens among the locals that have known Laima since their childhood. That is why Laima seemed as an interesting brand for exporting it to the **Spanish market**, where people aren’t looking only for low prices but they care about the reliability and quality of products.

In addition, when I talked about Laima chocolate to my friends and family in Spain, I usually got the same comment: *“Oh, is it **Latvian chocolate good** or something like that?”* (my answer was always the same: *“not Latvian chocolate in general; but Laima chocolate, yes it is”*). That made me realize that Spanish people doesn’t know that much about Latvia and if they are told that Latvian chocolate is good, they will believe it. In addition, Laima is genuinely good quality and the company offers flavors that I barely have seen in Spain (popping strawberry, popcorn...).

This translates into a **business opportunity** which consists on exporting Laima products to Spain.

Executive Summary

The aim of this document is to develop a business plan for a distribution company located in Spain called Eurosystems, whose intention is to purchase products from a Latvian confectionary company called Laima and export those products to the Spanish market.

The products exported will be two chocolate bar selections: Tagad selection and Gourmet selection. First one is targeting a young and familiar customer who is seeking a day to day product, while the second one is targeting a more mature customer who wants to treat himself or other person with a good quality imported chocolate bar.

The product will first penetrate the market through intensive (supermarkets and hypermarkets) and selective (delicatessen shops) distribution, and from the 21th month Eurosystems will also use exclusive distribution by opening a new Laima shop in Madrid capital city.

Eurosystems aims to keep Laima's brand image, packaging as well as its philosophy during every stage of the project and every aspect of the business, in special the promotion strategy and public message.

1. Introduction: about Laima

Laima is the largest producer of confectionery in Latvia and one of the few chocolate manufacturers in Europe where full production process is ensured, from raw material (african cocoa) to final product.

The company started its activity in 1870, and currently employs more than 600 workers, all of them with stable and high quality employment. Laima's goal is to satisfy customer's needs; in order to reach it, the company maintains old skills and recipes are supplemented by contemporary production methods.

One of the most important company's distinction elements is the meticulous production process that Laima uses. Laima's manufacturing is based on total quality management, that's why it uses the highest quality cocoa beans from Africa, they are specially roasted, ground and tempered to get the unique taste of Laima chocolate.

The variety of products that Laima offers is wide, and is continually expanding nowadays.

1.1 Company products:



Chocolate boxes



Dragees



Chocolate bars



Fruits in chocolate



Countlines



Biscuits



Candies



Wafers



Caramels



Wafer cakes



Zephyr



Cocoa products



Marmalade

1.2 Company brands

One of the branding strategies that Laima uses is “Umbrella branding”, also known as the “Family branding”. Umbrella branding is a marketing practice which involves selling many related products under a single brand name. That allows the company to increase market share, enhance marketability of the products and make individual marketing campaigns for targeting different types of costumers.

Laima’s individual brands are eleven:

- Laima:

Laima Laima is the most traditional Laima brand, and also the most successful. It is based on skillful employees and old production traditions (around 1870s).

- Laima exclusive:

Sweets of Laima Exclusive series are the finest and most unique Laima products. They are made entirely by the professionals of Laima and each component is carefully selected. It also includes some health-friendly sweets.



- Fantāzija:

Fantāzija Fantāzija selection is the most creative and surprising. The recipe of chocolates combines the world's experience in making top-quality chocolates with the desire to surprise Laima sweets lovers with novelties and new forms of candy.

- Serenāde:

Serenāde is the only of Laima classical chocolates with the recipe exclusively owned by Laima, and it has been among the most popular Laima sweets for a long time. Continuing the tradition, Serenāde sweets are made by the same ingredients used for making the very first original Serenāde (back in 1937).

SERENĀDE

- Vāverīte:

Vāverīte Candies Vāverīte are produced at Laima factory according to an ancient and popular recipe. The most used ingredients are crumbled hazelnuts and gentle praline, that’s why its special feature is that Candies Vāverīte have the taste and scent of childhood.

- Selga:

Selga selection includes classic angular biscuits and a recent addition: crispy waffles. They come in different sizes and tastes like irish cream, chocolate, condensed milk, etc. which make them adapt perfectly for different situations.



- Lukss:



Lukss is a luxurious series that includes dark chocolate bars and boxes of chocolate designed for an adult customer.

- Prozit:

Prozit sweets combines chocolate sweetness and the taste of various liqueurs that has been part of Latvian festivities for decades.



- Maigums:



Maigums are also one of the most characteristic and successful Laima sweets. The inner part is composed of Zephyr Maigums, while the exterior is a thin chocolate coating. Maigums comes in different flavours, all of them are soft and melting sweets

- MammaS:

MammaS biscuits emulate mum's hand-made biscuits using plain and natural ingredients like pure country butter, pieces of dark chocolate, cocoa, cashew nuts and cinnamon.



- Ekstra:



These are everyday products at a friendlier price, maintaining Laima high standards at the same time.

2. Business summary and business idea

Eurosystems is a distribution company which aims to export Laima chocolate bars to Spain. The company Eurosystems has decided to bring Laima to the Spanish market through two chocolate selections. The first one is the Gourmet selection, that focus its competitive differentiation on been a high quality imported chocolate from Latvia, while the second one is Tagad selection, a chocolate bar collection with a wide and original range of flavors and a fun and fresh image.

The company will follow three distribution strategies simultaneously:

- Intensive distribution: the two selections will be available in the chocolate bars section of Carrefour hypermarkets and El Corte Inglés Supermarkets all over Spain.
- Selective distribution: the two selections will be available in delicatessen retailers located in main Spanish cities.
- Exclusive distribution: 21 months after intensive and selective distribution start, a single Laima shop will be open in Madrid capital city.

Both of the selections are distributed through supermarkets, hypermarkets but delicatessen shops will only sell Gourmet selection, leaving a much wider product range to Laima shop in Madrid.

Logistic task from picking up the commodities in Latvia to leaving them in Spanish logistic center will be responsibility of an outsourced logistic company.

One of the most important points that Eurosystems wants to make clear is its aim to maintaining Laima's brand image, philosophy and aesthetics as well as selling the product under Laima's signature brand.

This business idea came up as a combination of the continuous recovery of the Spanish economy, which makes the right time of this type of inversion, Laima's aim to expand and strengthen all over Europe to become a reference brand outside the Baltics and the belief that Spanish market will respond extremely well to what Laima brand offers.

3. PESTLE analysis:

The following Pestle analysis describes a general framework of factors which affect the companies in the Spanish market. As its name indicates, the factors under study in Pestle analysis are political, economic, social, technological, legal and environmental factors.

3.1 Politicand legal factors:

First, it's important to mention that current Spanish government situation is unstable and unpredictable. After many years having numerous politic corruption scandals and a strong bipartisanship, no political party won majority of the votes last elections on December 2015.

The Index Corruption Perceptions in the public sector in Spain has been 58 points, which was placed in the position 36 of the 167 published in this ranking, so it occupies one of the top positions.

Two months after the most fragmented election in recent history, a clear government has yet to take shape. The Socialist Workers' Party (PSOE)—the runner-up in December's election—is beginning to build support to form a government and, in February, PSOE inked a coalition deal with the newcomer Citizens. However, the alliance falls short of a majority in parliament and it is not known whether PSOE's leader, Pedro Sánchez, can pass the 2 March vote of confidence for Prime Minister. Nowadays, more than three months have passed after these elections, and none of them managed to make a coalition agreement, so Spain has a provisional government until the situation is resolved. This fact causes uncertainty about the future government policy and possible changes on employment laws.

From last five years, employment laws and policy in Spain has been focused on creating jobs and stimulating national economy. Government trusts on small and medium companies as the key to success, that's why since last labor reform in 2012, the amount of paperwork necessary to start a business has decrease strongly, as well as the difficulty to firing and hiring company staff. After almost four years since the labor reform started, it can be said that it's been relatively successful. Employment rate has increased but conditions for the worker are worse now. Spain takes the 33^o position of the 189 countries that make up this ranking in "Doing Business", which ranks countries according to the easiness that offer to do business.

Main actions taken due to 2012 labor reform

Lower firing compensations

Easier temporary employment hiring

Lower constitution fees for entrepreneurs

Constitution paperwork reduction for new companies

Shop regulations:

Food shops policies and regulations are directly depending on the autonomous region where they are located. In this case, Eurosystem's activity as an independent shop will be located in Madrid and its commercial activity will consist on selling packaged products.

Retail store regulations:

Once Eurosystems has deliver Laima products to retail stores, regulations and policies will be responsibility of that retail store.

Laima as a part of a supermarket:

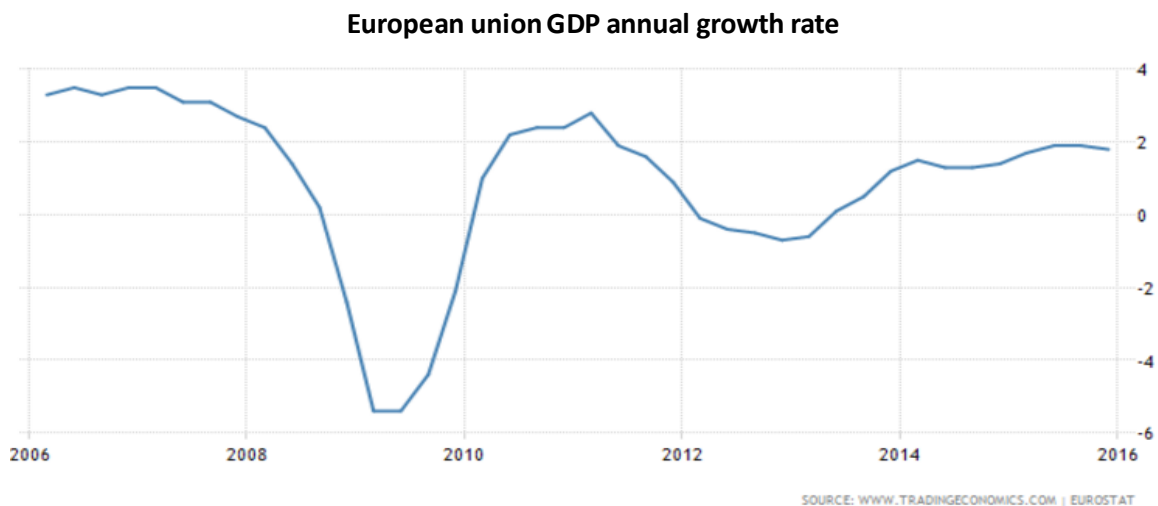
Once Eurosystems has deliver Laima products to supermarkets and hypermarkets, regulations and policies will be responsibility of that supermarket.

3.2 Economic factors:

Due to the importance of the economic factor, the following analysis is divided in three sections. First, an international frame; after that, a smaller European analysis and finally an exhaustive analysis of Spanish economy, where this business will take place.

3.2.1 European frame

European economy recovery is slow but steady, after 15% decrease of industrial production and employment in 2013, European economy touched bottom. However, the economic situation improved to the point that Euro zone stopped its recession in the second quarter of 2013 with a total economic growth of 0.3%, and 2014 and 2015 presented continuous growth signs. Gross domestic product (GDP) exceeded expectations in 2014 increasing by 1.4%, and continued to grow in 2015 reaching 1.9%. The following chart shows GDP behavior per year since 2006.



3.2.2 Spanish frame

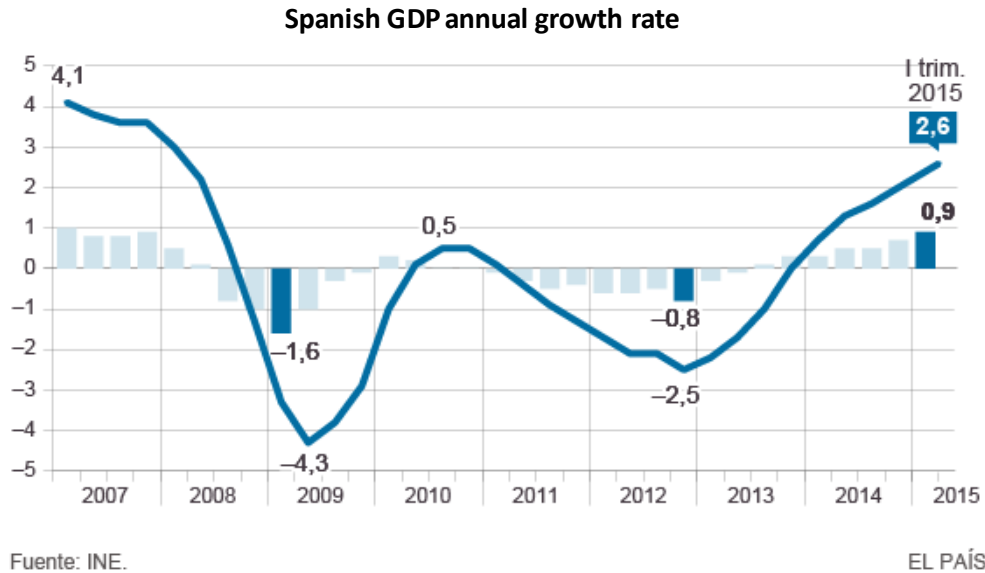
Overall economic situation

During last months, Spanish economy has reaped the rewards of its economic politics, consistency and hard work since 2012. For 2016, IMF (International Monetary Fund) is predicting that Spain's economy will expand at a slower pace of 1.8%.

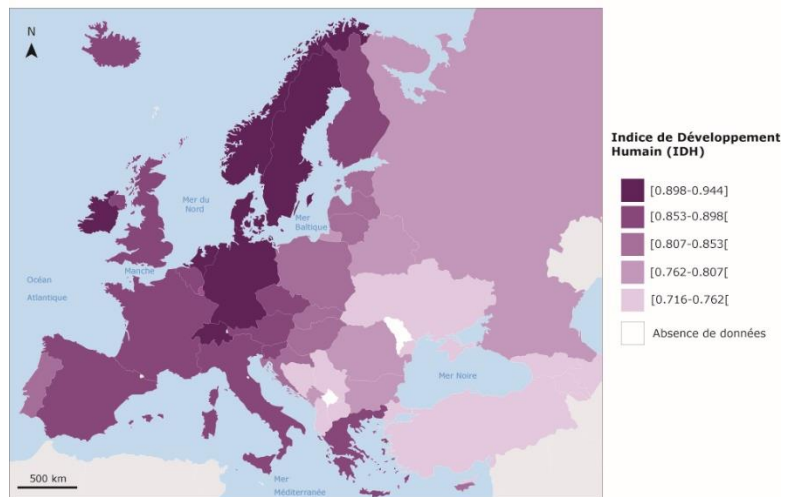
Also unemployment remains the dark spot on Spain's record, a robust economic recovery is projected to continue during 2016 and 2017. Low borrowing rates for businesses and households will also continue to provide support together with the fiscal stance. These factors, together with several structural reforms, are increasing business confidence.

Nowadays, public debt remains high but economic growth is setting, so Spanish government is reducing the deficit but also implementing some product market reforms and increasing innovation are necessary to increase economy's situation.

For private domestic demand, main indicators of demand for durable goods and services suggest that household consumption expenses remained stable during 2013 and began to progress since that year due to the increase of families' income.



Spanish HDI (Human Development Index), which is an indicator that United Nations use to measure the progress of a country, was 0.876 points in 2014, which stood at 26th place of the table of 187 countries published.

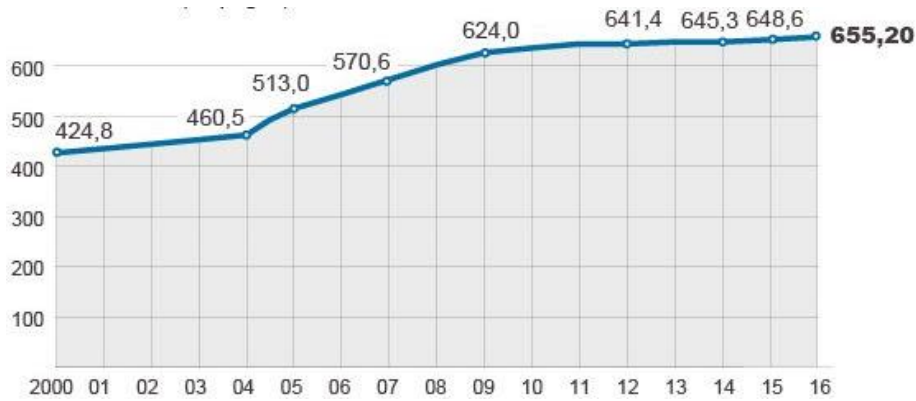


Human Development Index in Europe

Source: www.elpais.com

Regarding the labor market, unemployment decreases but at the same time there is not as much employment creation as wanted.

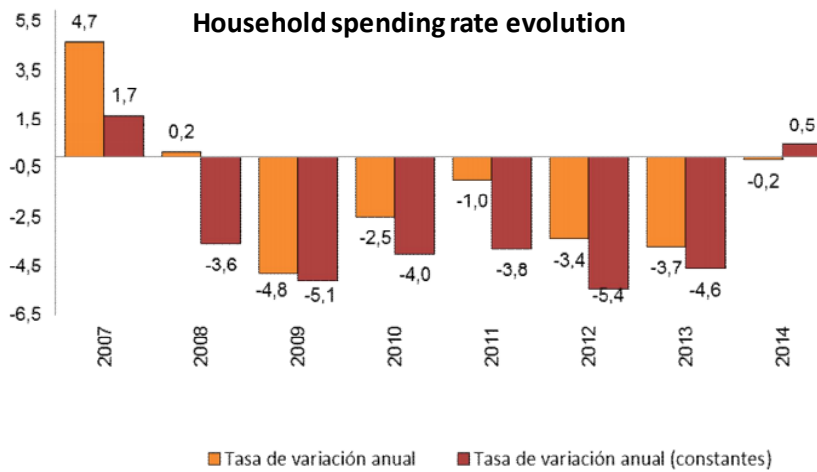
Minimum wage (€ permonth):



Source: Spanish employment and Social Security Ministry

Household spending evolution:

Average household spending in 2014 was 27,038 euros, 0'5% more than 2013 if price effect is



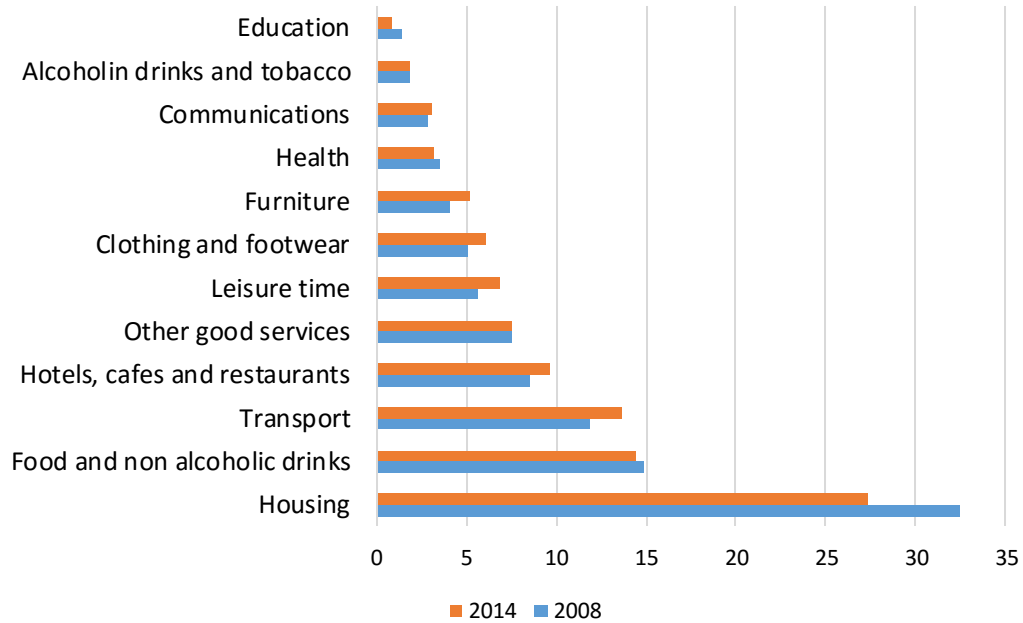
removed (and 0'2% less than in 2013 considering price effects). 2014 was the first year in which Spain reached a positive rate since 2007. The average spending per person increased 0.6% over the previous year. Meanwhile, the

total household spending of all residents in Spain, measured in current terms, increased by 0.3%.

