



Universidad de Valladolid



**ESCUELA DE INGENIERÍAS
INDUSTRIALES**

UNIVERSIDAD DE VALLADOLID

ESCUELA DE INGENIERIAS INDUSTRIALES

Grado en Ingeniería en Organización Industrial

Marketing Plan to introduce MILZU! in Spain

Autor:

Pescador Calleja, Alvar

Dr. Pedro Sanz Angulo

Universidad de RIGA

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**ESCUELA DE INGENIERÍAS
INDUSTRIALES**

TFG REALIZADO EN PROGRAMA DE INTERCAMBIO

TÍTULO: Marketing Plan to Introduce MILZUI in Spain

ALUMNO: Alvar Pescador Calleja

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CENTRO: Riga Technical University. Faculty of engineering economics and management

TUTOR: Dr. Deniss Ščeulov



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1 INTRODUCTION TO MILZU.

1.1 DESCRIPTION OF MILZU

As Author's thesis found on the website of the company¹, MILZU is a cereals brand inspired by making some kinds of cereals. This company makes his products using some natural ingredients and with the objective that their products are as healthy as possible.

This company offers three different kinds of products:

- For children.
- For adults.
- BIO.

Each product has its own features to help you satisfy the needs of customers.



Figure 1: Milzu! logo²

In reference to other website³, MILZU is the most delicious and healthiest power-cereal brand from Latvia, which tells this lands story and gathers its power by offering really powerful cereals for children and adults. MILZU inspires kids to grow big and strong, to search and acknowledge their inner talents. Adults are inspired to remember about their strengths, which makes them glad and happy.

¹ <http://www.Milzu.lv>

² <http://www.puredistribution.eu/wp-content/uploads/2015/01/Milzu-e1422108540710.png>

³ <http://www.puredistribution.eu/en/brands/milzu/>

1.2 NEEDS

The lifestyle of society in development countries offers a number of needs that can be covered with our products.

Nowadays Author's thesis thinks that people live in a society where it has been produced, and is producing a great increase in consumption. This trend will continue to increase in the coming years.

In addition, concerns about body care and health status has increased to the point of being an important aspect in society.

For example, it has increased the number of people who want or like to go to the gym and this has led to the opening of new facilities⁴.

In the following picture Author's thesis shows an increase in the number of people targeted to a gym in the last years.

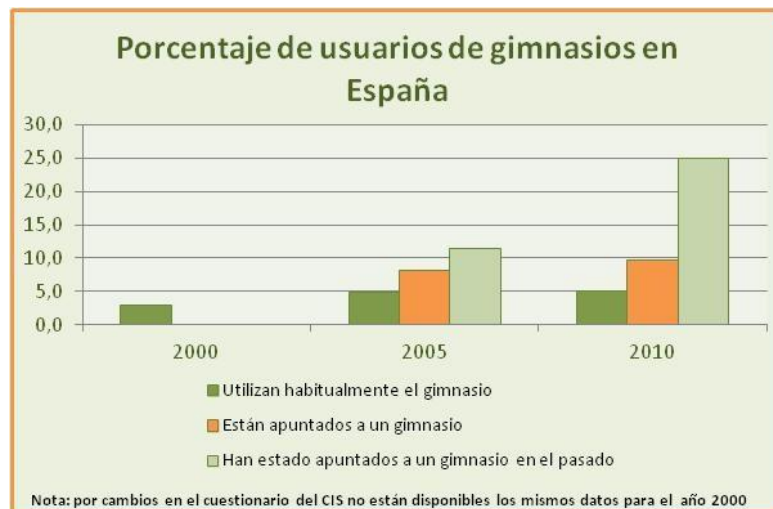


Figure 2: Increase Gym users⁵

On the other hand, using this argument also Author's thesis can conclude that he doesn't not mind to spend a little more money in order to help his body to be healthy.

Author's thesis knows that breakfast is the most important meal of the day and it should provide him more energy for all day.

⁴ <http://www.uworkfit.com/entrenamiento/los-espanoles-y-el-gimnasio-2/>

⁵ <http://www.uworkfit.com/wp-content/uploads/2014/01/Tabla-1-A-e1389540961857.jpg>



In this context MILZU has some products which help somebody because⁶:

- Contains the outer grain-coat and such flour contains more fibre, proteins, vitamins, minerals.
- With the addition of wholegrain oat flour abundant in fibre, especially, soluble fibre beta-glucans, which work well for intestinal microflora and optimise cholesterol metabolism.
- Contains the insoluble and soluble fibre necessary for proper functioning of the body.
- Contains B group vitamins (B1, B2, B5, B6, etc.). B group vitamins play an important role in metabolic processes, promoting energy release. B group vitamins stabilise the functioning of the nervous system.
- Contains E vitamin – antioxidant that operates at cell level in the body and controls quantity of selenium.
- Contains minerals such as phosphor, calcium, magnesium, iron, zinc, and copper – all fulfilling an important function in the body and serving as antioxidants.
- Cocoa added in small amounts.
- Some adult products contain rye, oats, cranberries, sea buckthorn, honey which are good for our body reducing cholesterol level, improving to move food through the digestive tract, creating feelings of satiety, minimising the risk of second type of diabetes...
- In addition, this product is made of raw materials grown in Latvia and the Baltic region, and contains biologically active substances.

1.3 MISSION, VISSION AND VALUES

Milzu's **mission** is contributing to nutrition, health and welfare of the people, by providing products of the highest quality for any time of day and for all stages of life, and managing the business in ways that create value for the company at the same time to society. As reflected in our website⁷, with its activities MILZU inspires both children and adults. MILZU supports, safeguards and brings happiness with its products, communication, and good work for society and its customers.

Milzu's **vision** is to become a company recognized as leader in nutrition, health and welfare at European level by consumers, employees, customers, suppliers and all

⁶ <http://milzu.lv/en/produkti-berniem/#speks>

⁷ http://milzu.lv/en/#par_milzu



stakeholders related to the activity of the company. As Author's thesis shown in their website⁸, today MILZU is the most delicious and healthiest power flake brand in Latvia, offering really powerful food for children and adults.

Author's thesis thinks that Milzu's **values** represent its identity as a group:

- Continuous improvement: trying its customers to recognize them like the best cereals brand.
- Healthy: using natural ingredients in our products.
- Innovation: introducing new products which could help different kind of people.
- Quality: looking for being better in European market.
- Teamwork: joining experiences, efforts and ideas to reach our goals.
- Environmental Concerns: respecting European standards.

1.4 MARKETING PLAN AIMS

Author's thesis thinks that the aim of the marketing plan is provide to Spanish people another brand cereal which is good for their health at the same time. Author's thesis shows in Annexes the different types of cereals for breakfast which companies could make and the different properties that provide to their consumers.

Author's thesis shows in Annexes the benefits of cereals intake of which highlight the many different vitamins and minerals that provide to customers as well and thinks that deleting breakfast means to reduce the amount of nutrients necessary in the most important meal of the day.

Author's thesis also thinks that Milzu might have a really good opportunity of business in Spain because of the cereals consumption of Spanish people and for its products called BIO because they are important for many people nowadays.

Then, Author's thesis will analyse all the parameters which affect to Milzu expansion and is going to start with a General Analysis of Spain.