The distribution of this household spending in 2014 depending on the area where its spending on, is the following.

Spending area	Average household spending (euros)	Percentage distribution (%)
Food and non-alcoholic drinks	4026	14
Alcoholic drinks and tobacco	510	1.9
Clothing and footwear	1376	5.1
Housing, water, electricity and fuels	8747	32.4
Furniture, equipment and other expenses house related	1100	4.1
Health	955	3.5
Transportation	3227	11.9
Comunications	793	2.9
Leisure time	1533	5.7
Education	369	1.4
Hotels, cafes and restaurants	2334	8.6
Other goods and services	2334	7.6
TOTAL	27 038	100

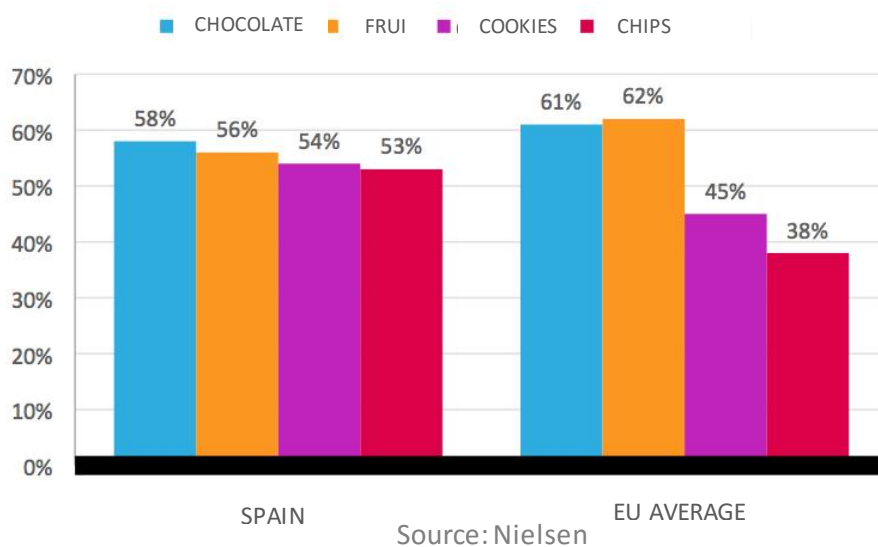
Household spending in 2014 Vs 2008



As it can be seen, food and non-alcoholic drinks are the second area where Spanish people are spending more money (after housing, water, electricity and fuels). Comparing the amount of euros spent on food and non-alcoholic drinks in 2014 to 2008 (before the economic crisis started) it concludes that nowadays the spending is only 0.5% lower than in 2008, a slight decrease that proves that food and non-alcoholic drinks are essential and primary goods for Spanish market.

When it comes to snacking, the most successful product that Spanish people likes to consume is chocolate, that way Spain places above European average, where the most consumed snack is fruit.

Snack preference between Spanish consumers:

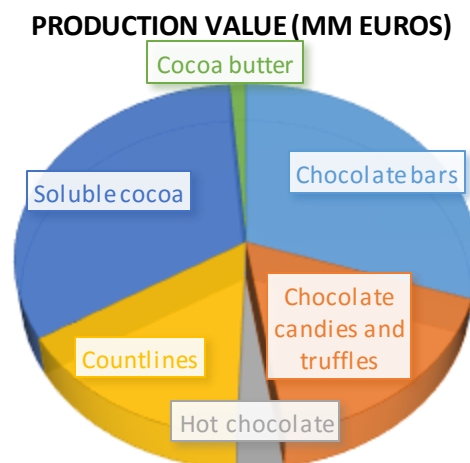


Economic situation of chocolate and cocoa products industry in Spain

Cocoa production and chocolate industry in Spain experienced 1.9% increase in 2014, with 259050 tons produced, which continued in 2015. The most important product is cocoa powder, with 131080 tons and more than 390 million euros. Second most important product is cocoa preparations of less than 2 kilos, with 91,950 tons, followed by cocoa paste and cocoa butter, cocoa fat and cocoa oil.

Specifying cocoa products, chocolate bars reached the 66,400 tons, with a value of 254.1 million euros, chocolates production was around 8,580 tons and 64 million euros, and other chocolate products accounted 22,750 tons and 91.6 million euros.

The main offer for the domestic market of chocolates and cocoa products are chocolate bars, with an average annual increases of 2%. Below that are the chocolates and truffles, hot chocolates, countlines, soluble cocoa other cocoa products.



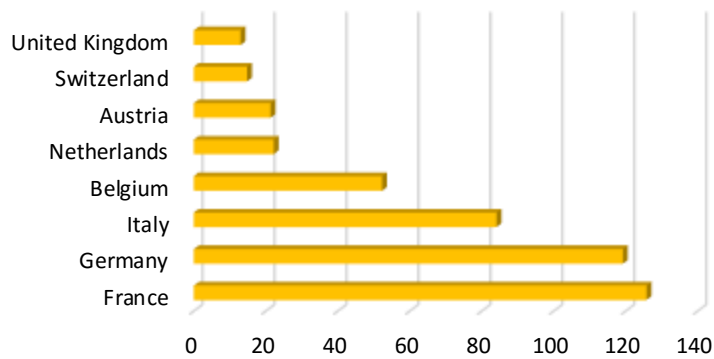
Local production

Due to the weather conditions are not adequate, Spain doesn't have any cocoa cultivation, so the main raw material for chocolate production must be imported. The leading cocoa producing countries around the world are Ivory Coast (38%), Ghana (19%), Indonesia (13%), Nigeria (5%), Brazil (5%), Cameroon (5%), Ecuador (4%) and Malaysia (1%). Around 90 000 tons of cocoa beans enter in Spain every year, which are processed to produce the final products.

Chocolate and cocoa products imports reached the 117,760 tons in 2015 with an increase of 3.7% compared to 2014.

Given its volume, the main items imported chocolates are unfilled (25,010 tons), ready to drink (16,070 tons), spreadable paste (14,560 tons), filled chocolates (11,210 tons) and chocolates (10,680 tons). France is the main supplier, with 39.4% of the total, followed by Germany (25.1%), Italy (9.5%), the Netherlands and Belgium.

Chocolate and cocoa products imports distribution by country in Spain, 2015 (x10⁶ FOB USD)



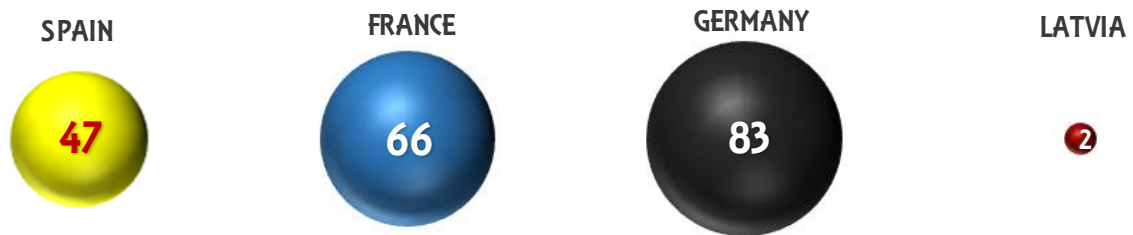
Regarding to exports, 62,120 tons of chocolate and cocoa products were exported, 2.3% more than in the previous year. The main markets are France (27.1% of total), Portugal (15.8%), Germany (13.2%), Italy (7.3%) and Belgium (6.6%).

3.3 Social factors

Overall demographic situation and current trend

Spain, with around 47 000 000 inhabitants, is the fifth most populous country in the Europe. However, its population density (92 inhabitants per km² according to Statics National Institute) is lower than that of most other Western European countries.

Population comparison between Spain, France, Germany and Latvia (x10⁶ habitants)



Source: self-elaboration

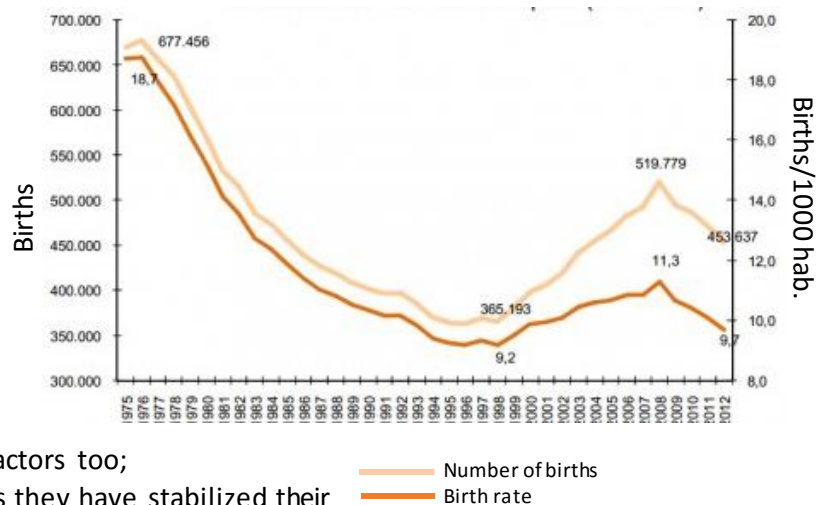
Its general demographic radiography reveals that both sex male and female are equally distributed and around 10% of the residents are inmigrants.

Residents	Population in 2015 (persons)	% of total	Variation from 2014 (%)
Men	22.807.603	49,13	-0,08
Woman	23.615.461	50,87	-0,03
Spanish	41.996.253	90,46	0,00
Non-spanish	4.426.811	9,54	-0,62
TOTAL	46.423.064	100	-0,06

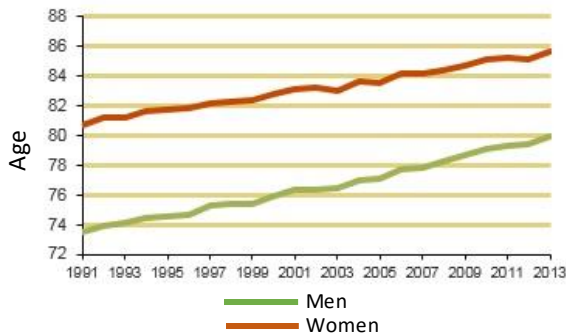
Currently, Spanish population has one of the lowest birth rate of the first-world countries. This fact is explained by the social and economic and cultural rights in recent decades: Spanish economic recession specially affects to young adults between 20 and 35 years, causing an unemployment rate of 40%. The late age of marriage and late emancipation are important factors too;

couples don't have kids unless they have stabilized their personal, economic and professional situation.

Birth evolution in Spain (1975-2012)



Life expectancy evolution in Spain



In addition, Spanish life expectancy keeps growing every year to the point that in 2014 it reached 83'3 years. According to INE, life expectancy has grown since 2001 at an annual rate of 0.2 years. By sex, difference remains in the incidence of mortality, where the life expectancy in women is more than six years of men.

Population pyramid

Demographic structure analysis consists of the study of sex characteristics, age, socio-economic activity and education of the population. The structure of the Spanish population has been changing due to the socioeconomic frame and migration movements.

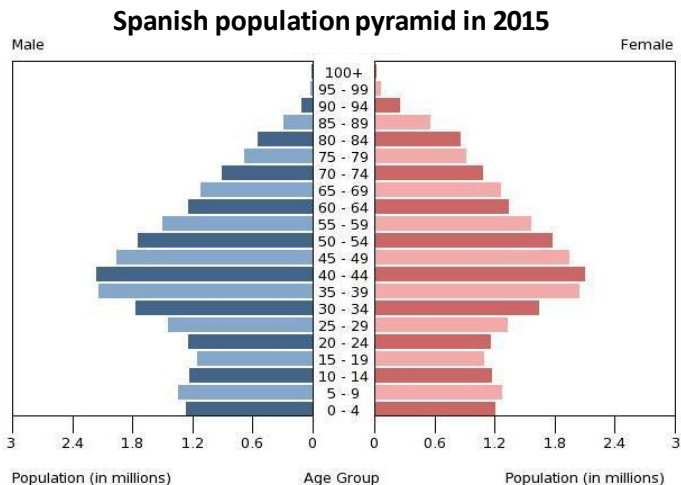
Sex

Spanish female population is bigger than male population although currently more boys are born than girls. Femininity rate (percentage of women over men) increases considerably in the age groups above 60 years. That's because women life expectancy is higher in 6 years.

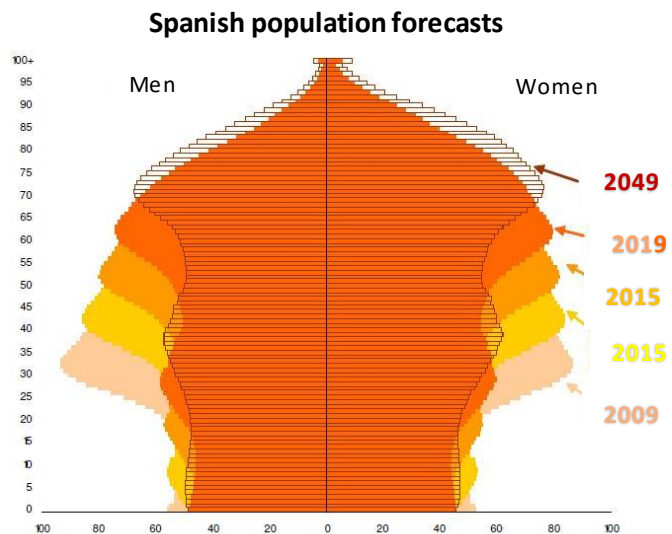
As a fact, in urban areas the number of women is higher than men, while in rural areas it is the opposite, due to women trend to migrate to the city causing deficit in rural areas.

Age

Probably the most important fact regarding Spanish demography is that its structure is aging. In the pyramid a strong widening appears in the generations between 30 and 50 years, but with a noticeable weakness in the base, corresponding to groups born in the last 15 years.



In a balanced structure, there must be more generations of young adults than older adults. This decompensation in Spanish population pyramid is expected to increase, again due to its aging trend. In 1996 the population over 65 years was 15% and now this percentage has increased, reaching 18% in some regions such as Castilla y León.



Socioeconomic Activity

- Active population

The active population of a country is the number of people who have joined the labor market. Spanish active population has grown faster than the population because of several factors, such as the immigrants and the increase of women in the workplace.

- Non-active population

As it's explained in the economic analysis, the current unemployment rate is around 22%. Analyzing social groups, unemployment affects mostly to young people seeking their first job and people over 45. Also, unemployment is much higher in women than in men.

Education

Since the last third of the twentieth century, education between Spanish population has greatly increased. Women have strongly increased their education levels, to the point that currently they are higher than men's.

Population density

Spain now has 92 habitants per km², but this number doesn't represent the strong imbalances, there are areas where the density exceeds 500 habitants per km² and other depopulated areas with 20 habitants per km².

As it can be seen in the map below, Madrid and coast areas are more densely populated. The autonomous regions where the density is over 140 habitants per km² are Catalonia, Valencia, the Balearic Islands, Basque Country, Canary Islands and Madrid. The autonomous regions with average density are Galicia, Andalusia, Navarra and Rioja. The rest of them have a low density and are located in the interior, they are Castilla la Mancha, Castilla y León, Aragon and Extremadura.

While the Interior presents serious problems of depopulation, Madrid region is a special case of study. It is the fourth largest metropolitan area in Europe and Madrid capital city has a population of 3,293,601 inhabitants and a population density of 5334'77 inhabitants per km². It is also the richest Spanish city and its economy keeps growing every year.



Population density choropleth map of Spain.

Source: www.auladehistoria.org

3.4 Technological factors

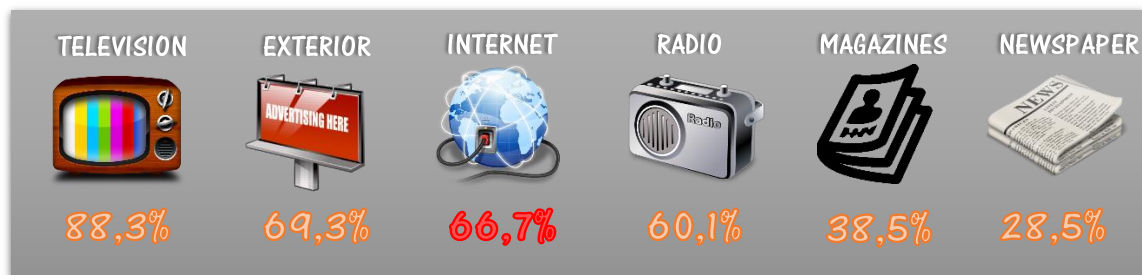
R+D

Spain also boasts one of the largest mobile markets in Europe, and the sector is highly competitive with the presence of leading telephone service companies. The country has well-established 4G networks and broadband penetration is on par with the EU average. • The low level of innovation in Spain is reflected by the low number of patents registered. The country managed only 711 patents in 2013, compared to France and Germany, which registered 6,083 and 15,498 patents respectively.

R+D (research and development) level in Spain puts this country in an intermediate-low position compared to Europe, with a comparable number of innovative companies around 34 per 100, compared to 49 100 in the EU-28 and 67 100 in Germany, and it catches the attention that most part of the innovations are only technologic. In addition, Spain has experiment a sharp decline of innovative companies in the past years, especially those engaged in technological innovation, from 30,000 in 2009 to 16,000 in 2013. This decrease, caused by the crisis, is visible in all sectors.

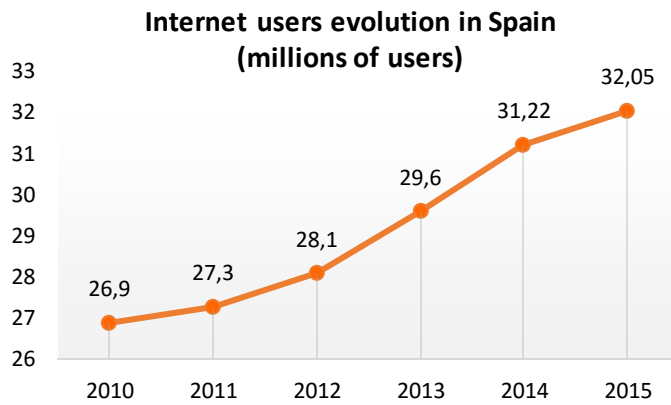
Internet

The following picture indicates the rate of penetration of different communication media in Spain according to 2015 data. As can be seen, the media through which the viewer receives most of the information is the television, followed by exterior advertising (which is the one that take place in public spaces and is directed to an undetermined public. It consists of posters, billboards, neon signs, public transport, etc.). Internet takes third place, but this media may be probably the most important one due to the quick growth experienced in recent years. In the las positions are the radio, magazines and newspapers.



Source: self-elaboration from Digital marketing Google course online

Since ADSL flat rates launch in 2005, internet penetration in Spanish homes has grown enormously, from 19 millions of users in that year to 35 millions of users in 2016.

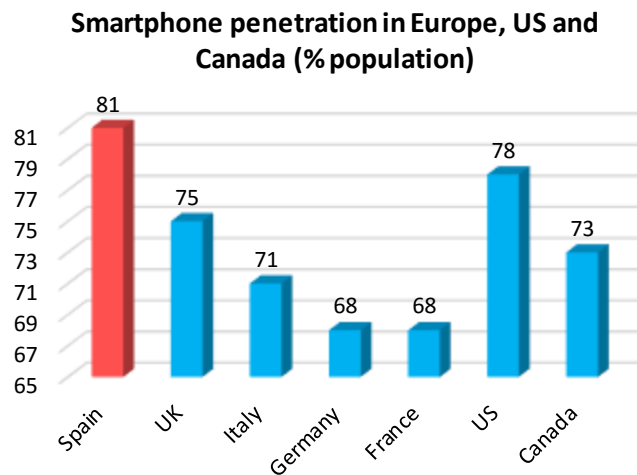


Spanish internet user profile:

- More than 30 million users
- Age 14 - 45
- Medium-high class
- With academic formation
- Main hobbies: sports, art, travelling
- Daily access to internet

Source: self-elaboration from Digital marketing Google course online

Also, it should be noted the high smartphone penetration in Spain and the good position that Spain has regarding smartphone penetration compared to the rest of Europe, stimulating that way the mobile commerce (also called m-commerce)



Source: self-elaboration from Digital marketing Google course online

3.5 Environmental factors

General frame

Spain is a world leader in biodiversity, enjoying exceptional natural capital which must be preserved and, therefore, known. Thanks to geographic positions of the peninsula and our two archipelagos, we have four of the nine biogeographic regions and three of the five marine regions of the European Union. Because of this, in 2014 Spain was the country with the most land surface in the Natura 2000 Network with 18.9%, followed by France (10.0%). It was also the second country in terms of marine surface in the network, with a total 22.5%, behind the United Kingdom (23.3%).

Environment Spanish legislation has experienced an important evolution, and some of the autonomous communities are implementing very advanced politics. However, energy and water consumption are too high nowadays, and also CO₂ emissions and urban waste production.

Society is more and more conscious of the importance of air quality and that its deterioration directly affects people's quality of life and that of ecosystems. The exceeding of the legal amounts for NO₂, ground level ozone and particulate matter also constitutes a challenge in this respect. However, average air quality in Spain offers signs of improvement, according to data compiled in the Profile, in great measure thanks to the development of the National Plan for Air Quality and Atmosphere Protection 2013-2016, which allows for the Ministry of Agriculture, Food and Environment to provide the impulse for action in relation to air quality, to complement action plans approved by other public administrations. Emissions for all the principal atmospheric pollutant gasses considered (SO₂, NO_x y NH₃, COVNM, CO and CH₄) have been reduced except NH₃. Following this line, primary particle emissions, one of the most dangerous pollutants for human health, was also reduced in Spain by more than 32% between 2000 and 2013.

The energy intensity of Spanish economy is less than that of the EU-28. In 2013, Spain was the country in Europe with the seventh-lowest intensity, and we are getting away from economic growth of consumption of resources. Domestic waste generation has on balance been positive, with the 449 kg of waste per inhabitant generated in Spain placing us at fourteenth among the EU-28 in 2013. The Waste Prevention Programme and the State Waste Management Framework Plan are instruments that have allowed recovery and recycling rate of packaging waste to exceed established objectives.

The cocoa problem

It's a fact that global demand for cocoa is growing. Assuming 2% annual growth, a significant increase of 30% for 2020 can be expected. But while demand is increasing, farm yields have more and more difficulties to produce cocoa due to several factors that are causing damage and eventually could affect the chocolate industry:

- The production conditions. Most farmers use outdated farming methods and have difficulty planting new trees, so the old trees have already passed their peak production. These difficulties result in low productivity and incomes, which mean that farmers often lack education and financing to improve their skills.

- The price. On average, the farmer only receives around 5% of final product value, that is a really small amount compared to 70% that the company keeps.
- The hopeless future. Because of that, many cocoa farmers are abandoning the industry. Also, there are more than five million cocoa farmers worldwide, most part of them are working in remote parts of West Africa, Asia and America, which makes it very difficult to make industry-wide changes

Some of the strategies proposed by foundations and big companies such as Mars Incorporated or Lindt are based on:

- Giving farmers education and access to more modern and sustainable agricultural practices
- Generalizing cocoa supply certifications among the companies.
- Improving potable water availability of in cocoa-producing regions.

Packaging

When it comes to cocoa products, the packaging is absolutely necessary to stop greasy cocoa butter from migrating from the inside of the package to the outside. The options for producing a wrapped chocolate bar are either a foil+paper combination or a sealed plastic envelope.

- Foil+paper: this option is more expensive and usually used as a higher quality packaging. Aluminum foil is made by rolling pure aluminum metal into very thin sheets, it provides a barrier to moisture, air, odors, light, and microorganisms but although aluminum is easily recyclable, foils cannot be made from recycled aluminum without pinhole formation in the sheets.
- Laminates and metallized films. Lamination of packaging involves the binding of aluminum foil to paper or plastic film to improve barrier properties.
- Thin gauges facilitate application. Although lamination to plastic enables heat sealability, the seal does not completely bar moisture and air. Because laminated aluminum is relatively expensive, it is typically used to package high value foods such as dried soups, herbs, and spices.
- A less expensive alternative to laminated packaging is metallized film. Metallized films are plastics containing a thin layer of aluminum metal. These films have improved barrier properties to moisture, oils, air, and odors, and the highly reflective surface of the aluminum is attractive to consumers. More flexible than laminated films, metallized films are mainly used to package snacks. Although the individual components of laminates and metallized films are technically recyclable, the difficulty in sorting and separating the material precludes economically feasible recycling.

3.6 Pestle analysis indicators:***Political and legal indicators***

<i>Public spending</i>	2014	463.041 M.€
<i>Education spending</i>	2012	46.789,6 M.€
<i>Health spending</i>	2013	64.918,2 M.€
<i>Defense spending</i>	2014	9.589,6 M.€
<i>Corruption index*</i>	2015	58
<i>* One of the most corrupt countries in Europe, along with Greece</i>		

Economic indicators

<i>GDP</i>	2015	1.081.190 M.€
<i>GDP Per Capita</i>	2015	23.300€
<i>Debt</i>	2015	1.072.183 M.€
<i>Debt (%PIB)</i>	2015	99,20%
<i>Debt Per Capita</i>	2015	23.042 €
<i>Deficit</i>	2015	-56.608 M.€
<i>Deficit (%PIB)</i>	2015	-5,24%
<i>Position in competitiveness ranking</i>	2016	33 ^o
<i>Unemployed population</i>	IV Trim 2015	4.780 m.
<i>Unemployment rate</i>	IV Trim 2015	20,9%
<i>Minimun salary</i>	2016	655 €
<i>Medium salary</i>	2014	26.162€
<i>General CPI</i>	March 2016	-0,8%
<i>Exports</i>	2015	255.441,0 M.€
<i>Exports % PIB</i>	2015	23,49%
<i>Imports</i>	2015	281.298,0 M.€
<i>Imports % PIB</i>	2015	25,78%

Socio-demography indicators

<i>Population</i>	2015	46.449.565
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<i>Population density</i>	2015	92 hab/km ²
<i>Global peace ranking</i>	2015	21º
<i>Birth rate</i>	2014	9,20%
<i>Mortality rate</i>	2014	8,50%
<i>Life expectancy</i>	2014	83,30
<i>% Poverty risk</i>	2014	22,2%
Technological indicators		
<i>Internet conexión speed</i>	2015	5,1 Mbps
<i>Daily time spent on internet</i>	2015	5h 42'
<i>Daily time spent on tv</i>	2015	2h 25'
<i>Internet penetration ranking in Europe</i>	2015	18º
<i>Smartphone penetration ranking in Europe</i>	2015	2º
Environmental indicators		
<i>Petroleum consumption (%)</i>	2014	40
<i>Nuclear energy production (%)</i>	2013	22

3.7 Pestle analysis summary table:

		Highly adverse	Adverse	Indifferent	Positive	Highly positive
Political / legal	• Government instability		X			
	• General employment policies				X	
	• Hiring/ firing easiness				X	
	• Administrative paperwork				X	
	• Legal handicaps for food companies			X		
Economic	• Current economic situation				X	
	• Overall economic progress (last 5 years)				X	
	• Economic forecasts				X	
	• Public debt		X			
	• Spanish GDP evolution				X	
	• Importance of the food sector					X
	• Economic situation of chocolate and cocoa products industry				X	
Social	• Population aging			X		
	• Low birth rate			X		
	• Heterogeneous population distribution				X	
Technological	• R+D position		X			
	• Smartphone and Social Networks use					X
	• Overall digital situation				X	
	• Digital trend and forecasts				X	
Environment	• Renewable energy world position				X	
	• Pollution			X		
	• Ambiantal policies				X	

3.8 Pestle analysis conclusions

In conclusion, the economic crisis that began in 2008 has had a huge impact on every aspect of Spanish current external frame. On the one hand, economic situation is not completely recovered yet but in the other hand, Spanish economy has reaped the rewards of its economic politics, consistency and hard work since 2012. For example, current employment politics encourage the creation of new businesses and jobs, and Spanish economy shows a lot of improvement. At the same time, economic recession also caused a decrease in birth rate, added to the life expectancy increase population, so it led to an aging population.

4 Market analysis

4.1 Market description and size

From the point of view of marketing, the market is made up of all current and potential consumers of a product. Therefore, the size of a market is related to the number of buyers that should exist for a particular offer.

Demand

During 2014, Spanish population consumed 163,6 million kg and spent 1073,4 million euros on chocolate and cocoa products. In per capita terms, 3.7 kilos and 23.9 euros was consumed and spent per person in 2014.

The following table represents the consumption and spending that Spanish households have made in chocolate and cocoa products in 2014. The chocolate and cocoa products have been classified into seven groups:

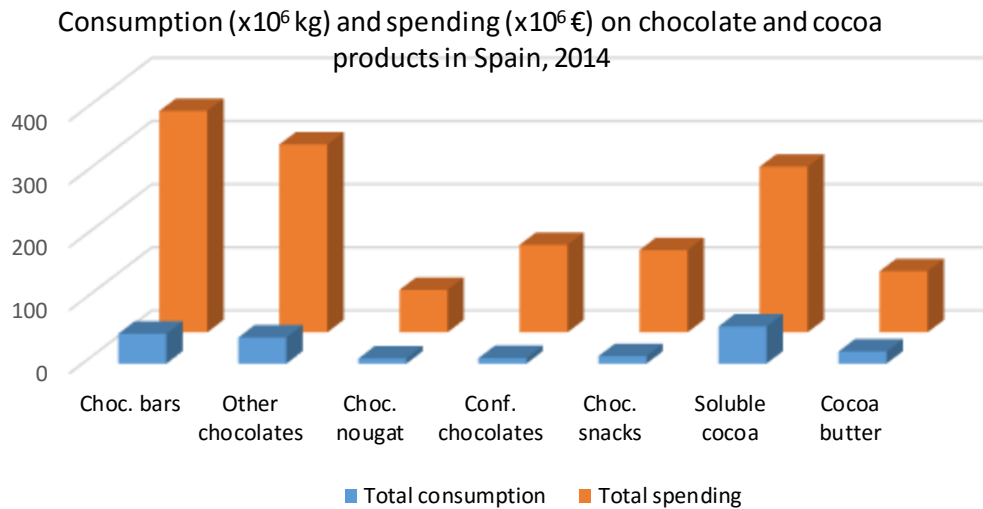
- Chocolate products, which are divided into chocolate bars and other chocolates (which refers to other products made only of this ingredient, such as chocolate figures).
- Chocolate nougat.
- Confectionary chocolates.
- Chocolate snacks.
- Soluble cocoa.
- Cocoa butter.

Chocolate and cocoa products consumption and spending in Spanish homes in 2014

	<i>Consumption</i>		<i>Spending</i>	
	Total	Per capita	Total	Per capita
	(x10 ⁶ kg)	(kg)	(x10 ⁶ €)	(€)
<i>Chocolate products</i>	55.4	1.2	417.2	9.3
<i>Chocolate bars</i>	47.4	1.1	350.3	7.8
<i>With milk</i>	29.4	0.7	200.6	4.5
<i>Dark</i>	18	0.4	149.7	3.3
<i>With almonds</i>	6.1	0.1	52.9	1.2
<i>Other chocolates</i>	41.3	0.9	297.3	6.6
<i>Chocolate nougat</i>	8.0	0.2	66.9	1.5
<i>Other chocolate and cocoa products</i>	108.2	2.4	656.2	14.6
<i>Confectionary chocolates</i>	8.7	0.2	138.4	3.1
<i>Chocolate snacks</i>	11.7	0.3	130.0	2.9
<i>Soluble cocoa</i>	58.8	1.3	262.1	5.8
<i>Normal</i>	57.3	1.3	245.6	5.5
<i>Light</i>	1.5	0.0	16.5	0.4
<i>Cocoa butter</i>	19.2	0.4	96.7	2.2
Total	163.6	3.7	1073.4	23.9

Source: self-elaboration from "Alimentation in Spain by sectors – Chocolate and cocoa products" Mercasa.

As it can be seen in the previous table, the most consumed product is soluble cocoa (on average one person consumed 1.3 kg during 2014), but it's not the one where the people invest more in. Soluble cocoa is followed by chocolate bars, with a consumption of 1.1 kilos per person. In terms of spending, the soluble cocoa accounts for 24.3% of spending, with a total of 5.8 euros per person, while the chocolates bars have a percentage of 32.6% and a total of 7.8 euros per person a year.



Source: self-elaboration from previous table

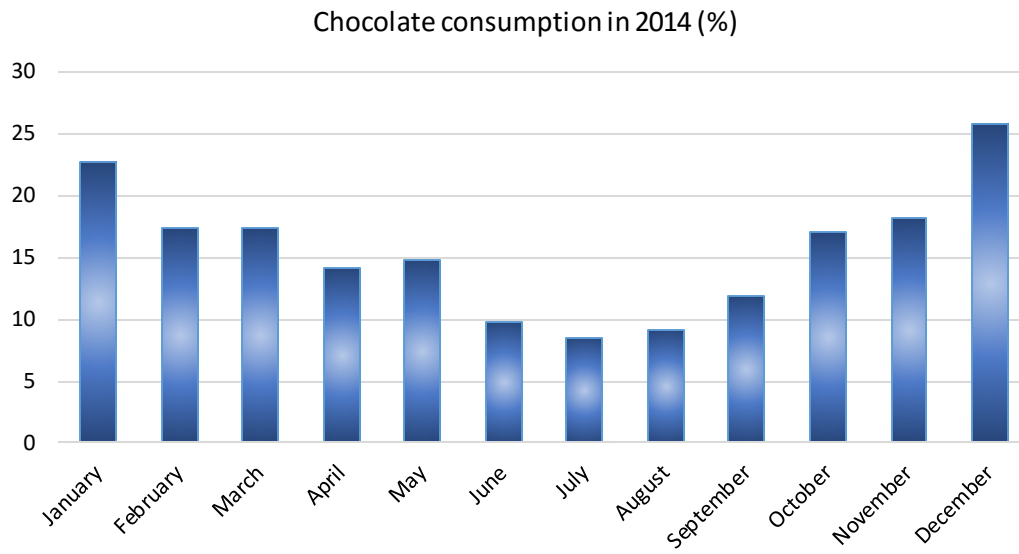
Seasonal demand

Seasonal events drive chocolate sales. In Spain the higher percentage of consumption is during Christmas season (December and January), unlike the consumption peak according to global trend, which is during Easter season (March – April); while the lowest consumption rate occurs during the hottest months in summer season (July – August). Some of the reasons for this fluctuating demand are:

- Weather conditions in the country. The temperature in Spain during the months of July and August is generally high, which makes it more difficult to transport and distribute the product without damage.
- Cultural factors. As a general rule, is more traditional consuming confectionery and chocolate products during Christmas holidays, hot chocolate during the cold months, etc.

Besides Christmas peak, there is also some other festivities that increase chocolate sells, such as Saint Valentine's day in February, Mother's day in May, Semana Santa in March or the increasingly trendy Halloween in October.

The graphic below represents chocolate consumption in percentage during 2014. It can be seen the higher demand on Christmas season.