⁸ http://milzu.lv/en/#par_milzu

2 EXTERNAL ENVIRONMENT ANALYSIS

The external environment analysis is a marketing tool used to determine different aspects that affect the development of a product. These factors are Political, Economic, Social, Technological, Environmental and Legal. Also Author's thesis can consider a cultural factor because it will be important for him.

This analysis examines one by one these general conditions affecting the environment and the consumers in which the project will be developed.



Figure 3: PESTEL⁹

2.1 POLITICAL FACTORS

Spain is a country with a democratic system established for thirty-seven years and a member of the European Union.

Author's thesis opinion is that Economic crisis in Spain has prompted a general dissatisfaction to the citizens. The faith level of Spanish with politics parties and politicians reached lows. Economic hardship and the feeling that the system does not respond as it should have increase the protests. As a result, citizens participate more in

⁹ <http://www.professionalacademy.com/blogs-and-advice/marketing-theories---pestel-analysis>



protests. In reference to a study¹⁰, Spanish people who recognise to take part in authorised protests increased 26% last year.

Power is highly decentralized. It means that the autonomous communities have a high level of each power in each autonomous community. These powers are legislative, executive and fiscal:

1. Legislative Power.

The legislative power is bicameral. The Parliament, called Cortes Generales, is made up of:

- The Senate which has 264 seats. Its role is that of representing the territories (Autonomous Communities and Departments). The senators are elected by universal suffrage for 4 years.

- Congress of Deputies which has a minimum of 300 seats and a maximum of 400 (currently 350). The deputies are elected by universal suffrage for 4 years from departmental constituencies. There are allotted one minimum representation and the remaining is proportional to their population. To avoid splitting up which is harmful to the stability of the Chamber, the D'Hondt system is applied.

The executive wing of the government depends directly or indirectly on the parliament's support, often expressed by a vote of confidence. The legislative power belongs to the government and the two houses of parliament at the same time. The Prime Minister does not have the authority to dissolve the parliament directly, but he can recommend its dissolution to the king. The Spanish citizens enjoy considerable political rights.

The 17 Autonomous Communities also have a legislative power exercised by their unicameral Parliament within the limit of jurisdictions fixed by each of their Statutes.

2. Executive Power.

The King is the Head of the State and the commander-in-chief of the army. His role is mostly ceremonial. Following legislative elections, the leader of the majority party or the majority of the coalition is appointed Prime Minister by the Sovereign and then elected by the parliament for 4 years.

¹⁰ <https://facitypractico.files.wordpress.com/2014/11/pestel-espac3b1a.pdf>



The Prime Minister is the head of the government. He is also called the President of the Government. He holds executive power which includes the execution of the law and the management of the routine affairs of the country. The Council of Ministers is appointed by the king on the recommendation of the Prime minister. There is also a Council of State which enjoys the role of the supreme consulting body of the government. But its recommendations are not binding.

The President of each Autonomous Community is from the majority party of the majority coalition winning elections of the Parliaments of the Regions which take place every 4 years. The President forms a government whose ministers are appointed under the title counsellor and seconded by a cabinet and director generals, etc. who are in charge of each Department heading the sectors for which the Autonomous Community has jurisdiction in substitution of the Spanish State.

3. Judiciary Power.

The judiciary is one power of the state which works using the law. It is responsible for giving justice in society through the application of legal norms in conflict resolution. Its organs of action are the courts exercising judicial power, which has to be impartiality and autonomy.

The Judiciary manages justice and decide which the law is, and makes the judicial function and guarantee respect for the rule of law when it should be interpreted. According to the classical theory of Montesquieu, the division of powers guarantees the freedom of citizens.

Under the separation of powers, it is born the so-called rule of law, in which public authorities are also subject to the rule of law. The judiciary must be independent in order to control the remaining powers, especially the executive, when it goes against the law.

The Spanish judiciary has Jurisdictional Organs, formed by National Court, Supreme Court and High Court. Each of them has an established competition.

Another demand of the Spanish people is the ability to choose between monarchy and republic. Currently, Spain is under a constitutional monarchy, where Felipe VI is the head of state.

Author's thesis says that there are also some corruption cases with the current government and with opposition politic party. For example, there is Barcenas case, in

which Author's thesis can find an undeclared funding and some extra salaries of the politic party of the current government.



Figure 4: Spanish Newspapers reference Barcenas case¹¹

The result has been a change of government. Firstly, elections to European Parliament were held in May 2014 and it was observed the change of the people's thinking. It notes that in these elections a new political party that had great acceptance among citizens emerged. It is called "PODEMOS".



Figure 5: European Spanish Elections Results¹²

¹¹ http://s03.s3c.es/imag/_v0/640x300/f/a/d/portadas-6febrero.jpg

¹² <http://i.huffpost.com/gen/1816342/images/o-RESULTADOS-facebook.jpg>

Author's thesis can see a change with respect to 2009. Author's thesis thinks that Spanish Government have gone from a political bipartisanship to a distribution of seats in different political parties.

Secondly, General Spanish elections were held in December 2015 and the results finally showed us the end of bipartisanship. At that moment another new political party got great results. It is called "CIUDADANOS".

Author's thesis notice that last government lost its absolute majority and political representatives need to make some deals in order to form a new government.



Figure 6: General Spanish Elections Results¹³

As a member of the European Union, Spain is regulated by all European Standards and also has the euro as currency. The internal market of the European Union is a single market in which freely circulate goods, services, capital and people and in which European citizens can live, work, study or do business freely.

¹³ <http://www.elecciones2015.online/wp-content/uploads/2015/12/resultados-elecciones-2015.jpg>



Figure 7: European Union¹⁴

2.2 ECONOMIC FACTORS

Last years both the Spanish and the European economies have seen us affected by a deep crisis that began in 2008. Today the economic situation has improved and European citizens are now coming out of the situation they were in.

After two long recessions, the economy has managed to link five quarters of growth has accelerated in recent months with a household consumption mainly and exports. It means that Gross Domestic Product (GDP) of Spain has increased at 3.4%, above the average growth of the rest of Europe stood at 1.9% ¹⁵.

¹⁴ http://www.ieslacoma.com/geolengua/geo3h/172871_jpg_1.jpg

¹⁵ <http://www.tradingeconomics.com/>

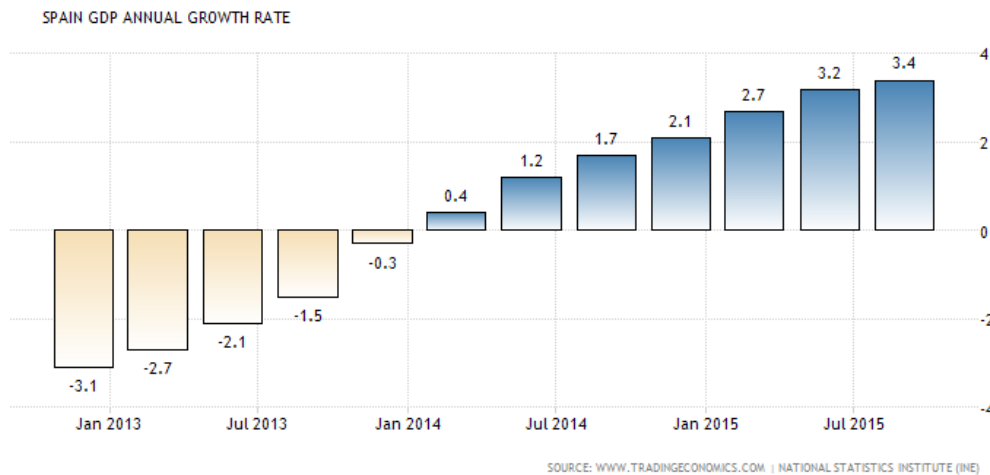


Figure 8: Spain GDP Annual growth rate¹⁶

After six years of recession, the recovery initiated in the second half of 2013 continued to be reinforced in 2015, and growth exceeded 3% of GDP. Driven by domestic demand, growth was supported by households and investor confidence, related to job creation, deflation, improved credit terms, lower oil prices, the recovery in Europe, the depreciation of the euro and the implementation of reforms. Whilst remaining vigorous, activity is expected to slow slightly in 2016 (2.5%), with the positive effects of lower oil prices and the depreciation of the euro wearing off.

As illustrated by the consolidation of economic growth, imbalances continued to decrease in 2015. The bank consolidation programme has helped improve the financial sector; risk improved thanks to the sharp fall in borrowing costs in the bond market and the fiscal adjustment effort; export companies have been consolidated. The public deficit continued to shrink thanks to solid growth and low interest rates, a trend that is expected to continue in 2016. However, public debt continues to increase and is expected to exceed 100% of the GDP in 2016; the private sector debt remains a concern, and Spain is experiencing deflation. After five years of austerity, the 2016 budget plans to increase spending in education, health, culture, civil servants pay and state pension. The Government's plan to reduce the deficit to 2.8% was considered unrealistic by the European Commission, that asked in vain for the budget to be re-written. Weakened by the austerity policies and corruption cases, the traditional political class has to face the increase in the anti-establishment vote. The end of the two-party system (with the rise of the Radical Left - Podemos) plunged the country into a period of political uncertainty that could affect economic recovery.

¹⁶ <http://www.tradingeconomics.com/spain/gdp-growth-annual>



The Spanish unemployment rate has fallen due to the decrease in its active population and the creation of new temporary jobs, but still remains very high (20%). A third of employees earn a maximum of EUR 655 per month. In general, the crisis has had a negative impact on living conditions.

There are some economic indicators in the following table:

Growth indicators	2012	2013	2014	2015
GDP (Billion €)	1356,48	1393,48	1406,54	1221,39
GDP(% growth)	-2,1	-1,2	1,4	3,1
GDP per capita	29006	29907	30272	26327
Debt(%GDP)	84,4	92,1	97,7	98,6
Inflation rate (%)	2,4	1,4	-0,2	-0,3
Unemployment rate	24,8	26,1	24,5	21,8

Table 1: Spanish Economic Indicators¹⁷

In reference to revenues distribution between different sectors, Author’s thesis knows that tourist sector is the most important because Spain is one of the most tourist destinations nowadays. More than a half of the Spanish GDP is obtained from this sector.

In addition to this section, Author’s thesis thinks that there is a good primary sector as well, which is mainly consisted in agriculture. Spain produces wheat, sugar beet, barley, tomatoes, olives, citrus, grapes and cork. The country is the largest producer of olive oil in the world and the third in wine. It is also the largest producer of lemons, oranges and strawberries. But mineral resources are limited.

In reference to secondary sector, which is considered as industry sector, sector is mainly dominated by clothes industries and processing of iron, steel and food.

If Author’s thesis breaks down employment by sector, this is the result:

¹⁷ https://es.santandertrade.com/analizar-mercados/espana/politica-y-economia?&actualiser_id_banque=oui&id_banque=0&memoriser_choix=memoriser

SECTOR	Primary	Secondary	Services
% EMPLOYMENT	4,2	19,5	76,3
% GROWTH	-3,7	0,2	2

Table 2: Break down Employment¹⁸

Public debt in Spain has decreased in the last quarter of 2015 at 5.566 million euros and stood at 1,056,749 million. This figure means that the debt reached 98.78% of GDP in Spain. Comparing the debt to October 2014, Author's thesis shows that in the last year, debt has grown in Spain € 895 per inhabitant. Public debt of Spain is one of the highest in the world.¹⁹ In spite of the data, the forecasts made by the IMF in debt and public deficit against the percentage of GDP last year are better than expected.

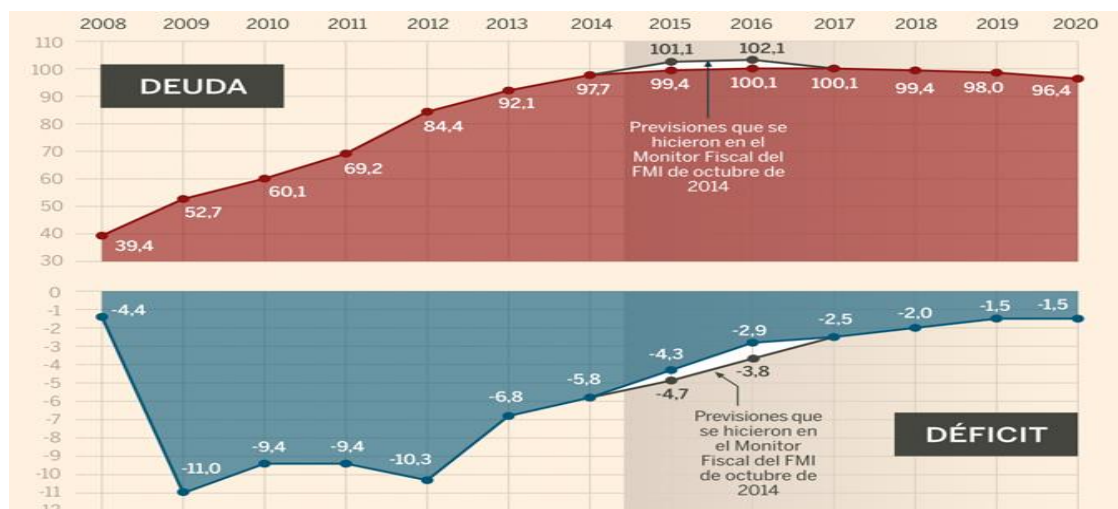


Figure 9: Forecast of IMF²⁰

Public spending in Spain last year reached a total of 461.124 million euros, which represented 43.6% of its Gross Domestic Product in 2014, a lower percentage than the average of 48.1 % observed in the European Union and 49% among the euro countries. It means that Spain spent less than the average for the European Union in areas such as education (9.1%), Health (13.6%), social protection (39.7%) and defence (2.1%). The

¹⁸ https://es.santandertrade.com/analizar-mercados/espana/politica-y-economia?&actualiser_id_banque=oui&id_banque=0&memoriser_choix=memoriser

¹⁹ <http://www.datosmacro.com/deuda/espana>

²⁰ <http://estaticos.expansion.com/assets/multimedia/imagenes/2015/04/15/14291106829495.jpg>

lower investment in health can cause people to crowd the public health service to welfare centres causing irreparable damage to the health of the population.²¹