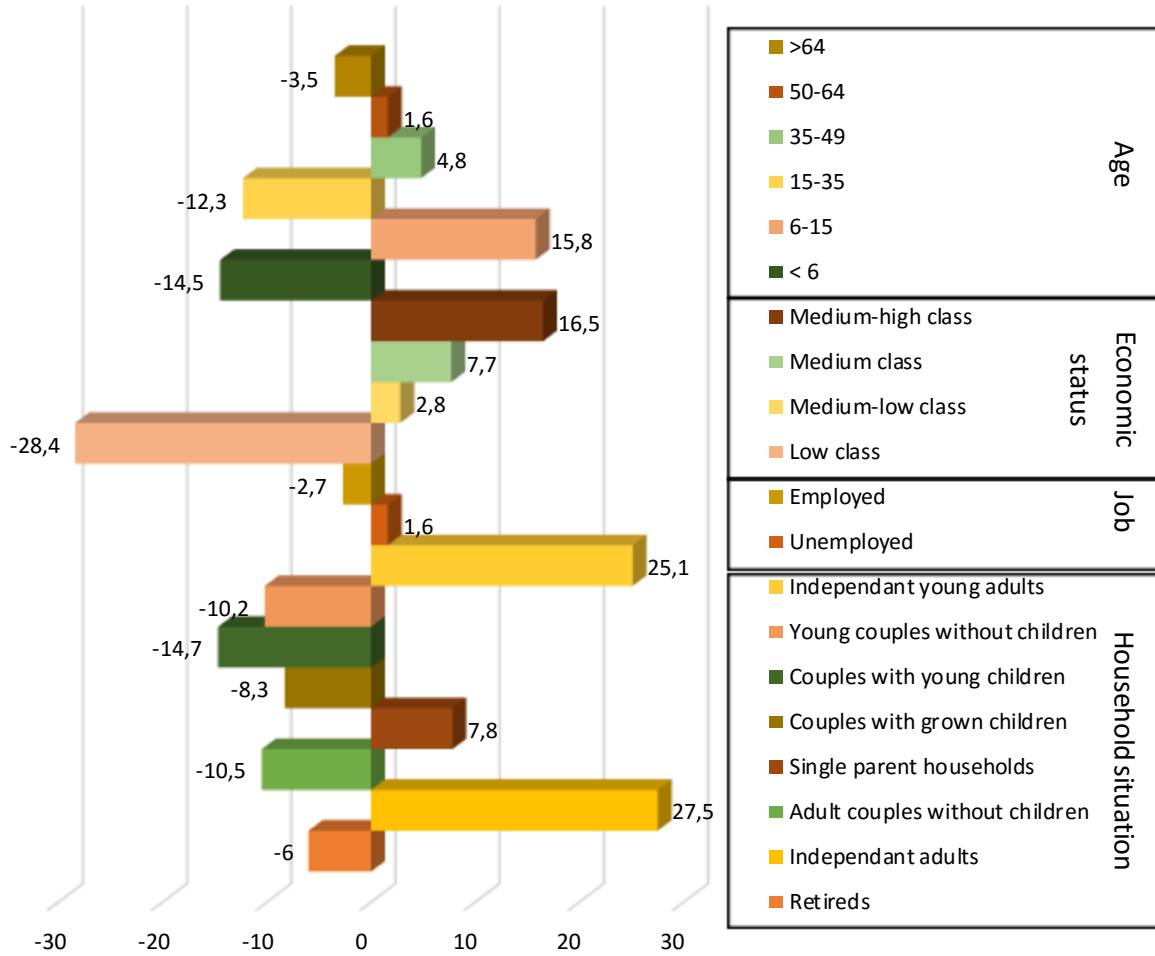


Source: self-elaboration from *The trends that could transform the chocolate industry*, KPMG.

4.1.1 Chocolate customers

The following chart shows chocolate and cocoa products depending on the customer profile consumption (according to 2014 statistics). The client has been divided depending on their age, economic status, job situation and household situation.

Chocolate and cocoa products consumption deviation from national average (%)



Source: self-elaboration from "Alimentation in Spain by sectors – Chocolate and cocoa products" Mercasa.

So there has been reached the following conclusions:

- It is noteworthy that households with children aged 6 to 15 years consume more chocolate and cocoa derivatives, while the lowest consumption is recorded in households with children under 6 years.
- Upper middle class households have the highest consumption, while as expected, lower class have the lowest consumption.

- If the person responsible for making the purchase does not work outside the home, consumption of chocolate and cocoa derivatives is superior.
- Households consisting of one person show the highest consumption of chocolate and cocoa derivatives, while the lowest consumption take place in households where couples without children live.

4.1.2 Target market

Due to Gourmet selection and Tagad selection have completely different characteristics as a product, there has been defined different target markets for each one of them. It should also be mentioned that targeting a specific market does not mean excluding people who do not fit the criteria. Rather, it will allow us to focus on the brand message that we want to send.

Gourmet selection target market

Target market for Gourmet selection has been defined as medium-class males and females with age between 28 and 65 years and medium/high education level who are seeking for a high quality imported chocolate as a special gift or treat.

Tagad selection target market

Target market for Tagad selection has been defined as medium-class young males and females with age from 6 to 25 who are seeking for a day-to-day chocolate as a snack or dessert.

4.2 Competence

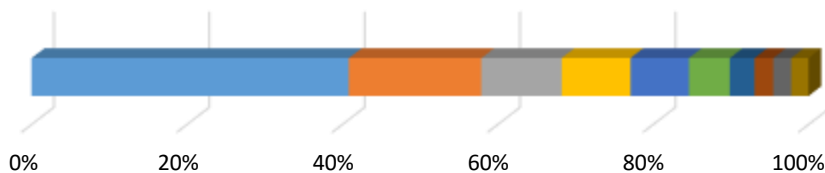
4.2.1 Leader companies in the sector

The chocolate and cocoa products market is led by a few multinational groups which have control of the entire food chain, from purchasing raw materials to small and medium producers and final distribution.

The largest producer in Spain is Nestlé Grupo S.A. and it has sales volume of 17.300 tons of product and 1.520.000.000€ only in Spain, while the second one is Mondélez Internacional-Grupo and it reaches 9.000 tons and 625.000.000€.

By making reference to market the chocolates, the largest operator is around 3,000 tons per year. The second manufacturer, exceeds by 2,300 tons and the third (the first in the case of tablets), reaches 2,280 tons. In the case of soluble, instant and cup cocoa, the leading group sells about 23,000 tons per year, the second (first and third respectively in tablets and chocolates) passes of 20,700 tons and the third floor and up to 3,800 tons. The most important industry group recorded annual revenues close to 302 million euros, while the second reaches 200 million euros, the third round of 153.5 million euros, the fourth is approaching 94 million euros and fifth stays at 85 million euros.

Leading companies in the chocolate and cocoa products sector



Company name	Sales (x10 ⁶ €)
 Nestlé España S.A.	1520
 Mondñelex Internacional-Grupo	635
 Nutrexp S.L	384.74
 NatraC.A. – Negocio de Cacao y chocolate	329.62
 Grupo Dulcesol	280
 Ferrero Ibérica S.A.	195.89
 Lacasa S.A. – Grupo	118.41
 Barry Callebaut Manufacturing Ibérica S.A.	90
 Nedeland S.A.	86.02
 Indcre S.A.	82.92

Source: self-elaboration from “Chocolate and cocoa sector 2015 report” Produlce.

4.2.2 Competitor analysis

In this section, the potential competitors of the segment are analyzed. As Eurosystems is offering two completely different selection of chocolate bars that are addressed to different segments, the competitor analysis will also distinguish between competitors for Tagad selection and competitors for Gourmet selection. Before the analysis, is necessary to establish the limits of what is going to be considered as competitors and what is not.

For Gourmet selection, it has been decided that the competitors will include

- Chocolate brands that sell the product as imported high quality chocolate bars, such as Belgium chocolate or French chocolate, that are available in most of Spanish supermarkets, hypermarkets and delicatessen shops and also target similar market.

Regarding Tagad selection, the competitors will include:

- Chocolate brands that are distributed in Spain and offers a similar product range, or have some chocolate selection similar to Tagad selection, that means an original and fun product that targets a young customer. These brands also are available in most of Spanish supermarkets and hypermarkets.

4.2.1 Rival companies

Competitors against Gourmet selection					
Competitor	Origin country	Presence in Carrefour hypermarket	Presence in El Corte Inglés supermarket	Presence in delicatessen shops	Number of brand name shops in Spain
Godiva	Belgium	Yes	Yes	Yes	1
Valrhona	France	No	Yes	Yes	0
Leonidas	Belgium	No	No	Yes	1

Competitors against Tagad selection		
Competitor	Presence in Carrefour hypermarket	Presence in El Corte Inglés supermarket
Lindt	Yes	Yes
Milka	Yes	Yes
Nestlé	Yes	Yes

Godiva

General information about the company	
Company name	Godiva
Where the company is based	Belgium
Main activity	Premium chocolates and related products
Turnover volume of the company	74,9 million € in 2013
General information about the brand	
Brand name	Godiva chocolatier
Competitive products	Godiva tablets collection
Packaging sample and logo	 <p>The image shows a Godiva chocolate box for 'Milk Dark Strawberry' (31% cocoa) and two individual Godiva chocolate tablets. To the right is the Godiva Chocolatier logo, featuring a horse and rider crest above the brand name 'GODIVA' in a serif font and 'Chocolatier' in a script font below it.</p>
SPT (Segmentation, targeting, positioning)	
Segment	People who are looking for high quality chocolate
Target group	Adults between 20 and 65, middle class
Positioning	Premium chocolate brand used for the perfect gift
Strengths and weaknesses analysis	
Strengths	<ol style="list-style-type: none"> 1. Recognized brand name 2. High quality of the product 3. High availability 4. Excellent reputation of Belgian chocolate 5. Many decades of experience 6. Godiva owns its own brand-name shop in Barcelona
Weaknesses	<ol style="list-style-type: none"> 1. Expensive price



Valrhona

General information about the company	
Company name	Valrhona
Where the company is based	France
Main activity	Premium and luxury chocolates and related products
Turnover volume of the company	Unknown
General information about the brand	
Brand name	Valrhona
Competitive products	Chocolate bar collection
Packaging sample and logo	
SPT (Segmentation, targeting, positioning)	
Segment	People who are looking for high quality chocolate
Target group	Adults between 30 and 65, middle and upper class people
Positioning	Premium chocolate brand used for the perfect gift
Strengths and weaknesses analysis	
Strengths	<ol style="list-style-type: none"> 1. High quality of the product 2. Distinctive design of the chocolate tablet 3. Many decades of experience
Weaknesses	<ol style="list-style-type: none"> 1. No presence in Carrefour hypermarkets


Leonidas


General information	
Brand name	Leonidas
Packaging sample and logo	 <p>The image shows a sample of Leonidas packaging and the brand logo. On the left is a dark chocolate bar. In the center is a box of Leonidas Dark Nibs, featuring a red and black design with a picture of a chocolate nib. On the right is the Leonidas logo, which includes a crest with a lion and the text 'Leonidas' in a stylized font, with 'Fresh Belgian Chocolates' written below it.</p>
Where the company is based	Belgium
Main activity	Premium and luxury chocolates and related products
Turnover volume of the company	72,9 million Euro in 2013
SPT (Segmentation, targeting, positioning)	
Segment	People who are looking for high quality chocolate
Target group	Adults between 30 and 65, middle class people
Positioning	Premium chocolate brand used for the perfect gift
Strengths and weaknesses analysis	
Strengths	<ol style="list-style-type: none"> 1. Very good brand name 2. Good reputation of Belgian chocolate 3. High quality of the product 4. Many decades of experience
Weaknesses	<ol style="list-style-type: none"> 1. No presence in Carrefour supermarkets 2. Not easily available

Lindt



General information about the company			
Company name	Lindt & Sprüngli		
Where the company is based	Switzerland		
Main activity	Premium and affordable chocolates and related products		
Turnover volume of the company	Unknown		
General information about the brand			
Brand name	Lindt		
Logo			
Competitive selection's name	Lindt Hello		
Flavors offered	Commercial name	Bar format (100g)	Snack format (39g)
	Crunchy nougat	X	X
	Cookies and cream	X	X
	Strawberry cheesecake	X	X
	Banana milkshake	X	
	Sweet popcorn	X	X
	Caramel brownie	X	X
Caramel & salt	X		
Competitive selection's package sample			
SPT (Segmentation, targeting, positioning)			
Segment	People looking for an original and non-average chocolate at moderate priced for a day-to-day consumption.		
Target group	Young people between 6 and 45; low, middle and upper class		
Positioning	Fun and interesting chocolate with a very appealing wrapping that can surprise every kind of public		
Strengths and weaknesses analysis			
Strengths	<ol style="list-style-type: none"> 1. Global brand ambassador 2. Excellent brand name 3. High brand loyalty 4. Very attractive packaging 5. Small formats for snacking (39 gr) 6. Good distribution 		
Weaknesses	<ol style="list-style-type: none"> 1. Expensive price 		

Milka

General information about the company					
Company name	Mondelēz International, Inc				
Where the company is based	EEUU				
Main activity	Snacks of all kind: biscuits, chocolate, gum, candy brands and beverages				
Turnover volume of the company	7,27 Billion € in 2014				
General information about the brand					
Brand name	Milka				
Logo					
Flavors offered	Commercial name	Bar format (87-100g)	Bar format (300g)	Bar format (41g)	Snack format (41g)
	Caramel collage	X			
	Raspberry collage	X			
	Hazelnut choqsplash	X			
	Mint choqsplash	X			
	Oreo	X			X
	Chips ahoy	X			
	Tuc	X		X	
	Lu	X		X	
	Bubbly	X			
	White bubbly	X			
	Caramel	X			
	Whole hazelnuts	X	X		X
	Noisette	X			
	White chocolate	X			
	Bubbly caramel		X	X	
	Choco jelly		X		
	Caramel and whole hazelnuts		X		X
	Triolade		X		
	Truffle and almonds		X		
	Strawberry		X		
	Crispy joghurt		X		
	Choco-swing cookie		X		
Choco-swing brown cookie		X			
Choco-swing wafer		X			

Package sample	
SPT (Segmentation, targeting, positioning)	
Segment	People looking for fun, original and non-average chocolate at moderate priced.
Target group	Young people between 6 and 30; low, middle and upper class
Positioning	Fun and interesting chocolate with a very appealing flavors that can surprise every kind of public.
Strengths and weaknesses analysis	
Strengths	<ol style="list-style-type: none"> 1. Popular brand name 2. High brand loyalty 3. Wide flavor range 4. Good distribution 5. Competitive price 6. Big 300g format 7. Collaborations with other brands from the same group such as Oreo, Tuc, etc.
Weaknesses	<ol style="list-style-type: none"> 1. Unattractive packaging 2. Difficult availability of all flavors

Nestlé

General information about the company			
Company name	Nestlé S.A.		
Where the company is based	Switzerland		
Main activity	Largest food company in the world: baby food, medical food, bottled water, breakfast cereals, coffee, confectionery, dairy products, ice cream, frozen food, pet food and snacks.		
Turnover volume of the company	88,02 billion € dollars in 2014		
General information about the brand			
Brand name	Nestlé extrafino		
Logo			
Flavors offered	Commercial name	Bar format (120-150g)	Bar format (240g)
	Three chocolats	X	
	La lechera	X	
	Dulce de leche		X
	Kikos	X	
	Hazelnuts	X	
	Dark MOKA	X	
	Crocanti choc		X
	Strawberry chesecake		X
	Dulce de leche caramel		X
Package sample			
SPT (Segmentation, targeting, positioning)			
Segment	People looking for fun, original and non-average chocolate at moderate priced.		
Target group	Young people between 6 and 45; lower, middle and upper class		
Positioning	Fun and interesting chocolate, under a traditional brand's name that can surprise every kind of public.		
Strengths and weaknesses analysis			
Strengths	<ol style="list-style-type: none"> 1. Popular brand name 2. Very high brand loyalty 3. Good distribution 4. Competitive price 		
Weaknesses	<ol style="list-style-type: none"> 1. Old-fashioned brand image 		

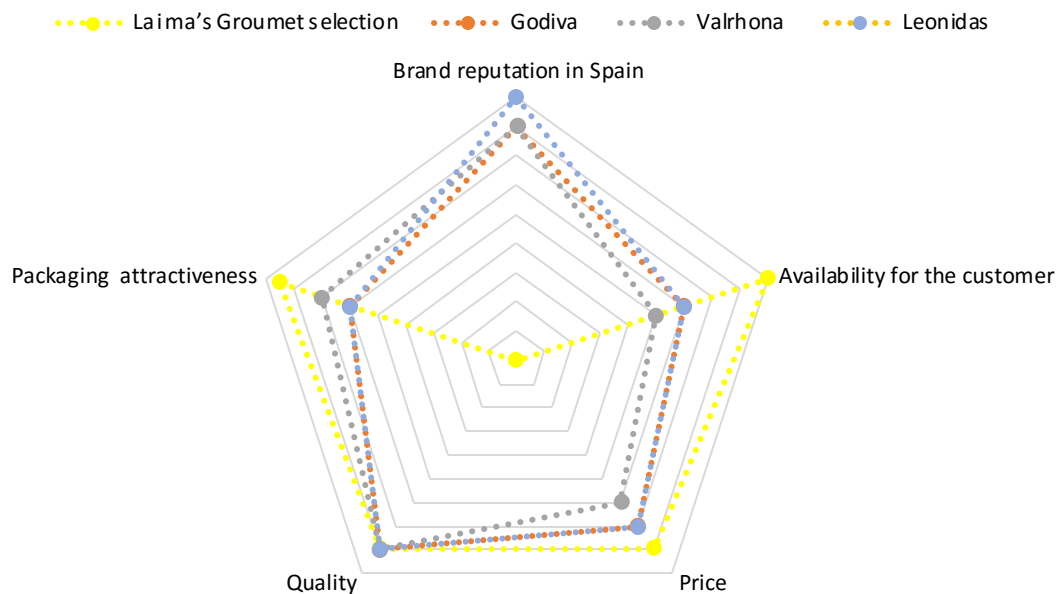
2. Very classic packaging

Competitive analysis comparative table

The following table compares Laima’s selections with its the most important competitors. In the first column of the table, there are some general and more specific competitive factors. The ponderation goes from 1 to 10, being 10 an extremely good rate, 1 an extremely bad rate and 5 a neutral rate. Also, the ponderation is based on acquired knowledge of the competition.