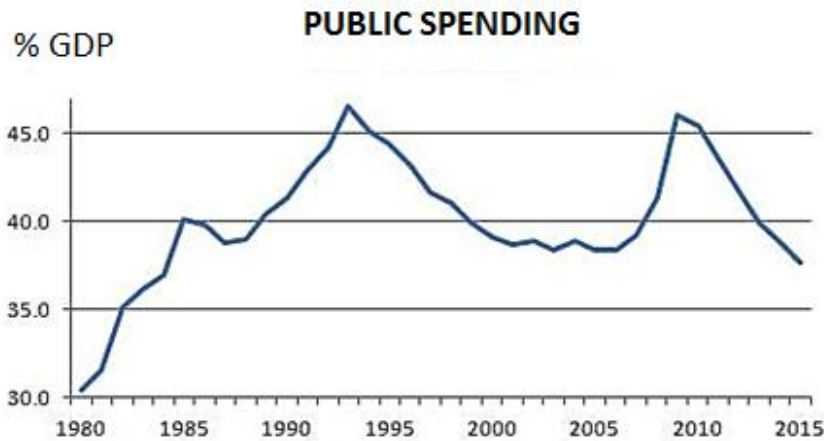


Figure 10: Evolution of Public Spending in Spain²²

As Author's thesis shows in current news²³, number of unemployed people in Spain in the first month of 2016 is around 4 million. Unemployment rate in Spain is still high, but it is noteworthy that in 2015 the most significant drop in the number of unemployed people in the last years was recorded. Despite this good news, the new policy of open-ended contracts promoted by the government does not ensure a quality job.

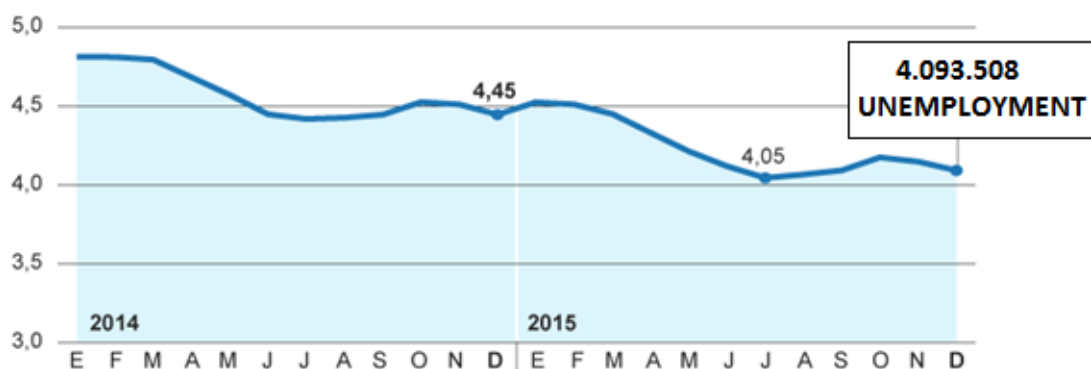


Figure 11: Number of Unemployment people²⁴

²¹ <http://www.eleconomista.es/economia/noticias/6851903/07/15/El-gasto-publico-de-Espana-se-situa-por-debajo-de-la-media-de-la-eurozona-y-la-UE-en-2014.html>

²² <http://blogs.cincodias.com/.a/6a00d8341c760153ef0168eb3695cb970c-pi>

²³ <http://www.elmundo.es/economia/2016/01/05/568b7959e2704e41598b459c.html>

²⁴ <http://estaticos04.elmundo.es/assets/multimedia/imagenes/2016/01/05/14519906407654.png>



In reference to a report²⁵, relations between Spain and Latvia are improving both importation and exportation of products. In following table, there are some data that they have been happened during last years:

YEAR	EXPORTATION (€)	IMPORTATION (€)
2006	49.605.283	77.000.274
2007	74.639.549	139.388.894
2008	90.373.761	101.637.499
2009	51.617.552	74.508.302
2010	71.440.354	80.037.300
2011	58.869.756	95.920.583
2012	51.034.890	156.111.378
2013	51.183.676	142.494.903
2014	118.798.371	151.258.765

Table 3: Exportation and Importation between Latvia and Spain²⁶

2.3 SOCIAL FACTORS

The Spanish society is impoverished. There is greater poverty as a result of the decline in poverty. The vulnerability of social groups such as children is increasing. There is also a new type of poverty: energetic. The number of families which cannot afford to pay the electricity bill is increasing. The work is no longer safeguard poverty. Even if people have a job, they do not necessarily have enough to live on. Companies have increased exploited social advantages over doing the government's employment reforms. This means that there is increasing social inequality.

In addition, another of Spain's problems is the high rate of youth unemployment. Many people who finish their studies may not work in your area of study is Spain. So there is a massive emigration to other countries with more industry and employment, such as Germany, France and UK.

²⁵ http://www.exteriores.gob.es/Documents/FichasPais/Letonia_FICHA%20PAIS.pdf

²⁶ http://www.exteriores.gob.es/Documents/FichasPais/Letonia_FICHA%20PAIS.pdf

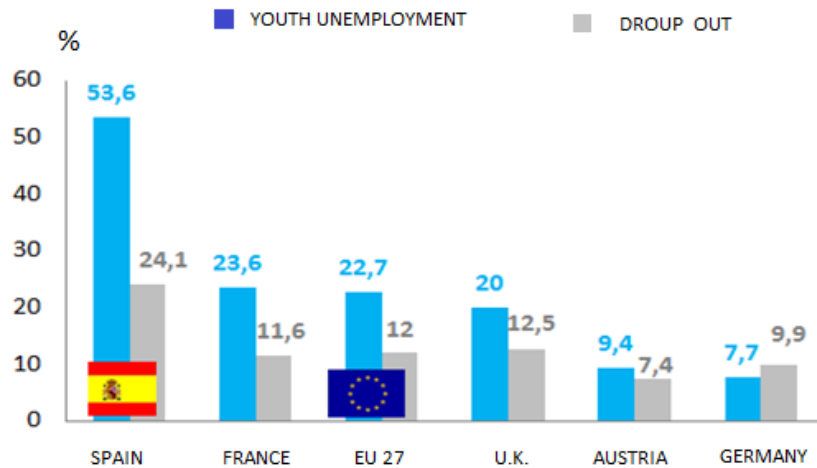


Figure 12: Unemployment and Dropout rates²⁷

Spain has around 44.77 million Spanish citizens. In 2014 life expectancy in Spain increased to 82.98 years. That year life expectancy for women was 85.71 years, higher than that of men was 80.17 years. Spain has risen in the list of 191 countries for which published the life expectancy and has changed from the position 6 in 2013 to 4 in 2014. This means that its citizens have very high life expectancy in relation to other citizens of the world.²⁸

According to the Spanish National Institute of Statistics, the resident population in Spain stood at 46,600,949 inhabitants at 1 January 2015, representing a decrease of 170,392 people compared with 2014.