Competitive analysis comparative table for Groumet selection:

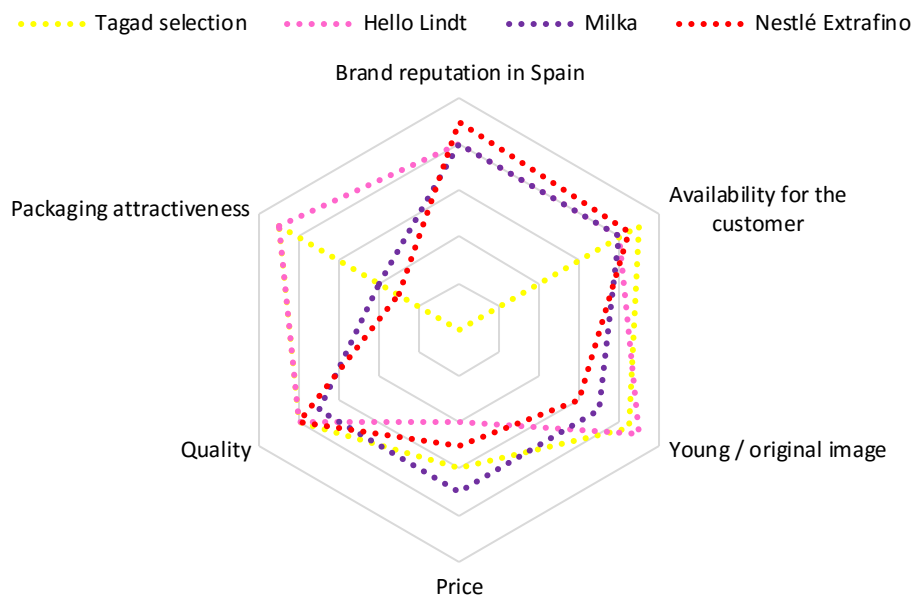
	Factor	Groumet selection	Godiva	Valrhona	Leonidas
Company	Reputation in Spain	0	8	8	9
	Distribution network	9	5	4	6
	Company resources	4	6	5	6
	Experience in the sector	8	8	8	8
Brand / product	Brand reputation in Spain	0	8	8	8
	Availability for the customer	9	6	5	6
	Price	8	7	6	7
	Quality	8	8	8	8
	Packaging attractiveness	8.5	6	7	6



Source: self-elaboration

Competitive analysis comparative table for Tagad selection:

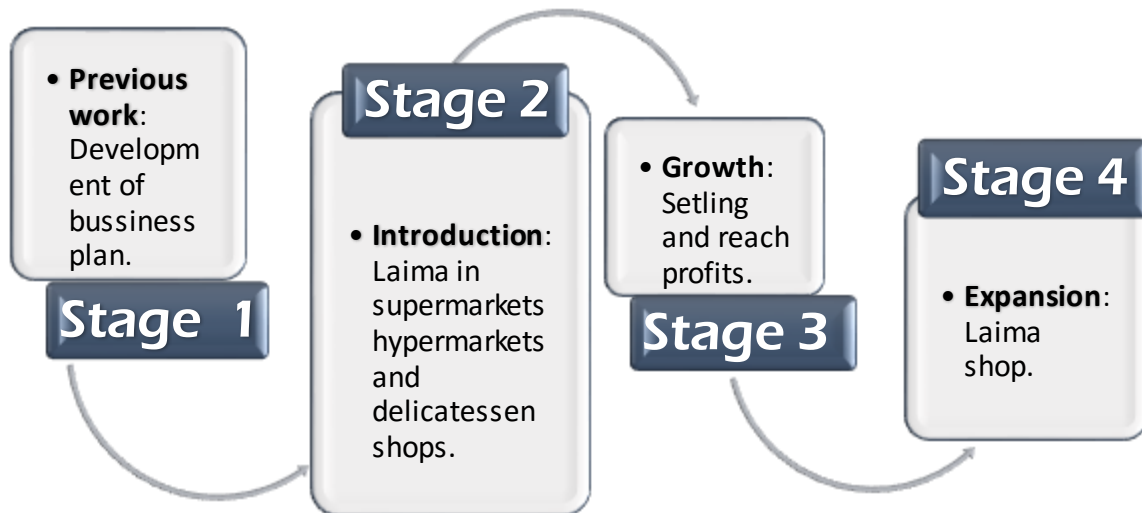
	Factor	Tagad selection	Hello Lindt	Milka	Nestlé Extrafino
Company	Reputation in Spain	5	8	7	9
	Distribution network	5	8	8	8
	Company resources	3	7	9	9
	Experience in the sector	9	8	8	9
Brand / product selection	Brand reputation in Spain	0	8	8	9
	Availability for the customer	9	8	8	8,5
	Young / original image	8.5	9	7	6
	Price	6	4	7	5
	Quality	8	8	7	8
	Packaging attractiveness	9	9	4	3



Source: self-elaboration

5. Market entry strategy

In order to in order to maximize profits, Laima will follow a strategy that will introduce the product in the Spanish market in a way that will get a high number of sales and customer loyalty. Time horizon has been set in 19 months, but must be considered that during the implementation, some business opportunities may come up, such as innovations, improvements, etc. There has been defined 4 big steps or stages in this strategy:



Step 1: Previous stage

In this stage, business idea and business plan are developed (with all the research, investigation before production and launch that it takes). This stage has an approximate duration of 1 month. Most part of the previous stage is this business plan.

Step 2: Introduction stage

This stage has an approximate duration of 3 months. Main goals in the introduction stage are:

- Inform potential consumers about the new product and stimulate product testing.
- Achieve correct distribution in all supermarkets, hypermarkets and delicatessen shops wanted.

So that's why most part of the financial efforts goes to promotion.

Distribution (where)	Product	Promotion
Carrefour hypermarkets	Latvia gourmet selection	<ul style="list-style-type: none"> • Very high promotion in situ: free tasting, discounts, visible placing. • Promotion through other channels
El Corte Inglés supermarkets	Tagad selection	
Delicatessen shops	Latvia gourmet selection	<ul style="list-style-type: none"> • Very high promotion in situ: Flyers, free tasting. • Promotion through other channels

Step 3: Growth stage

Growth stage has an approximate duration of 15 months. Main goals in this stage are

- Get customer loyalty
- Increase sales
- Reduce costs

Distribution (where)	Product	Promotion
Carrefour hypermarkets	Latvia gourmet selection	<ul style="list-style-type: none"> • High promotion through internet (eCommerce): active presence in internet, giveaways, social networks, internet advertising. • Visible placing • Promotion through other channels
El Corte Inglés supermarkets	Tagad selection	
Delicatessen shops	Latvia gourmet selection	<ul style="list-style-type: none"> • High promotion through internet (eCommerce): active presence in internet, giveaways, internet advertising. • Visible placing • Promotion through other channels

Step 4: Expansion stage

This stage will start at 19th month approximately. Main goal here is to open a Laima shop in Madrid city, besides continuing with a high and sustained number of sales at the supermarkets, hypermarkets and delicatessen shops.

Distribution (where)	Product	Promotion
Carrefour hypermarkets	Latvia gourmet selection	<ul style="list-style-type: none"> • Promotion through internet
El Corte Inglés supermarkets	Tagad selection	<ul style="list-style-type: none"> • Periodic promotions in situ
Delicatessen shops	Latvia gourmet selection	<ul style="list-style-type: none"> • High promotion through internet (eCommerce): active presence in internet, giveaways, social networks, internet advertising. • Visible placing. • Promotion through other channels.
Laima shop	Very wide range of Laima products, including chocolates, chocolate bars, chocolate boxes, countlines, etc.	<ul style="list-style-type: none"> • Very high promotion in situ for the opening week: free tasting, discounts, eye-catching decoration. • After the opening week, focus the promotion on eCommerce. • Promotion through other channels.

6. Marketing mix

Marketing mix is one of the classic elements of marketing. It's a term created in 1960 used to include four basic components: **product, price, place** and **promotion**, also known as the 4Ps. The 4Ps of marketing (the marketing mix of the company) can be considered as traditional variables that a company has to get its business objectives, but it can be only achieved if the four variables are combined with overall coherence and complement each other. As the marketing has evolved, more variables have come up, that's why this business plan will also include other three concepts: **physical evidence, persons** and **processes**.

6.1 Product

Product is the first and most important variable of the marketing mix as it includes both goods and services that a company sells, and it satisfy the costumer's needs.

Eurosystems isn't going to distribute the same product selection to all the Spanish selling points. Aldo they may be similar, product distributed to a supermarket or hypermarket won't be the same as to a delicatessen shop or Laima shop, because the customer profile that visits that place won't be the same neither.

As it's explained before, we are bringing to Spain two chocolate bars selections:

- Gourmet selection
- Tagad selection

6.1.1 Gourmet selection

Product portfolio

Gourmet selection consist on an exclusive selection of three different chocolate bars. The following image shows all the products belonging to the Gourmet selection.



Milk Chocolate Rīga bar 100g



Dark chocolate bar Rīga 100g



Milk Chocolate with Whole Hazelnuts Rīga in Envelope

Source: laima.lv

Image and packaging

As the package itself suggests, Gourmet selection is seeking to sell traditional Latvian chocolate bars from Riga as the most iconic ones in the Baltic countries.

As it can be seen in the previous images, all the packages are designed with pictures of Riga's architecture, Riga's buildings silhouettes, charming streets of Old Riga paved with cobbled stones, splendor of the Opera House and power of Daugava river; besides the iconic golden Laima logo.



Laima Brand logo

Also, a good package can make a potential customer decides for this product, so the chocolate bars are wrapped in an aluminum foil and covered by paper. This kind of package contributes to the image of exclusivity and old-school chocolate that Gourmet selection wants to obtain, added to the fine quality of the chocolate, makes this selection extremely attractive.

All the packaging can be seen in the previous image.

6.1.2. Tagad selection

Product portfolio

Tagad selection is the newest and most original chocolate bar collection that Laima has put in the market. It has six different flavors and two formats: 90 grams and 220 grams. Product portfolio is shown in the following images.



Laima Tagad milk chocolate with popcorn 90g



Laima Tagad milk chocolate with salty caramel 90g



Laima Tagad milk chocolate with crushed hazelnuts 90g



Laima Tagad milk chocolate 90g



Laima Tagad milk chocolate with banana crunches 90g



Laima Tagad milk chocolate with popping strawberry 90g



Laima Tagad milk chocolate with raisins and crushed hazelnuts 220g



Laima Tagad milk chocolate with whole hazelnuts 220g

Image and packaging

A great summary of the characteristics of Taglad selection can be read in Laima website, *“The new chocolate line Tagad is a novelty for the Latvian market. The highest quality of milk chocolate characterized by the particularly delicate structure in combination with bold and striking flavors related to fun and enjoyment of life”*. With flavors as “popping strawberry” or “crunchy banana”, Laima is targeting young customers who like to try fun and original recipes.

Color packaging is an eye-catching silver with bright and colorful images of the ingredients. This combination creates an image of freshness that will target young costumers.

The chocolate bars are wrapped in metallized film (metallized film is made of plastics containing a thin layer of aluminum metal foil and covered by paper, as it is explained in *Pestle analysis section, Environmental factors*).

6.2 Place

Product distribution (place) is the second element of the marketing mix. It includes the necessary actions to transport the final product to different selling points like shops, retailers, customer's home, etc. Distribution plays a key role in Eurosystems management. It is necessary to achieve putting the product in consumer hands on time and right place. It should be remarked that the logistic task from picking up the commodities in Latvia to leaving them in Spanish logistic center will be responsibility of an outsourced logistic company.

For a product-focused company as Laima, establishing the most appropriate distribution strategies in a foreign country is a major key to success, defined as maximizing sales and profits. In this business we are exporting Laima to Spain, so it has been decided to use multiple selling channels, including direct and semi-direct sales, but always keeping in mind the improvements in supply chain management technologies and committing to update distribution strategies periodically.

Three distribution strategies will be used in order to access the Spanish market:

- Intensive distribution: the products will be available in the international products section of Carrefour hypermarkets and El Corte Inglés supermarkets all over Spain.
- Selective distribution: some of the products will be available in delicatessen retailers located in main Spanish cities.
- Exclusive distribution: a single Laima shop will be open in Madrid capital city.

It should be noted that these three distribution strategies aren't going to start simultaneously; exclusive distribution is projected to start 21 months after intensive and selective distribution begin.

6.2.1 Intensive distribution

Intensive distribution is a marketing strategy that places an abundance of products in many locations and many regions. The purpose of this type of strategy is to put the product in so many Spanish locations that the customer will come across the product frequently, making it easy for them to remember and buy the product.

This strategy will tremendously help to start the penetration in the Spanish market, because that way Laima's brand name will be seen everywhere and will be available everywhere.

For implementing this strategy, it has been decided that Laima sweets will be available in Carrefour hypermarkets and El Corte Inglés supermarkets.

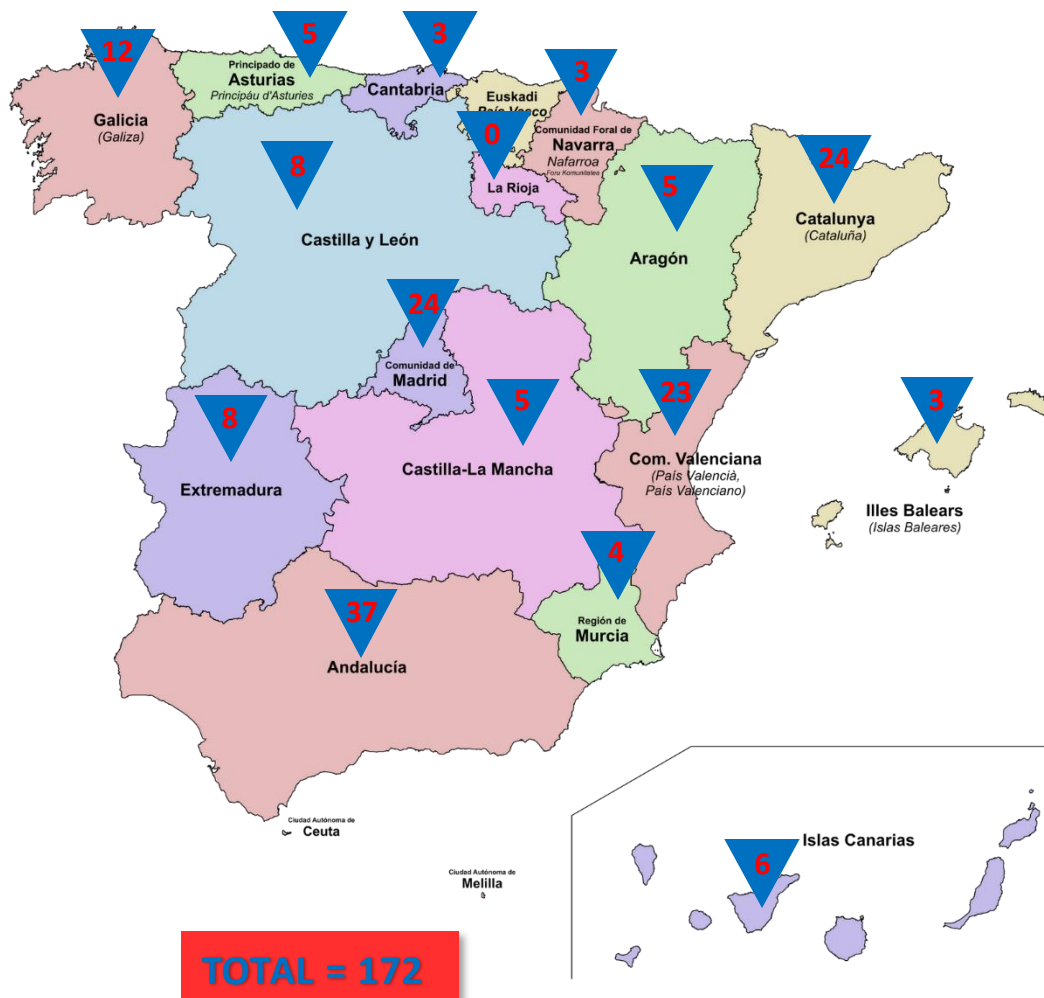
Carrefour hypermarkets

Carrefour is a multinational distribution chain first created in France. It is the biggest European group, and third of the world. Only in France there are 5013 Carrefour selling points, and in Europe there are more than 8000.

Carrefour's presence is strong in Spain: this country is the 2nd most important market for Carrefour (after France). There, it offers 173 hypermarkets, 162 Express Supermarkets, 114 Market Supermarkets, 122 Service stations and 415 Travel Agencies, and there are more under construction or planned.

Carrefour hypermarkets are large stores that offers a wide range of food and non-food items and targeted promotions. They are the ideal store format for anyone doing a major shopping trip.

Number of Carrefour hypermarkets in Spain and its distribution map:



Source: self-elaboration from www.carrefour.es

El Corte Inglés supermarkets

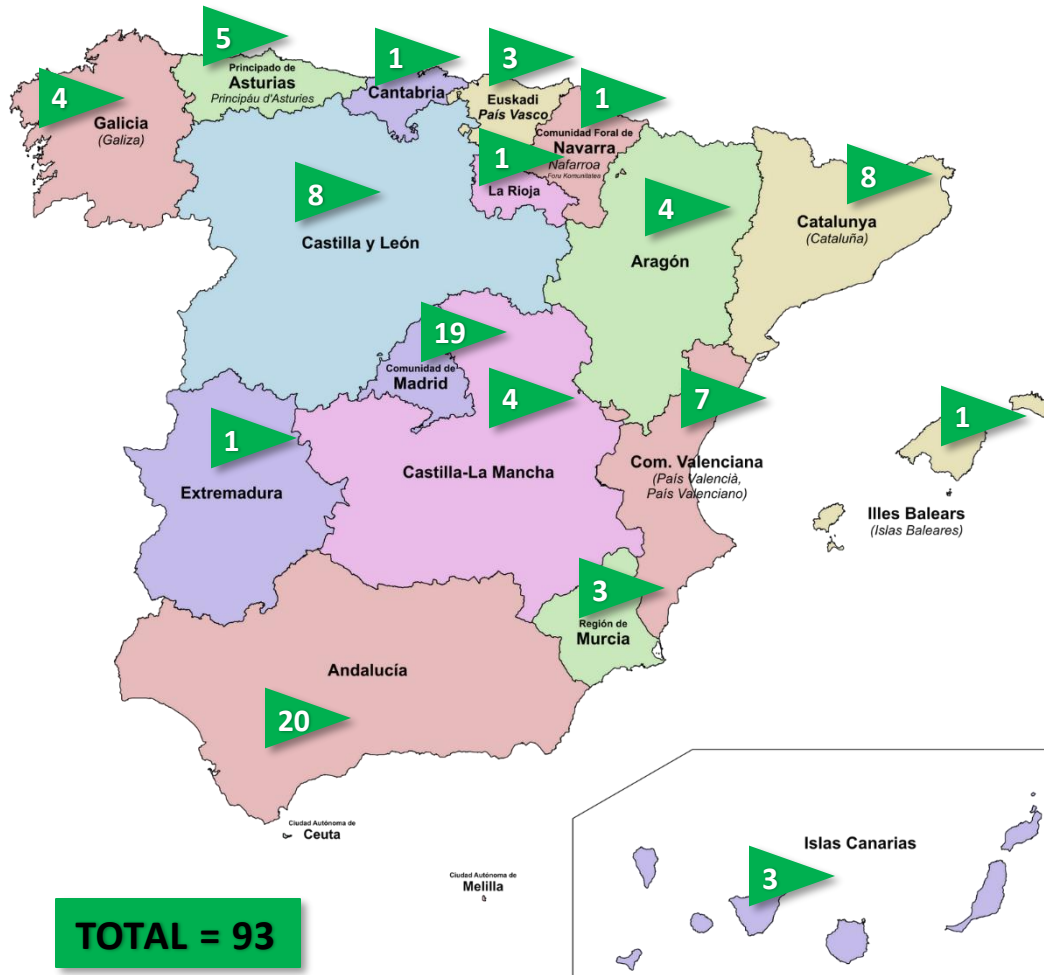
El Corte Inglés is a Spanish distribution group formed by companies of different format which has the 40th position in the world ranking by sales volume. The company includes a wide range of commercial formats (department stores, hypermarkets, supermarkets, boutiques, travel agencies...) located in Spain and Portugal.