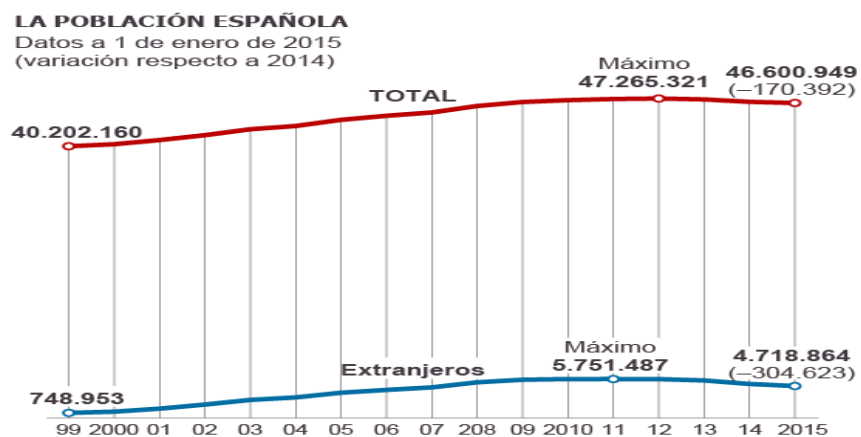


Figure 13: Evolution of the Spanish Population (1995-2015)²⁹

²⁷http://circulodeempresarios.org/sites/default/files/estaticos/tasa_de_desempleo_juvenil_y_abandono_escolar-asi_esta_la_economia-abril_2014-circulo_de_empresarios.png

²⁸ <http://www.datosmacro.com/demografia/esperanza-vida/espana>

²⁹ http://www.ine.es/inebaseDYN/cp30321/cp_inicio.htm

In relative terms, the population was reduced by 0.13 % during 2014, compared to the decrease of 0.46% recorded during 2013. The population rate has increased. The Spanish Economic crisis has transformed the high population growth in the country. The end of the economic crisis causes the ratio decreased but still keep losing Spanish inhabitants due to emigration to other countries still happening.

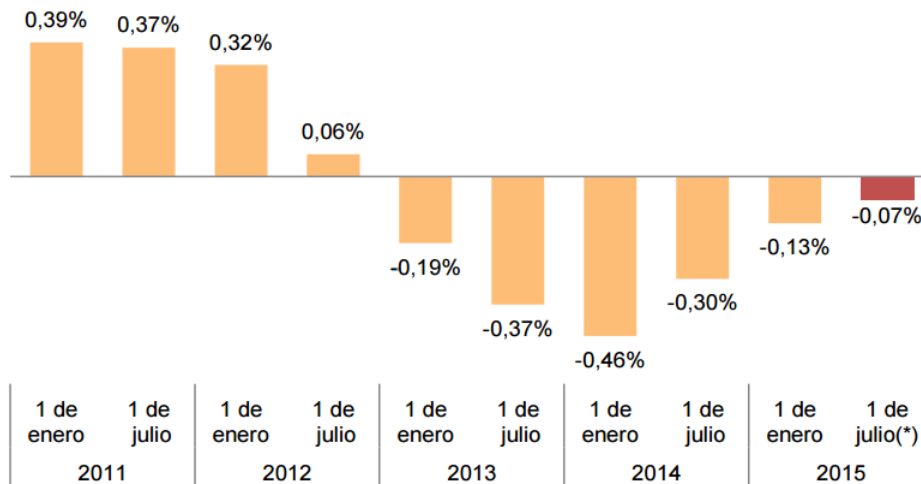


Figure 14: Population Annual Growth Evolution³⁰

Spain is the fifth most populated country in European Union; However, its population density (92 inhab/Km²) is lower than most of Western European countries. The population density varies considerably from one area to another and is distributed in the following way:



Figure 15: Spanish Population density³¹

³⁰ <http://www.ine.es/prensa/np948.pdf>

Spanish territory is organized into 17 autonomous communities and two autonomous cities. In reference to the number of inhabitants in each city, and the most populated cities are Madrid, Barcelona, Valencia and Seville.

Currently Spain is a country where life expectancy is very high and has very low fertility rate. This makes the average age of people in Spain is around 43 years and that Spain is one of the oldest countries in the world. This information is showed in the following picture:

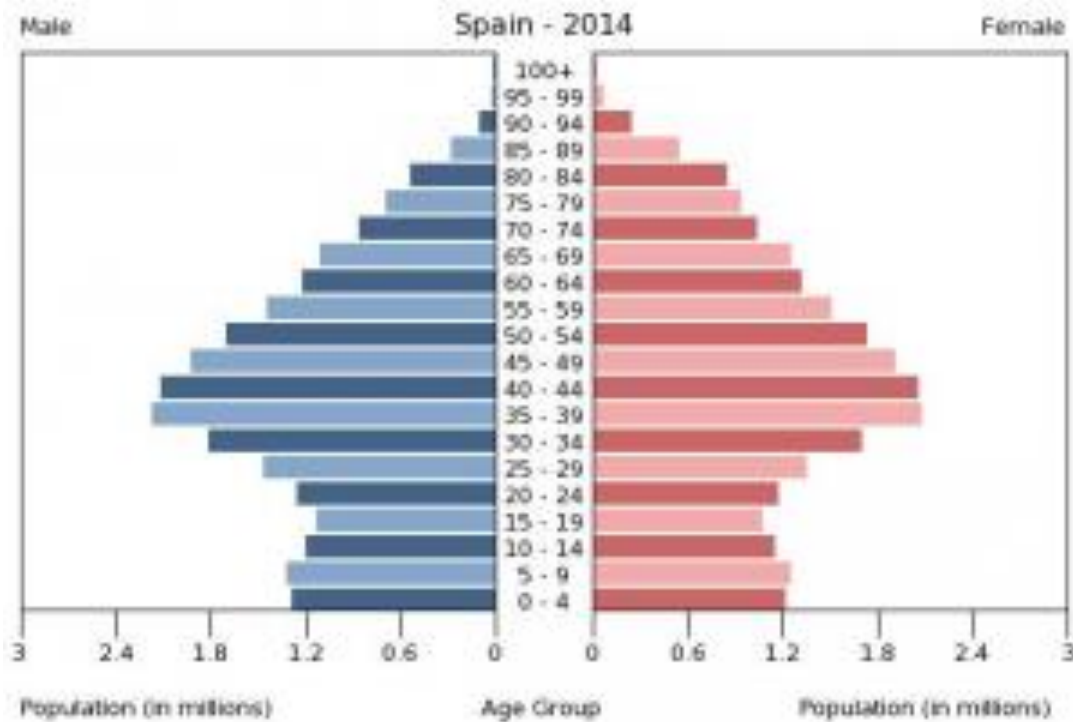


Figure 16: Pyramid of Spanish Population³²

According to a study³³, throughout last year, 304,623 foreigners (6.1% of the total) chose to leave Spain while Spanish 134,231 (0.3%) decided to return, as reflected in the data released by the National Statistics Institute (INE). The proportion of foreigners on the total population registered in Spain stood at 10.1%. The most numerous are the Romanians (751,208), followed by the British (282,120) and Italians (179,129). Among non-EU, there are the Moroccans (749,274), Chinese (191,341) and

³¹ <http://image.slidesharecdn.com/01worldistribpics-150428041023-conversion-gate01/95/world-population-distribution-16-638.jpg?cb=1430195432>

³² http://enciclopedia.us.es/images/thumb/a/a8/SP_popgraph_2014.PNG/300px-SP_popgraph_2014.PNG