As mentioned above, one of the formats that El Corte Inglés offers is the supermarket. Every El Corte Inglés department store has an El Corte Inglés supermarket inside, so there are around 90 El Corte Inglés supermarket located in Spain.

The brand El Corte Ingles is one of the most prestigious and appreciated not only in Spain, where it ranks 4th in the ranking of higher value brands according Coleman CBX and Brand Finance study, but also in the world. In El Corte Inglés supermarkets can be found gourmet products and

high quality products that can't be found in a regular supermarket. Also the prices are slightly higher than average so the customer usually has a medium-high economic level.

Number of El Corte Inglés supermarkets in Spain and its distribution map:



Source: self-elaboration from www.elcorteingles.es

6.2.2 Selective distribution

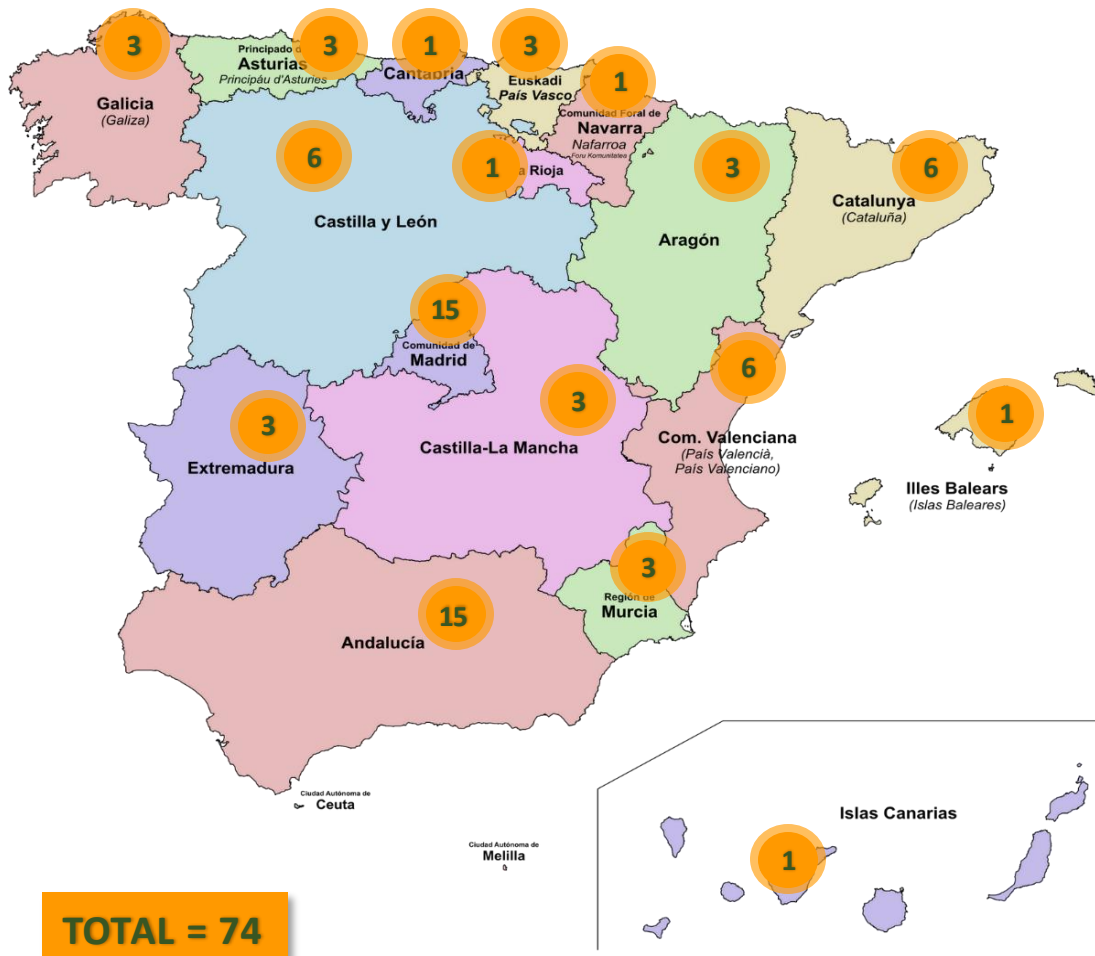
On the other hand, selective distribution involves selling products at select stores in specific locations, in COMPANYNAME’s case by selling Laima brand in delicatessen food shops. This strategy allows differentiate our product, target certain market and in consequence reach company’s goals.

It has been decided that delicatessen food shops in the main cities in Spain are the best choice for selling Laima products while contributing to the high quality image that the company wants to get. Number of delicatessen shops picked will depend on the size and population of each city, the bigger the city, the more selling points there will be where Laima is available.



“La Casa del gusto” delicatessen shop in Valladolid
Source: google.com

Number of delicatessen shops in Spain where Laima will be sold and its distribution map:



Source: self-elaboration

6.2.3 Exclusive distribution

Through a Laima shop in Madrid city centre, Laima will sell directly the product to the final customer. With this form of distribution, the company seeks a high prestigious image and a higher promotion of the brand's name.



Laima shop in Riga
Source: google.com

Laima shop in Spain distribution map:



Source: self-elaboration

6.3 Price

Price is the variable of marketing mix which directly determines a company's income. For fixing pricing strategy in Spain, first it has to be explained the purchasing process of the product.

6.3.1 Purchasing process

As Eurosystems is a distribution company, we are purchasing the products from Laima and selling them to the Spanish market (supermarkets, hypermarkets, delicatessen shops and later directly to the customer).

In this kind of agreements, supplier company, Laima, often offers quantity discounts, that means that the bigger the purchase quantity, the lower the purchase price. That's why we have taken the assumption that Laima's pricing for Eurosystems will be around 45% the selling price in a shop, but if the quantity is big enough, it will be 40% the selling price in a shop.

Profit will also depend on the selling price that Eurosystems is selling the commodities to all the supermarkets, hypermarkets, delicatessen shops and direct customers. Profit margin that the company gets while selling the product in Laima shop is much higher than the profit margin that it gets while selling to supermarkets, hypermarkets and delicatessen shops.

This assumption is fully developed in the financial plan.

6.3.2 Gourmet selection

Price is a factor that has to be studied very carefully; while developing pricing strategy there's two main mistakes Laima can make:

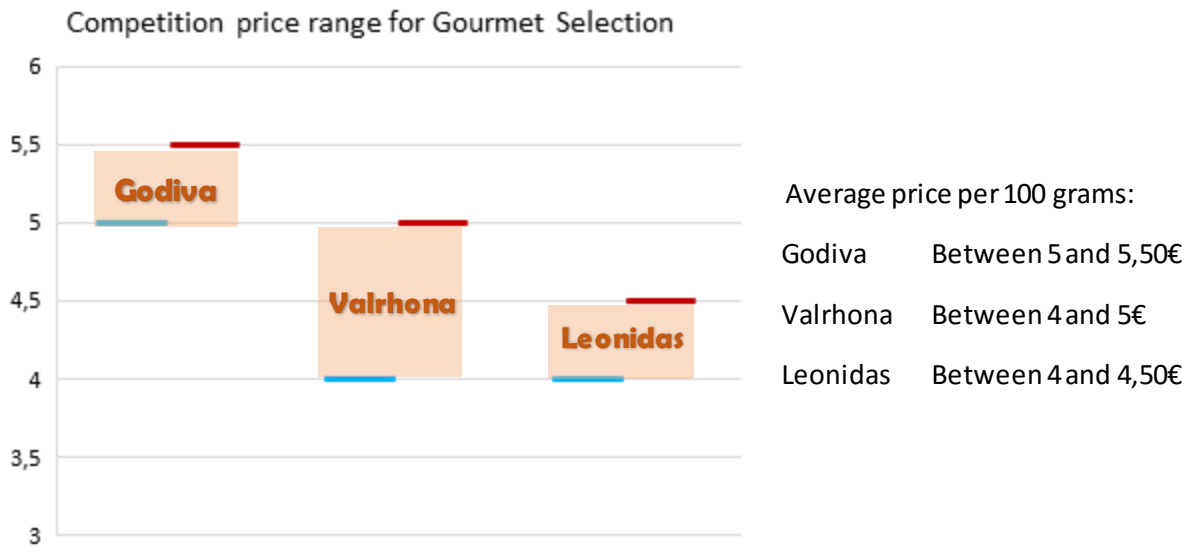
- Setting a very low price. In that situation the customer targeted won't buy the product because they won't see it as "good enough".
- Setting a very high price. In that situation the customer targeted won't buy the product because they won't be willing to expend that amount of money.

Customer's economy

Gourmet selection is targeting a market formed by adult customers with a medium rent who want a high quality imported chocolate as a gift or treat. This type of customer is willing to pay a slightly higher amount of money than for a day-to-day chocolate bar in exchange for visible distinction and superiority. That's why in this case, the customer gives more importance to the quality and the packaging of the product than the price.

Competence prices

The following table and chart represents the price range of the competitive products of the three main competitors of Laima's Gourmet selection.



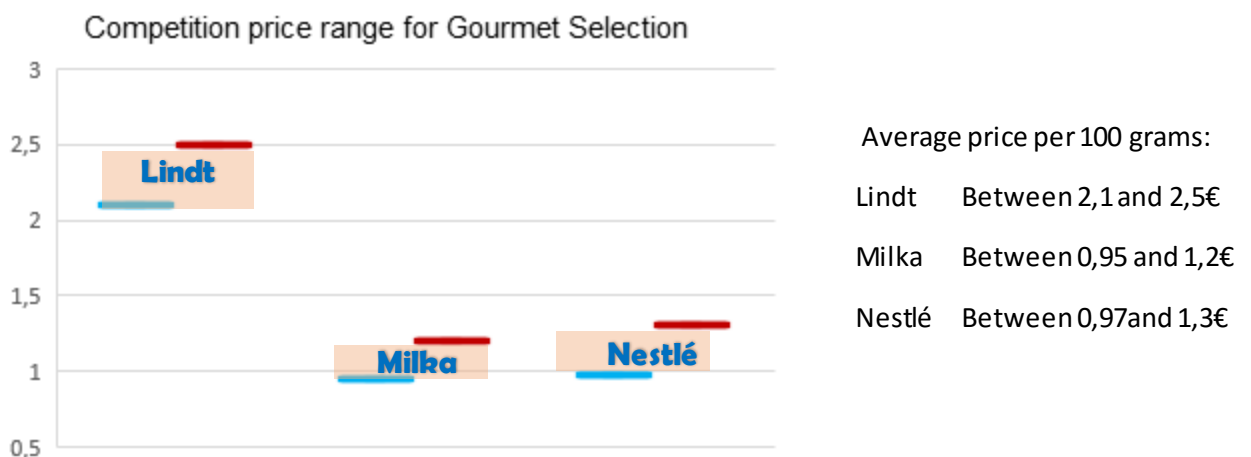
Desired pricing position for gourmet selection has to be slightly lower than the average so it will be another competitive advantage.

6.3.1 Tagad selection

Customer's economy

Unlike Gourmet selection, Tagad selection is specially targeting a market formed by medium class young customers who are looking for an original and different day-to-day chocolate bar option and a good quality-price rate. This type of customer is going to compare Tagad to many other alternatives and choose the better option, so competition is especially harsh in this selection. *Competence prices*

The following table and chart represents the price range of the competitive products of the three main competitors of Laima's Tagad selection.

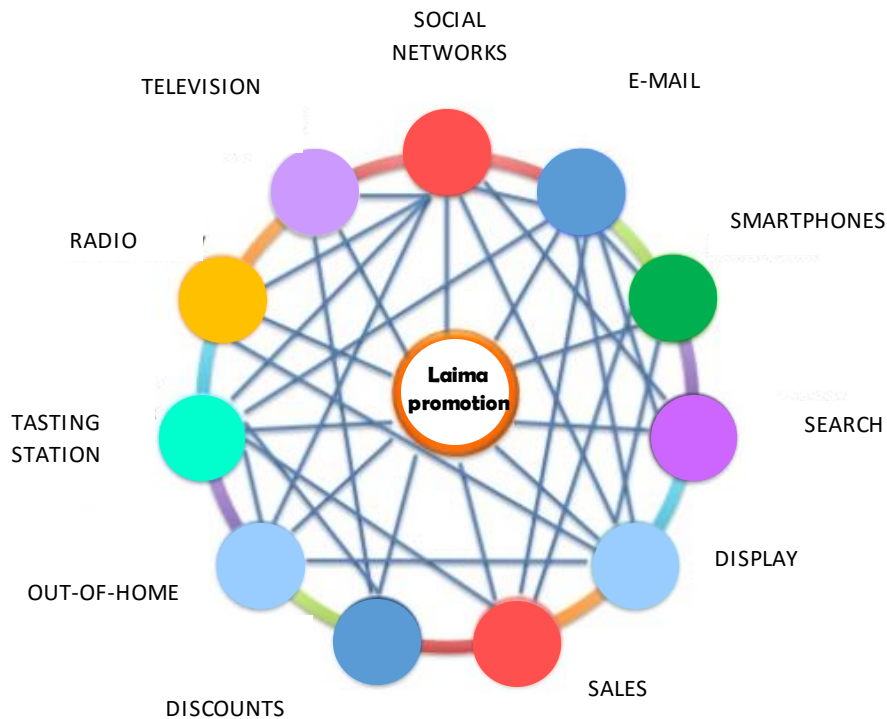


Desired pricing position for gourmet selection is lower than Lindt but slightly higher than Milka and Nestlé.

6.4 Promotion

Promotion it's about communicating and persuading the customer and other stakeholders about the company, its products and offers, in order to achieve company goals.

6.4.1. Promotional methods



	Gourmet selection	Tagad selection
Internet advertising	X	X
E-mail advertising	X	X
TV advertising		
Radio advertising		
Out-of-home advertising		X
Sales promotion		X
Tasting station	X	X
Social media	X	X
m-Commerce	X	X

6.4.2. Message strategy

Eurosystems has carefully chosen the message that its promotion strategy will be conveying to its target audience. Due to the promotion's message should reinforce product benefits and help the firm to develop a positioning strategy for their products, Eurosystems is going to keep the same message as Laima has developed in Latvia, and that is the "Choose Love" campaign. This main message will be common for both selections, Tagad and Gourmet and it will reinforce the familiar and loving image that we want for the brand.

The company seeks an encouraging message where chocolate provides love and happiness, and makes the world a better place. This topic especially attracts and inspires young and middle-age adults because at that age is when people start realizing that happiness is the main goal in life and the rest is secondary.

The following text is part of the Choose love campaign and sums up appropriately Laima's message:

Love is the most beautiful thing in the world. Love is the most powerful thing in the Universe. Laima chooses Love, because it makes the world a happier place. The more Love we give; the more Love we receive. Only by sharing love do we become rich and full of delightful energy.

It is up to us to choose Love and to choose to give, not receive it. If you see concerned people around yourself on a rainy day, say a nice word, and the world will become colorful once again. If someone speaks harshly to you, you can respond in kind, but you can also smile, and then the world becomes a lighter place. We can choose to praise, not criticize, and people around us will smile more and more. We can act, not hesitate, in changing our lives.

Love is the greatest value of Laima chocolates and the main secret behind its unrepeatable taste and aroma. Since 1870, the master chocolate makers of Laima have imported cocoa beans from the far-off Bay of Guinea in Africa, applying much love to the process of producing chocolate which has no equal anywhere else in the world.

Once Love is presented, it always comes back to you, and that is exactly why Laima chocolate helps you to choose Love at the most important times in life – Love which opens the door to happiness for all of us.

Choose Love!

6.4.3. Media strategy

This section refers to how the company is going to deliver its message in Spain, so each promotional method is going to be broadly explained.

Internet advertising

Internet advertising will be based on two concepts: Search and display.

The first concept, search marketing, involves the promotion of Laima's website (Spanish version) or advertisements by increasing their visibility in search engine results pages. A potential customer googling "chocolate gift" and getting a web where Laima's chocolate is offered is a clear example of this.

Second concept is display advertising, such as banner ads on websites. Those are much more visible but less likely to translate into direct clicks. A good example of display advertising for Laima would be a banner on a website or a Youtube ad.

E-mail advertising

E-mail advertising will be used only with customers that have already done any purchase and have agreed to give their e-mail address to the employee. The purpose of those e-mails is to inform the costumer about promotions, sales and discounts.

Out-of-home advertising

Alto new technologies are conquering companies' marketing, street advertising is still effective and a good investment due to it reaches the potential consumers while they are outside their homes thanks to putting ads on billboards, walls, bus and rail media, street furniture, etc. But there is an out-of-home advertising which seems more effective: street events about the product attracts a lot of people and will promote the word of mouth.



Prototype of Laima ad in a bus shelter



Laima street quiz for promoting Tagad in Riga.
Source: www.facebook.com

Sales and discounts

It has been decided that the company will offer punctual and periodical sales but only in Tagad selection. Gourmet selection won't offer any sales in order to maintain the imagen of high quality product. The following table shows the planned offers for each event.

	Event	Type of offer	Place
Tagad selection	Product launch	Discount 10%	Supermarkets and hypermarkets
	Periodical (every 50-70 days)	2x1	
	Mother's day	Discount 5%	
		Gift set	
	Christmas season	Discount 5%	
		Gift set	

Free tasting station

During the launch phase of the product, around the first two weeks, there will be a tasting station inside supermarkets, hypermarkets and delicatessen shops, where all the people will be able to taste the chocolate. This is an effective way to attract potential customers so they will feel less risk in making a bad decision.