³³ http://www.huffingtonpost.es/2015/04/21/padron-espana-2015_n_7106242.html



Ecuadorians (176,247). The most leave the country are foreigners from Romania, Ecuador and Colombia, and that increase are Chinese, Russian and Ukrainian. In addition, the birth rate in Spain was in 2014 of 9.14 %. In 2014, 427,595 children were born in Spain of which 220 843, the 51.64% were men and 206 752, the 48.35% were women.³⁴ In the other hand, mortality rate has increased to 8.46% deaths per 1000 citizens. This means that there were 5,411 more deaths than last year.³⁵

To complete the study, Author's thesis will analyse Human Development Index. HDI is an indicator of human development elaborated by the United Nations to measure the progress of a country for assessing long-term progress in three basic dimensions of human development:

- Health, associated with life expectancy. Using a minimum value of 20 years and a maximum value of 83.57 years. And the rate is calculated using both values.
- Education, it is measured by years of schooling for adults, which is considered to people who are 25 years and older, and expected years of schooling for children of school age, which is the total number of years of schooling a child of school-entry age can expect to receive if prevailing patterns of age-specific enrolment rates stay the same throughout the child's life.
- Wealth or standard of living. It is measured by GNI per capita (\$ PPP) instead of GDP per capita (\$ PP) as was done previously. The minimum and maximum limits are 100 \$ (PPP) and \$ 87.478(PPP).

The higher the HDI, more consumption and more needs to be filled. Spanish HDI is 0.876 in 2014³⁶ and is ranked number 26.

2.4 TECHNOLOGICAL FACTORS

The technological environment is one of the external factors that decisively affect the business environment because the evolution of the how technology influences how they design, produce, distribute and sell goods and services. Some benefits of innovation technology are: Increased productivity, higher living standards, greater variety of products...

³⁴ <http://www.datosmacro.com/demografia/natalidad/espana>

³⁵ <http://www.datosmacro.com/demografia/mortalidad/espana>

³⁶ <http://hdr.undp.org/en/countries/profiles/ESP>



Spain is one of the countries of the European Union that less try to spend money on technological innovation in its products and services or to change the business structure to adapt to technological changes, according to the EU statistics office, Eurostat.³⁷ The investment in I+D+I has been decreased since 2009. In this aspect it is in ninth place, with 30% of companies that have made the necessary changes, far from the leaders like Luxembourg, Denmark or Germany, countries where more than half of SMEs have changed their corporate structure to adapt to technological changes.

Spain also has a transport network of high quality. There is an excellent network of high-speed railway linking the big cities of the country to the capital in not too much time in safe and efficient way. For transportation within the country there are also different air routes connecting most of the cities. For communication with other countries, Spain has several maritime routes, with seaports such as Barcelona, Valencia, Vigo and Santander.

Internet use is fully spread throughout the country and is part of the daily life of the Spanish society. All public buildings and most households have internet. Many times there is internet in city centres.

2.5 ENVIRONMENTAL FACTORS

In recent years, society has begun to feel greater environmental concern to keep and prevent impacts on the environment, the threat of climate change or environmental degradation. They are joining technology companies, goods and services in order to prevent, limit or correct environmental possible damages in the water, air or land. Waste, noise and ecosystems are also a cause for concern. The government encourages environmental initiatives by granting subsidies and the financial penalties to those who do not meet environmental requirements. There are also some ISO norms developed by International Organization of Standardization. These norms establish principles and procedures for environmental labels and declarations that certifiers and eco-labellers should follow.

In addition, it is necessary to discuss about ecological footprint, which is only an indicator of the environmental impact caused by human demand it is made of existing resources in the planet's ecosystems, linking it to the Earth's ecological capacity to

³⁷ <http://www.elmundo.es/ciencia/2015/09/23/5602d496ca4741765f8b45a0.html>



regenerate its resources. Ecological footprint is calculated using a ratio between production and consumption. The higher the footprint of a city or a country, the greater the environmental impact caused also.³⁸

Finally, more and more consumers prefer to buy products that are related to processes or residues that are not harmful to the environment during the manufacturing process or once consumed. This is the reason that efforts should be made to avoid losing this market niche.

2.7 LEGAL FACTORS

In reference to European Marketing Guide³⁹, the European Union (EU), also known as the Community European Economic (EEC) was established by the Treaty of Rome, March 25, 1957. After gradual accessions, the EU has gradually expanded to become the trading bloc. The world's largest multinational. From 1 January 2007, the EU consists of 27 member countries, with about 490 million consumers.

The members of the European Union are: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Switzerland and the United Kingdom.

Community countries accept the content of the laws and obligations that have to do with treaties and agreements European Union, including laws and regulations concerning processed foods. It is noteworthy that when there is no law or regulation throughout the Union, the laws of each member country apply, resulting in the use of various regulations.

As Author's thesis found in main website of the Spanish Health Ministry⁴⁰, to introduce some non-animal's products in Spain is necessary that The importer located in Spanish territory must be registered with the General Health Register of Food Businesses and Foods, according to Royal Decree 191/2011 of 18 February.

To introduce and market in the Spanish territory non-animal's products of use and human consumption, it is necessary that compliance with Community

³⁸ <http://www.facua.org/es/guia.php?Id=105&capitulo=885>

³⁹ <http://www.siicex.gob.pe/siicex/resources/calidad/Guia%20Requisitos%20Sanitarios%20UE.pdf>

⁴⁰ http://www.msssi.gob.es/profesionales/saludPublica/sanidadExterior/controlesSanitarios/procedCont rol/requisitos_PNOA.htm



legislation on hygiene of foodstuffs contained in Regulation (EC) No. 852/2004 and national legislation in force for each non-animal's product.

Community law does not include drawing up a list of countries and establishments authorized to enter non-animal's products. However, in accordance with Regulation (EC) No. 882/2004 on official controls on food, the Commission, if necessary, you can set conditions or detailed procedures including the establishment of a list of countries would include or authorized by product establishments. Nor set no general certification for the importation of non-animal food to the Community, however Regulation (EC) No. 882/2004 provides that the Commission, if necessary, can establish models of certificates accompanying imported consignments to the Community.

The verification of compliance with food legislation in the EU is by the respective officials of its member countries and its performance audit is conducted by officials from the European Commission. This entity has the authority to initiate legal action in the European Court of Justice against those Member States that do not comply with EU directives and regulations. Exporters should be aware of the existence of differences between EU countries in the implementation of its harmonized legislation with the EU. This may be caused by the lack of legal regulations to enforce a law or by the variation in the transition periods necessary to adjust the national laws of the EU.

The following information must be on the packaging product⁴¹:

- Name of the commercialization product.
- The list of ingredients in descending order by weight.
- Allergens, which are establish in Directive 2003/89 / EC and entered into force on November 25, 2005. They are gluten, crustaceans, eggs, fish, peanuts, soybeans, milk and dairy products (including lactose), nuts, products derived from nuts, sesame seeds and sulphite at concentrations of at least 10mg per kilo or 10 mg / l, celery and mustard.
- Expiry date.
- Use instructions.
- A mark identifying the batch.

⁴¹ <http://www.siicex.gob.pe/siicex/resources/calidad/Guia%20Requisitos%20Sanitarios%20UE.pdf>



2.9 CULTURAL FACTORS

Spain is a modern country with cultural differences according to regions of the country. Spanish is the official language, but in many of these regions exist other languages and customs which are very important to the citizens and they want to keep. This circumstance brings great wealth to our country.

In Spain the existence of the Mediterranean diet has shaped the lifestyle Spanish. It is a balanced and varied diet in which predominate foods derived from traditional crops: wheat, olives and vines. They are characterized by low in saturated fat and cholesterol and high complex carbohydrates and fibre. Such a diet is characterized by Regular consumption of cereals, vegetables, fresh fruits, vegetables, fish, olive oil and nuts. Nowadays there is great concern for the health and recognize an adequate food as an instrument of protection of health and disease prevention.

Regarding religion, according to the Centre for Sociological Research most of the population of Spain (76.0 %) is Catholic, although the percentage of adherents is much lower, especially in the most generations.

2.10 PESTEL SUMMARY

Author's thesis has analysed each of the factors developed in the previous sections and he has obtained the following result.

There is a change of political thought and a general dissatisfaction with the cases of corruption experienced in recent years but now these things are changing. Spain is emerging from the crisis a few years ago destroyed its economy, and the debt remains high but is shrinking.

Author's thesis has to note the large number of unemployed people, which in recent months has been declining but using permanent contracts. It is noteworthy that many young people with a university education must seek employment in another country, population growth and a high HDI.

Spain is also one of the countries that spend less money on innovation, but its network is well developed network infrastructures on roads and railways and also



has important ports that communicate across Europe. As for communications networks, Spain 4G is already installed in the main system that allows the use of high speed internet.

Spain's population continues to grow and the Spanish people are increasingly concerned about the health and the fitness, to the point they begin to focus on every detail of their feed as components or energy values.

The legislation that is applied in Spain is the same as the European Union has and that their requirements will not cause problems for the company.

After this Analysis, all these factors lead him to think that there is a positive situation for expanding the company Milzu by Spain.



3 TARGET MARKET ANALYSIS.

At this stage Author's thesis will describe the situation of cereals market and his target market. Author's thesis will analyse in detail Milzu! customers and their needs and preferences, which allow him to make proper market segmentation. This market segmentation will allow him to identify potential customers, through characteristics that identify them, within and outside of their target market, and thereby obtain a better result in terms of sales and distribution of our products. After the market analysis is done, Author's thesis will make an analysis of our competitors.

3.1 WHERE IS MILZU! NOWADAYS

MILZU! is a company that was founded in 2005. It currently has Latvian collaboration through the research and development agency of Latvia (LIAA). In addition, this company won the award for the brand of the year in Latvia 2014.

As Author's thesis found on the website of the company⁴², their products could find in the following supermarkets and shopping centres:

- Rimi
- Maxima
- Stockmann
- Elvi
- Top!
- Sky
- Aibe

It means that the company sell his products in Latvia, Lithuania, Estonia, Poland, Bulgaria, Russia, Finland, Norway, and Switzerland.

Once the company expanded mainly through the Baltic countries and Eastern Europe, Author's thesis is going to explain why MILZU! has to decide that it is time to expand into unexplored territory to grow into a renowned company in the European sector.

The country has been chosen by Author's thesis is Spain. The election has been influenced by different aspects of the daily life of the citizens of this country.

⁴² <http://milzu.lv/en/>



Author's thesis has mainly focused on the diet of the Spanish people because the company's goal has a well relationship as it is varied, balanced and healthy. In addition, the Spanish concern for their physical appearance is increasing progressively. This can be seen through increased sign in in gyms or high spending on beauty products.

On the other hand, although Spain is slowly emerging from the economic crisis of recent years has the fifth largest economy in Europe after Germany, United Kingdom, France and Italy.

3.2 CEREALS MARKET OVERVIEW

3.2.1 GLOBAL CEREAL MARKET

The global breakfast cereals market, valued at \$32.5 billion in 2012, is expected to grow at a compound annual growth rate of 4% for the next several years, reaching \$43.2 billion in 2019, according to a new market report from Transparency Market Research.⁴³

The major factor responsible for the rapid growth of the global market for breakfast cereals is the growing requirement for convenience foods due to the busy and hectic lifestyles of a growing part of the global population. Moreover, the growing number of convenience stores and the growing preference for Western food habits in most of the developing countries in Asia Pacific is estimated to propel the global breakfast cereals market. In addition, the increasing per capita income of the population is further expected to fuel the market in the forecast period. However, the rising trend of preferring varied alternatives such as fruits, eggs, and other quick snacks is the key factor that is expected to hamper the growth of this market in the near future.

On the basis of type, the global breakfast cereals market has been divided into hot cereals and ready-to-eat cereals. Ready-to-eat cereals do not require any time for preparations, whereas hot cereals require some time to get cooked before they can be consumed. The ready-to-eat segment has gained traction owing to the hectic and busy lifestyles of consumers in European and North American countries. As a result, the ready-to-eat cereals segment accounted for a massive share in the global breakfast cereals market. On the other hand, the hot cereals segment is estimated to witness significant growth in Asia Pacific countries, as people there mostly prefer hot breakfasts at the start of the day. This segment is projected to hold a share of 18% in the global market.

⁴³ <http://fohboh.com/profiles/blogs/global-breakfast-cereals-market>

On the basis of geography, the global market for breakfast cereals has been segmented into Asia Pacific, North America, Europe, and Rest of the World. Among all these regions, the Asia Pacific breakfast cereals market is anticipated to witness the highest growth rate compared with Europe and North America. Asia Pacific is estimated to hold a 13% share in the global breakfast cereals market by the end of 2019, whereas the market shares for Europe as well as North America is projected to drop throughout the forecast period. Among these countries, the China market for breakfast cereals is comparatively small; however, it is anticipated to register a higher growth rate than other countries.

Furthermore, the research report analyses the competitive landscape of the global breakfast cereals market based on company overview, inception details, product portfolio, business strategies, financial overview, and recent developments. Some of the prominent players operating in the global breakfast cereals market are PepsiCo, Kellogg Co., Cereal Partners Worldwide, Post Holdings, and General Mills.

Developed nations already have breakfast cereals as part of their regular course of meals. Increasing per capita income in developing countries is further giving the breakfast cereal industry a new dimension to look for.