Social media

Social media marketing will take a big importance for the selection's promotion, due to the high use of social media between the internet users. The social networks where Laima will have presence with Spanish account are:

- Facebook
- Twitter
- Youtube
- Instagram

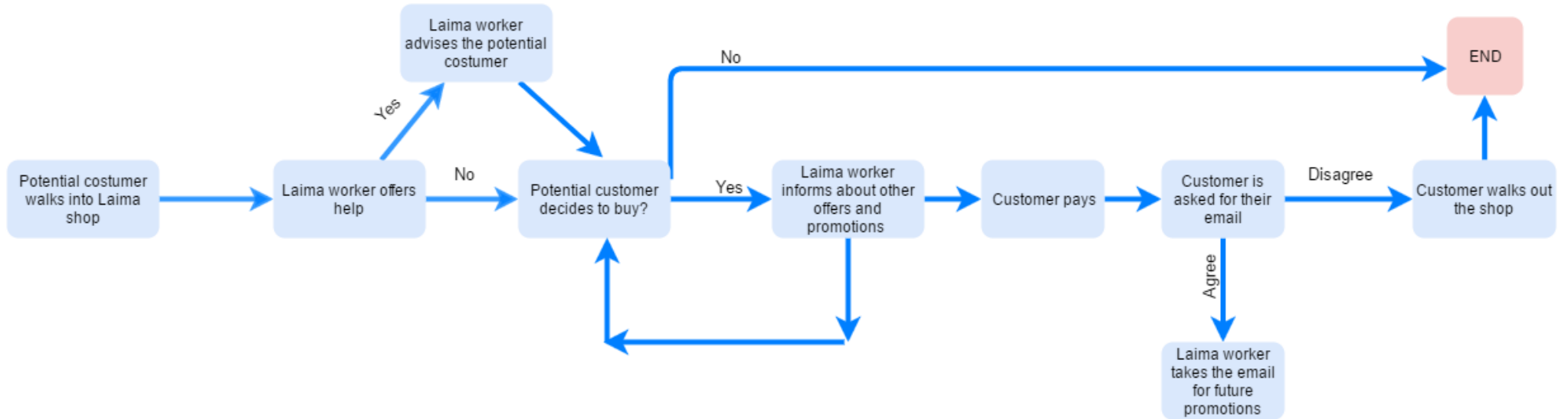
Informative and participative content will be post from Laima's accounts. The last one refers to giveaways in exchange of "likes", "comments", "retweets" or "shares". Eurosystems believes that social media advertising will have an enormous impact specially on Tagad selection due to the target market are young adults, who are the most internet active at the moment.

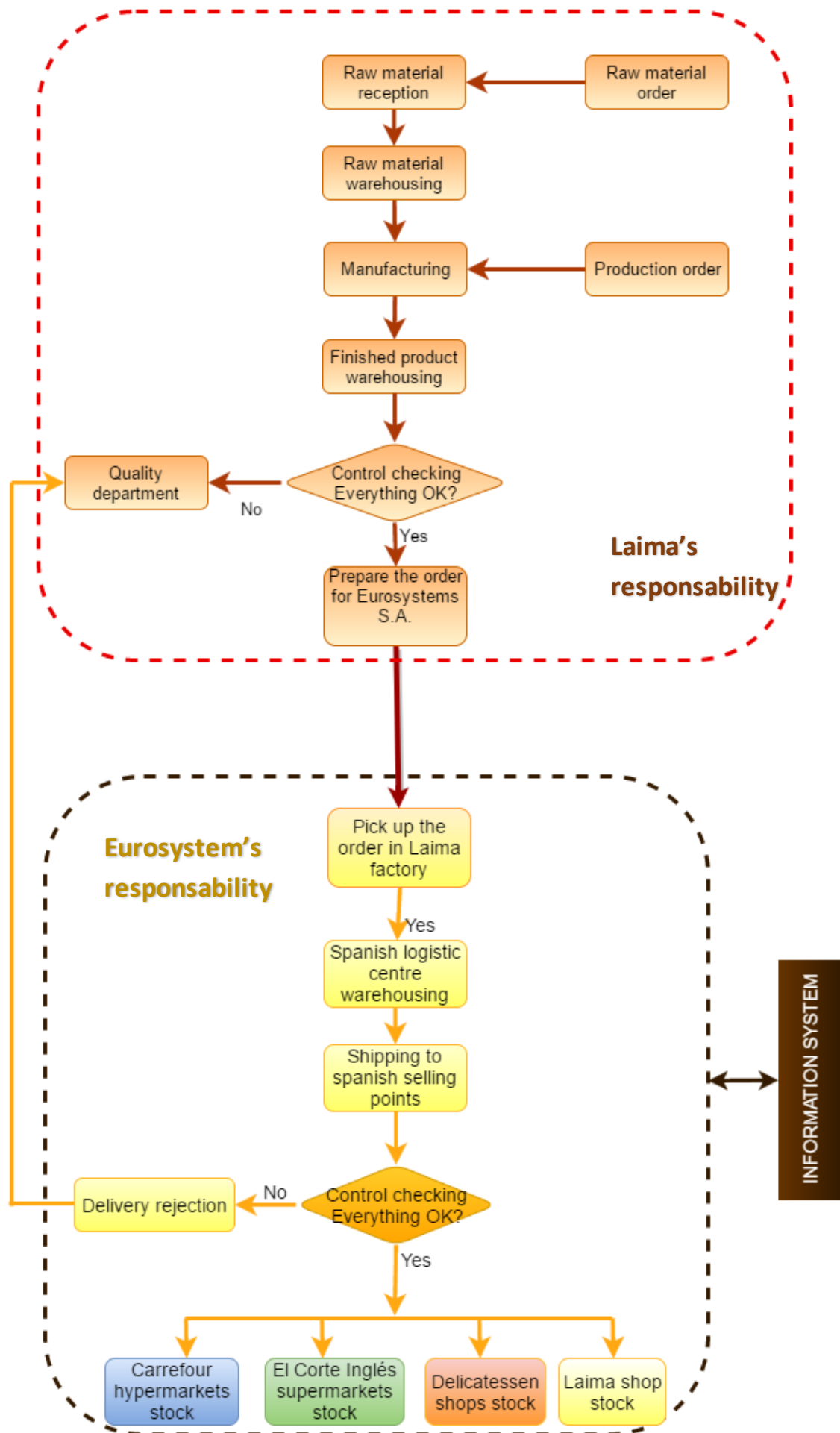
M-commerce

As the smartphone use is highly extended in Spain, Laima supports mobile phone advertising, for example using the GPS localization to bring Laima ads if a customer is near a Laima shop or retailer.

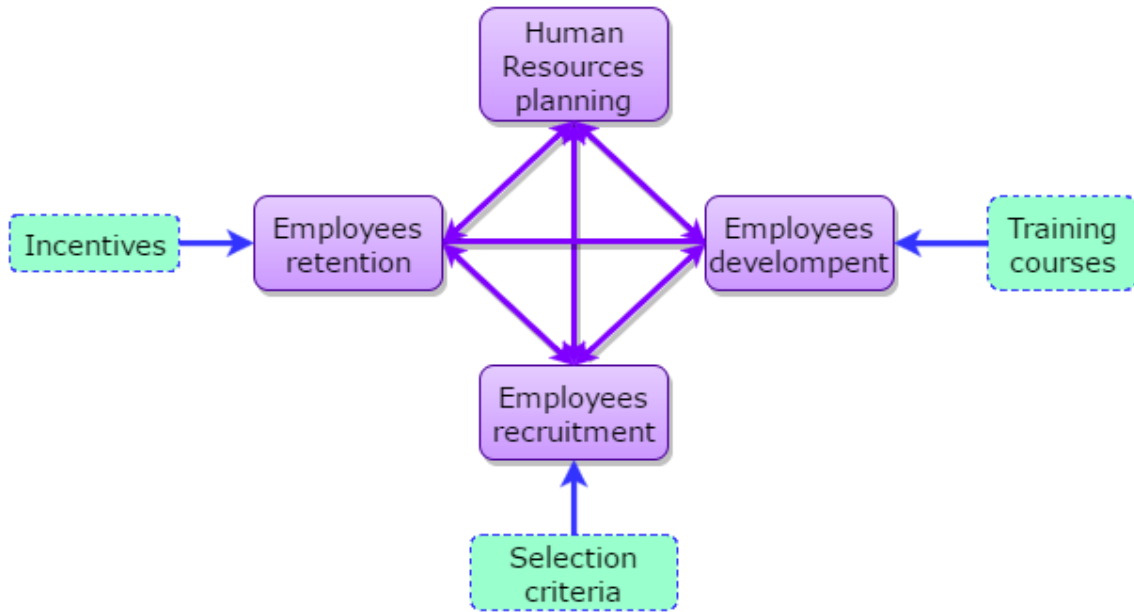
6.5 Processes

6.5.1 Intern logistic process





6.5.2 Intern Human Resources Process



6.6 People

From Eurosystem's point of view, people are a crucial element in service providing; training the staff is essential to make a competitive advantage, because they are one of the few elements interacting with the customer and they are representing the company.

In our case it's not possible to have staff hired by Eurosystems in every selling point, due to the products will be sold in supermarkets, hypermarkets and delicatessen shops, where the company can't decide the staff who is working there, but what we can do is to teach training courses.

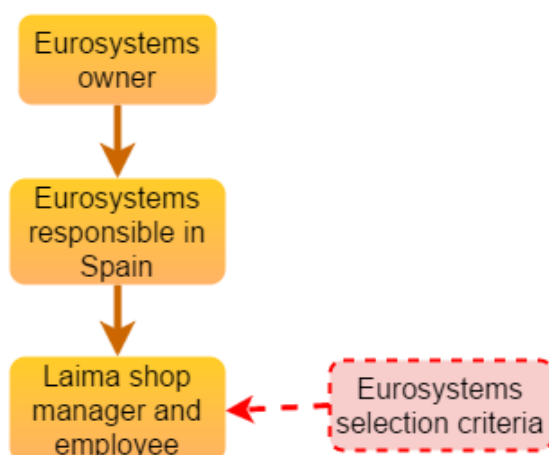
The following table establish where will our own staff have presence:

Selling point	Period	Presence of our own staff
Carrefour hypermarket	Launching (two first weeks)	
El Corte Inglés supermarket	Launching (two first weeks)	
Carrefour hypermarket	From second week onwards	
El Corte Inglés supermarket	From second week onwards	
Delicatessen shop	Entire product life cycle	
Laima shop	Entire product life cycle	X

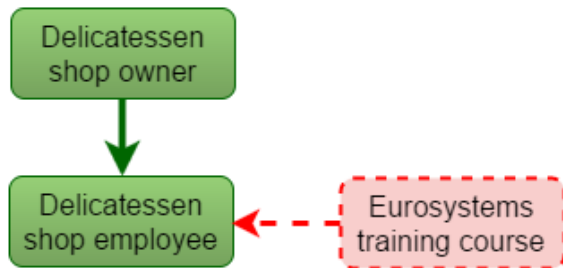
Therefore, Eurosystems will only have to recruit employees for Laima shop in Madrid capital city.

6.6.1 Staff structure

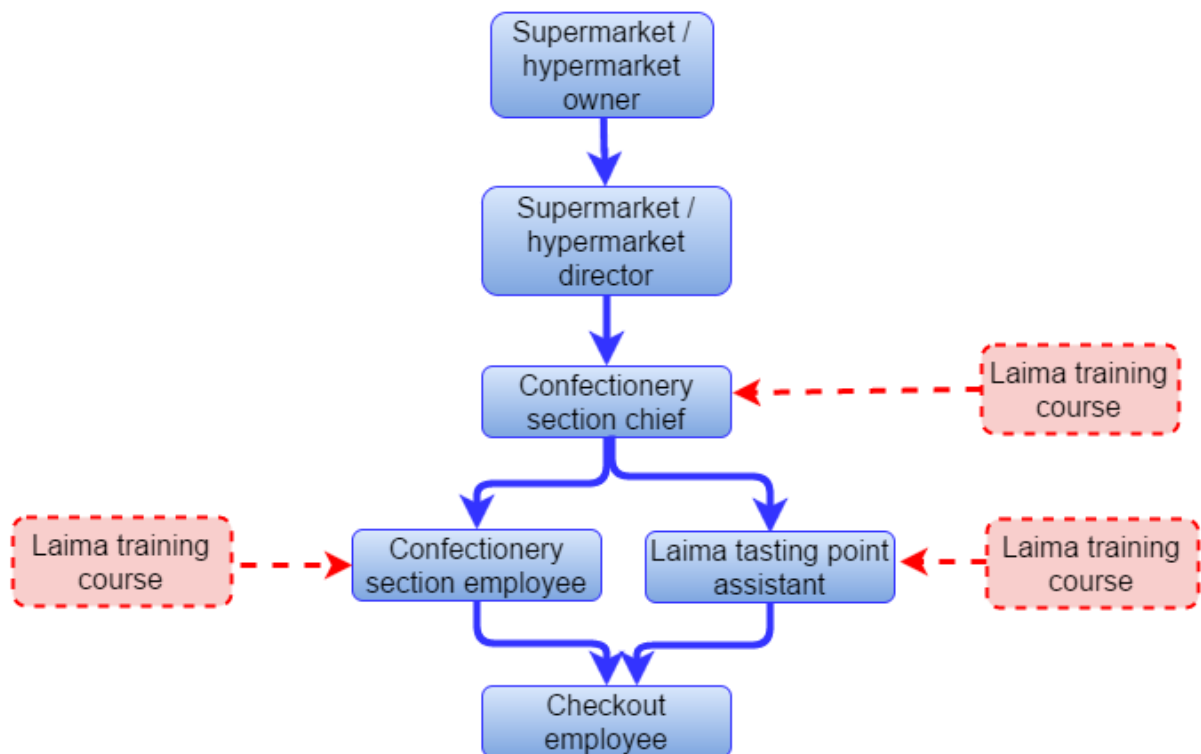
In Laima shop:



In delicatessen shops:



In supermarkets and hypermarkets:



6.6.2 Staff selection criteria

Again, Eurosystems has decided to achieve the same neat image that Laima has already in Latvia, so the staff that involves the selling process has to have the skills and aesthetics according to this goal.

Work skills

Interacting with people	Management skills	Technical skills
<ul style="list-style-type: none"> • Oral and written communication skills • Consult, negotiate and liaise effectively with a diverse range of people • Act with diplomacy and discretion when dealing with sensitive and confidential issues 	<ul style="list-style-type: none"> • Ability to manage financial within policy guidelines and budgetary expectations 	<ul style="list-style-type: none"> • Experience in the use of Microsoft desktop software, including Word, Excel and Outlook • High knowledge of English and Spanish

Physical appearance

- Only female employees
- Caucasian physical appearance: blonde hair, pale skin, blue eyes
- Age between 18 and 40

Dress code and behavior standards

In order to achieve Eurosystem's goals regarding corporate image and customer service, it has established the following dress and behavioral codes:

1. Uniforms will be worn at all times during working hours.
2. It is the responsibility of the employee to keep the uniform clean.
3. Employees will not be allowed to wear open shoes or sandals in any areas of the store.
4. All clothes worn by staff should be in good repair.
5. Smoking, eating, and drinking alcohol will not be allowed during working hours unless it's rest period.

The uniform provided will be a classic cut dress in nude color as it is shown in the following picture.



Uniform prototype for staff in Laima shop

Source: www.asos.com

Staff incentives

From Eurosystem's point of view, having their employees motivated is essential as well as rewarding a good work performance. Employees want to feel that they are good at their jobs; so Eurosystems will provide feedback and constructive criticism too. Periodic reviews and sessions will be part of the strategy.

Eurosystem's main principles regarding this topic are:

1. Use positive reinforcement
2. Treating people fairly
3. Effective discipline
4. Satisfying employees needs
5. Promoting company commitment
6. Setting work goals
7. Base rewards on job performance

Actions taken in order to promote or encourage the worker are:

- Financial benefits such as pension, illness/health/life insurance.
- Christmas extra payment.
- Possibility of working part-time or temporary work, sabbatical period, holidays, vacation, etc.
- Good work conditions, and safety.
- Constant feedback and continued training.
- Giving the worker a sense of duty, purpose and mission.

Training courses

Training courses are intended for the staff that aren't hired by Eurosystems but are responsible of selling their products. That's the case of supermarkets, hypermarkets and delicatessen shops employees. Training courses contents includes:

- 2 hours course about Latvia, Laima company, products, vision, how to sell the product and useful information to a potential customer.
- Free degustation of Tagad and Gourmet selection as well as another explanation of the flavors.

6.7 Physical evidence

6.7.1 Supermarkets and hypermarkets

Besides the free tasting point during the launch of the product, Laima chocolate bars will be sorted in promotional places that more eye catching to the potential customer, similar to the Coca-Cola's one that it's shown in the picture.



Source: www.google.com

6.7.2 Delicatessen shops

Delicatessen shops will only include the free tasting point during the first two weeks of the product's launch.

6.7.3 Laima shop

In this case, the physical evidence specifically refers to the Laima shop located Madrid city.

In order to create a suggestive experience to the customer, Eurosystems will take Laima brand to all of the customer's senses: smell, taste, sound, touch, and sight.

Smell

The customer will be able to enjoy a sweet chocolate scent as soon as he walks a few meters near the shop. It will subtly relax the customers and attract them into the shop.

Taste

As the customer will be making a decision about what kind of chocolate to buy, there will be some samples on the counter, so the worker may advice the potential customer correctly.

Also, with every purchase, the employee will put a little free chocolate into the bag, so the customer could taste a different product that the one has been purchased and it also will be perceived as a kind gesture from the company.

Sound

Inside the shop, there will be played a soundtrack based on the love message that Laima is offering, that traduces in a classic and romantic playlist in English.

Touch

Rather than create a space where customers can only watch the counter without touching anything, Laima choose to let the costumer take a sample of the chocolate bar and inspect the wrapping, size and weight.

Sight

The shop will have proper lighting and will be spacious. All the products will be sorted depending on their type so it won't be difficult for the customer to find anything if he is looking for something specific. Every month, a planogram will be provided to Laima shop employees so they will have to sort the products and showcase the same way. (A planogram is a diagram or model that indicates the placement of retail products on shelves or showcases in order to maximize sales). Also, all the space will be decorated with the corporate colors: white and gold, and the employees with Caucasian features will follow that trend wearing a nude and classy dress.



Laima shop in Riga, where it can be observed the theme colors inside the shop and in the uniforms of the staff as well as the spacious and bright area

Source: www.google.com

7. SWOT analysis

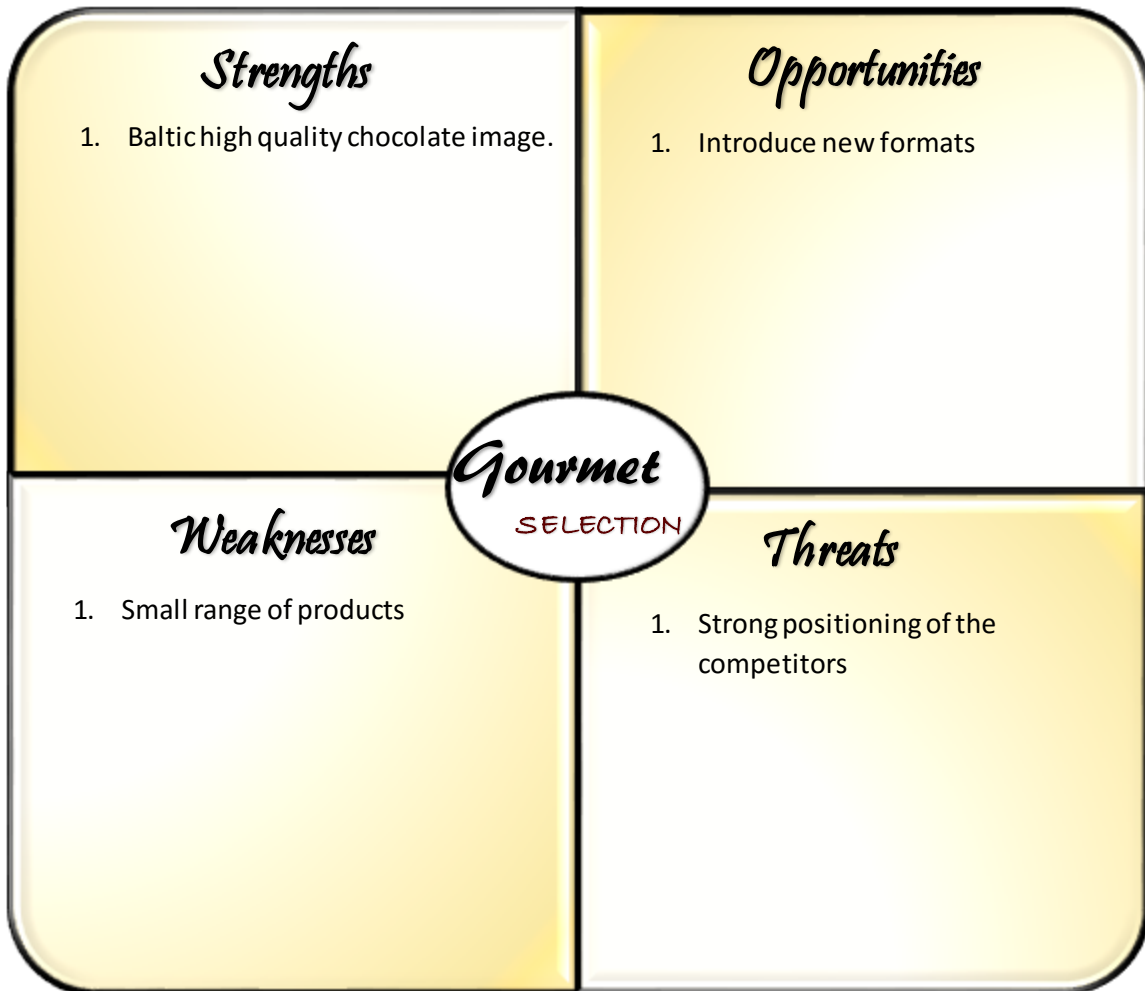
SWOT analysis (Weaknesses, threats, strengths and opportunities) is the acronym used to refer to an analytical work tool that aims to capture this business situation respect to its surroundings. In every SWOT analysis there are examined two perspectives:

- The internal perspective: strengths and weaknesses of business aspect of the company or the selections.
- The external perspective: opportunities offered by the market and threats must face the business or the product selection in the selected market.

The objectives pursued with this SWOT analysis are turn weaknesses in strengths and threats into opportunities.







8. Financial plan

This financial plan translates into numbers what Eurosystems expects, and also provides information about:

- Financing needs in the short term as well as long term.
- Economic viability and estimated turnover
- Period of time from which the initial investment is completely covered

8.1 Opening balance

- **Non-current assets**

Non-current assets include realizable assets, which means the merchandise's value in euros that Eurosystems is purchasing to Laima, and office material that includes computer equipment, software and furniture.

- **Current assets**

Current assets include liquid assets, which means assets that can be used immediately as cash.

- **Own equity and liabilities**

This category consists of the value of the assets contributed by the owners.

Capital contribution

Marina García Martínez	2000 €
Total own equity	2000 €

- **Current liability**

Current liability involves any type of borrowing from banks that is payable during short or long time.

Non-current assets	82080	Own equity and liabilities	2000
Tangible assets		Equity	2000
Realisable assets	80080		
Office material	2000		
Current assets	5000	Current liability	85080
Available	5000	Long term loan	85080
TOTAL assets	87080	TOTAL liability	87080

8.2 Investment plan

- **Office furniture**

It's necessary to buy furniture to equip office facilities which consist of chairs, desks and other office items. The total cost is 1700 €.

- **Computer equipment and software**

Computer equipment is essential to support sale management, distribution and administration. The amount of investment required is 1900 €.

- **Company formation fee**

Company will be a Limited Partnership so the amount of investment required is 3000 €.

- **Cash**

There will be 900€ cash available for the office day-to-day expenses

- **Initial existences**

Initial existences are based on sales forecast below and are necessary for having commodities to start with.

- **Liquid assets**

Liquid assets are necessary for paying the logistic company the first month.

		TOTAL	1	2	3	4	5	7	8	9	10	11	12
Investment	Office furniture	1700	1700										
	Computer equipment and software	1900	1900										
	Company formation fee	3000	3000										
	Initial existences	80080	80080										
	liquid assets	5000	5000										
	Total Investment	91680	91680										

Initial investment has a value of 91 680 €.

8.3 Income

The income for the distribution company Eurosystems are given only and exclusively by the Laima products that are sold.

It has been studied a conservative scenario where:

- 80% of the sales are from Tagad selection and 20% of the sales are from Gourmet selection.
- Purchase price for Tagad selection is 0,80 € / unit
- Purchase price for Gourmet selection is 1,20 € / unit
- Selling price for Tagad selection is 1€ / unit
- Selling price for Gourmet selection is 2 € / unit

- For including seasonal demand, it has been used a correctional factor between 0,8 and 1,6 the first year and between 1 and 2,4 the second year (due to the sales increase).

Conservative scenario

Two additional assumptions are made:

- 8 sales /day /supermarket or hypermarket
- 3 sales / day / delicatessen shop
- Tagad selection represents 80% of the total sales and Gourmet selection, 20%.

- **Base sell forecast**

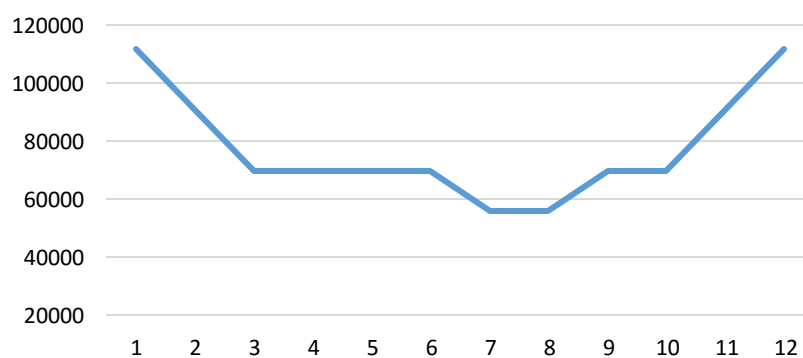
	Number	Sales /day	Total sales /month
Carrefour hypermarkets	172	8	41280
El Corte Inglés supermarkets	93	8	22320
Delicatessen shops	74	3	6660
		TOTAL=	70260

Base sales forecast has been defined on 70 000 sales / month.

- **Income forecast**

Correctional factor	1,6	1,3	1	1	1,3	1	0,8	0,8	1	1	1,3	1,6	
	Year 1												
	TOTAL	1	2	3	4	5	6	7	8	9	10	11	12
Sells (units)	1008000	112000	91000	70000	70000	70000	70000	56000	56000	70000	70000	91000	112000
Tagad		89600	72800	56000	56000	56000	56000	44800	44800	56000	56000	72800	89600
Gourmet		22400	18200	14000	14000	14000	14000	11200	11200	14000	14000	18200	22400
Income (€)	1209600	134400	109200	84000	84000	84000	84000	67200	67200	84000	84000	109200	134400
Tagad		89600	72800	56000	56000	56000	56000	44800	44800	56000	56000	72800	89600
Gourmet		44800	36400	28000	28000	28000	28000	22400	22400	28000	28000	36400	44800

Sells (units)



8.4 Expenses

8.4.1 Fix expenses

- **Office rent**
Office facilities are about 40m, so it has been estimated a monthly 400 € rent.
- **CEO salary**
This corresponds to CEO's gross fixed salary.
- **Office employee salary**
This corresponds to office employee's gross fixed salary (only one office employee).
- **Utilities and internet**
- **Insurances**
Office facilities as well as purchased products has to have insurances
- **Promotion**
Promotion is one of the strengths of our products, so the investment in this section will be very important for the business. Every month, 40 000 € will be intended to promotion.
- **Merchandise**
Merchandise refers to the place that the company in all the supermarkets and hypermarkets
- **Contingences**
An amount of money will be reserved for accidents or emergencies.

8.4.2 Variable expenses

- **Commodities**
Commodities refers to the all the products (chocolate bars) that Eurosystems is buying from Laima. Because of Eurosystems is buying a big amount of commodities directly to the factory, the price that supplier (Laima) sets is much lower than in regular shops, around 20% cheaper. Also, Eurosystems will contemplate to sign up for quantity discounts.

Commodities expenditure are calculated from sales forecast as it follows:

	Purchase price (€)	1	2	3	4	5	6	7	8	9	10	11	12
Tagad	0,8	58240	58240	44800	44800	58240	44800	35840	35840	44800	44800	58240	58240
Gourmet	1,2	21840	21840	16800	16800	21840	16800	13440	13440	16800	16800	21840	21840
Total commodities expenditure (€)		80080	80080	61600	61600	80080	61600	49280	49280	61600	61600	80080	80080

- **Outsourced logistic company**
Picking up the commodities in Laima factory in Latvia to delivering the commodities to Spanish distribution center are part of Eurosystem's logistics process but this task will be played by an outsourced logistics company. Due to chocolate bars are small products, logistics cost won't be very high. Eurosystems will pay monthly to this company depending on the amount of resources that has been used.

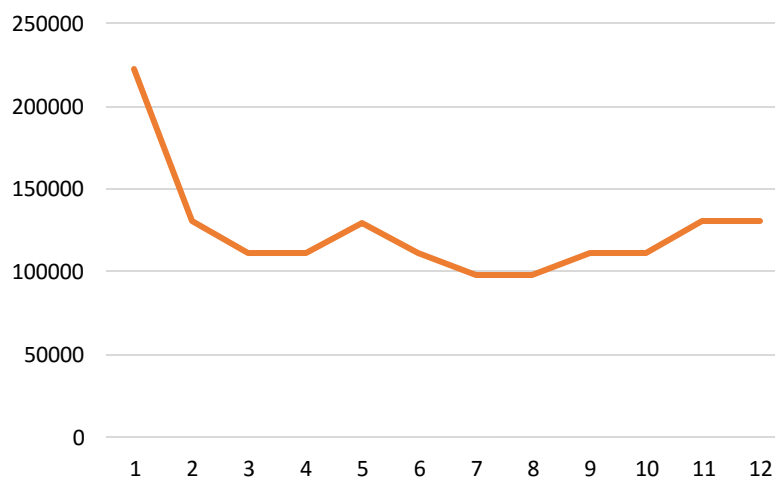
	TOTAL	1	2	3	4	5	7	8	9	10	11	12	
Investment expenses	Office furniture	1700	1700										
	Computer equipment and software	1900	1900										
	Company formation fee	3000	3000										
	Initial existences		80080										
	liquid assets	5000	5000										
	Total Investment	91680	91680										
Fixed													
	Office rent	4800	400	400	400	400	400	400	400	400	400	400	
	CEO salary	12000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	
	Office employee salary	10800	900	900	900	900	900	900	900	900	900	900	
	Insurances	8400	700	700	700	700	700	700	700	700	700	700	
	Utilities and internet	8400	700	700	700	700	700	700	700	700	700	700	
	Licenses	3600	300	300	300	300	300	300	300	300	300	300	
	Contingencies	3240	270	270	270	270	270	270	270	270	270	270	
	Total fixed expenses	46840	4270	4270	4270	4270	4270	4270	4270	4270	4270	4270	4270
Variable	Commodities	806960	80080	80080	61600	61600	80080	49280	49280	61600	61600	80080	80080
	Logistics	68000	7000	7000	5000	5000	5000	5000	5000	5000	5000	7000	7000
	Promotion	480000	40000	40000	40000	40000	40000	40000	40000	40000	40000	40000	40000
	Total variable expenses	1354960	127080	127080	106600	106600	125080	94280	94280	106600	106600	127080	127080
Fixed+variable exp.	1401800	131350	131350	110870	110870	129350	110870	98550	98550	110870	110870	131350	
TOTAL EXPENSES	1493480	223030	131350	110870	110870	129350	110870	98550	98550	110870	110870	131350	

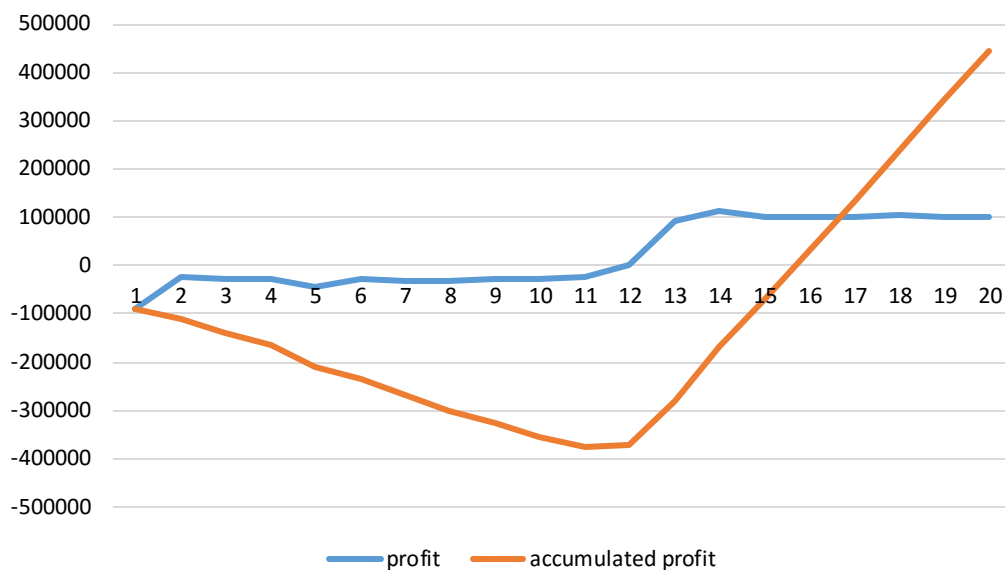
8.5 Results and charts

	1	2	3	4	5	6	7	8	9	10	11	12
Income (euros)	134400	109200	84000	84000	84000	84000	67200	67200	84000	84000	109200	134400
Total expenses	223030	131350	110870	110870	129350	110870	98550	98550	110870	110870	131350	131350
Net profit	-88630	-22150	-26870	-26870	-45350	-26870	-31350	-31350	-26870	-26870	-22150	3050
Accumulated profit	-88630	-110780	-137650	-164520	-209870	-236740	-268090	-299440	-326310	-353180	-375330	-372280

	13	14	15	16	17	18	19	20
Income (euros)	201600	201600	184800	184800	184800	184800	168000	168000
Total expenses	108990	90510	84350	84350	84350	78190	65870	65870
Net profit	92610	111090	100450	100450	100450	106610	102130	102130
Accumulated profit	-279670	-168580	-68130	32320	132770	239380	341510	443640

Total expenses (€)





Accumulated profit will be positive after the 16th month, and investment will be completely covered during the 17th month.

During the 21st month, the company will have to make another investment on a Laima shop in Madrid city centre. Expenses are expected to increase due to the premises rent, employees salary and increase of the distribution but margin sales will be higher as well.

		TOTAL	1	2	3	4	5	6	7	8	9	10	11	12
Laima shop investment	Premises reform	4000	4000											
	Shop furniture	3300	3300											
	Computer equipment and software	1600	1600											
	Licenses	1100	1100											
	Cash	2400	2400											
	Promotional launch events	20900	14000	6900										
	Total Investment	33300	26400											

Due to this Laima shop will offer a wider range of products, net profit / unit has been estimated in 1 € net profit / unit, which is much higher than the net profit we are obtaining selling to supermarkets.

In closing, annual profit in a time frame of 3 years has been estimated as it follows.

	Year 1	Year 2	Year 3
Profit	-367 880 €	415 920 €	557 287 €

9 Conclusions and future opportunities

9.1 Conclusions

In a context of slight economic growth, it is truth that chocolate market is a mature market where competition is fairly consolidated. However, the differentiation factors of our Laima products along with a strong distribution and promotion strategy will attract the Spanish customer.

Availability is one of the key factors in our company, we are offering the product to every single city in Spain and we are promoting it wisely. Having a trained staff in every selling point will also help to send the proper message, especially in Laima shop where Eurosystems will have completely power over the selection process.

Also, with this project we have tried to define and design a business model that will be profitable and sustainable as demonstrated by the business plan developed. In order to achieve a growing profitable business, another distribution strategy, Laima shop, will be introduced during the 21th month.

9.2 Future opportunities

Chocolate industry is full of interesting and profitable business opportunities to be developed:

Seasonal variations

Seasonal events have a massive influence on chocolate sales. In Spain, Christmas season is the main holiday for chocolate, followed by other holidays such as St Valentine's Day, Mother's Day, Semana Santa, Easter or Halloween. The last one has increase its importance in the las few years.

Opportunities regarding seasonal variations:

- Including Laima in Christmas baskets
- Halloween packages
- St Valentines collaborations (per example with flowers, perfumes...)
- Other editions (Mother's day, Easter bunnies...)

Fluctuating demand

Due to seasonal events (section above) and to the hot weather in Spain during the summer season, demand during June, July and August decreases significantly. In order to get a smoother demand, exists the possibility of introducing more "seasonal - friendly" products.

Opportunities regarding seasonal variations:

- Introducing Laima ice-cream

Other industries

Targeting other industries and segments besides from food industry could also help the business.

Opportunities other industries:

- Wedding industry is a very lucrative industry where could be interesting to have presence in.
- Follow the shop-cafeteria trend. Reform an area of the Laima shop and give the customers the possibility to stay and drink or eat some of the products

Format innovation

Chocolate manufacturers can also “win with cool” by launching new chocolate formats. An example of this is the American company TCHO, that has launched new formats, such as filled paint tubes and chocolate pencils.



Pencil-shaped chocolate, by TCHO

Source: google.com

Cocoa sustainability certifications

Traceability is a growing concern for consumers, 4.8% of chocolate product featured an origin claim last year. Having a cocoa sustainability certification or a helping farmer program can be used to give the brand an exclusive cachet and appeal as well as improve Laima brand image.

Other innovations

Personalizing chocolate or chocolate 3D-printing requires time, serious financial investment, complex manufacturing and delivery strategies, but the benefits are giving to the customer an ultimate service that is hard to obtain otherwise.

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