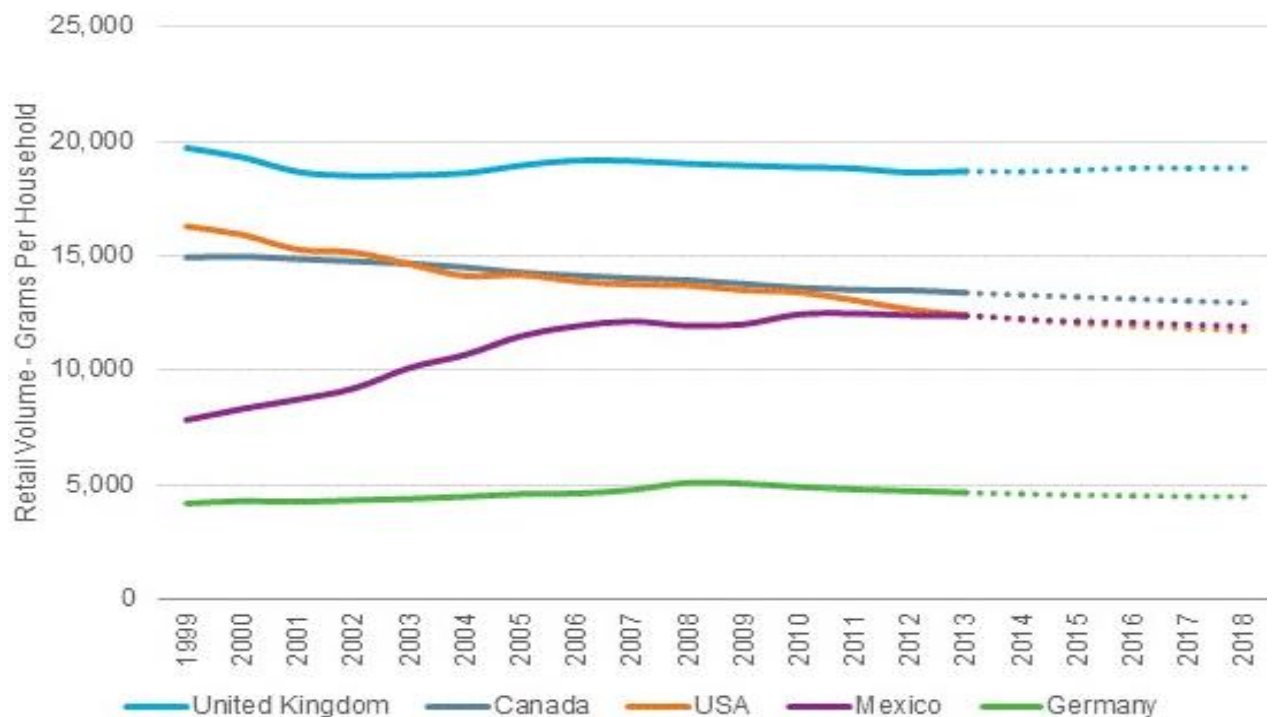


Figure 17: Global Cereals Consumption⁴⁴

⁴⁴ <http://fohboh.com/profiles/blogs/global-breakfast-cereals-market>



3.2.2 SPANISH CEREALS MARKET

The production of breakfast cereals in Spain began in 1978 with the arrival of the world's leading, a large American multinational, Kellogg's. In the 80s, consumption was consolidated and nowadays they are products clearly settled in the diet of the Spanish people. The rates of growth of this market remain quite important and still feel like there is a good demand that is still increased.

In reference with Spanish Manufacturers Association of Cereal⁴⁵, within the Spanish market, the breakfast cereal industry has experienced significant growth since its inception, and was in the decade of the 80s when consumption was consolidated. In 1993, grain production in Spain exceeded 20.000 tons, reaching 25.000 in 1997, which corresponds to approximately 600 million meals. Since then, consumption of breakfast cereals in our country has increased significantly.

In 2008, there was an increase of 3.5% in production of about 64 million kilos. Spanish people consume about 1.5 kilos of breakfast cereals per person per year (up to 50 meals) which, compared to 0.7 kilos that were consumed in 1997 (about 20 meals), represent more than doubled. The areas where there has been an increased consumption are Madrid and the southern part of its territory. Approximately 36% of cereals sold are sold in big supermarkets, while 28% is sold in supermarkets of medium size.

Despite the growth registered in Spain, the European average in terms of annual consumption is higher than the Spanish and is around 2.7 kilos per person, with Ireland, Sweden and Finland, countries with higher consumption above 7 kilos per person. In the US, the average consumption per person per year is in the 4.5 kilos.

Regarding breakfast cereals in our country, in descending order in terms of sales volume are adult cereals, which account for 51.2%, infant cereals (39.3%) and family cereals, 9.5%.

⁴⁵ <http://www.asociacioncereales.es/cereales-de-desayuno/historia-y-elaboracion/el-sector-en-espana/>

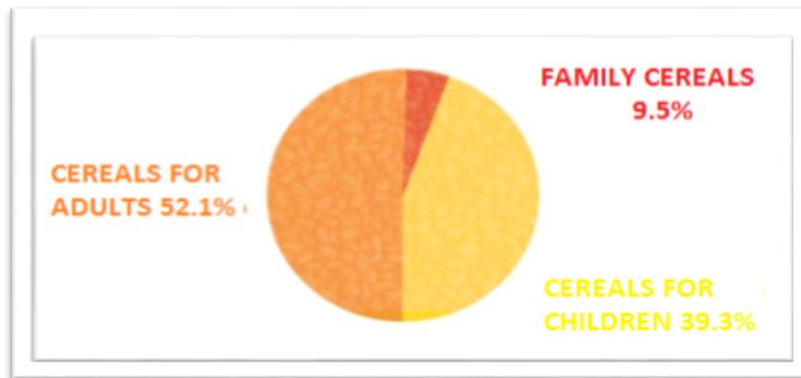


Figure 18: Distribution of Spanish Cereals Market⁴⁶

Although consumption of the three types has experienced a significant increase, the more dynamic is recorded among adult cereals as a result of the coming of age of consumers in the 80s. This growth is causing major sector companies are developing new dietary presentations, high in fibre or functional in order to meet the needs of the population. In fact, cereals to watch your account for a considerable percentage of sales in the market for breakfast cereals today.

This is the case of cereal-based snacks fibre with a very high consumption despite high youth. From 2006 to 2009 the consumption of bars at home has increased from 9% to 13%. It means that 13% of Spanish households consumed bars in 2009, representing an average purchase of 1.1 kilos per year. Here, the chocolate cereals, granola combined and fibre are located. Finally, there are the functional cereal, puffed rice and cereals aimed at children.

3.3 TENDENCIES IN CONSUMPTION HABITS

Experts worldwide agree that breakfast is the most important meal of the day, for kids and adults alike. Ready-to-eat cereal ranks as one of the best choices available as part of a nutritious breakfast. Cereal is typically a low-fat, nutrient-dense food with many essential vitamins and minerals. And in addition to delivering important nutrients and essential vitamins such as iron, B vitamins and zinc, cereal also provides the important benefits of grains.

⁴⁶ <http://www.asociacioncereales.es/images/historia-situacion-foto2.jpg>

Spanish people have several meals each day. In the morning, people usually start with a light breakfast typically with coffee, sweet rolls, toasts or biscuits. Lunch is the main hot meal of the day. Between lunch and the evening meal people often have a snack late in the afternoon, for example a sandwich or some cereals. The traditional Spanish diet can be characterized as a typical Mediterranean diet. This term comes from the 1960s, when several studies suggested that Mediterranean countries had lower incidence of coronary heart disease.

The Mediterranean diet is characterised by a high intake of vegetables, pulses, fruits and cereals; a moderate to high intake of fish; a low intake of saturated fats but high intake of unsaturated fats, particularly olive oil; a low to moderate intake of dairy products, mostly cheese and yogurt; a low intake of meat; and a modest intake of ethanol, mostly as wine.

In the following images there is a pyramid that gives the frequency which Spanish people consume different types of food throughout the week and a graphic that shows daily consumptions of different food with its limits:



Figure 19: Pyramid of Spanish Consumption⁴⁷

⁴⁷ <http://www.jdgraphex.com/health/images/pyramid1.png>

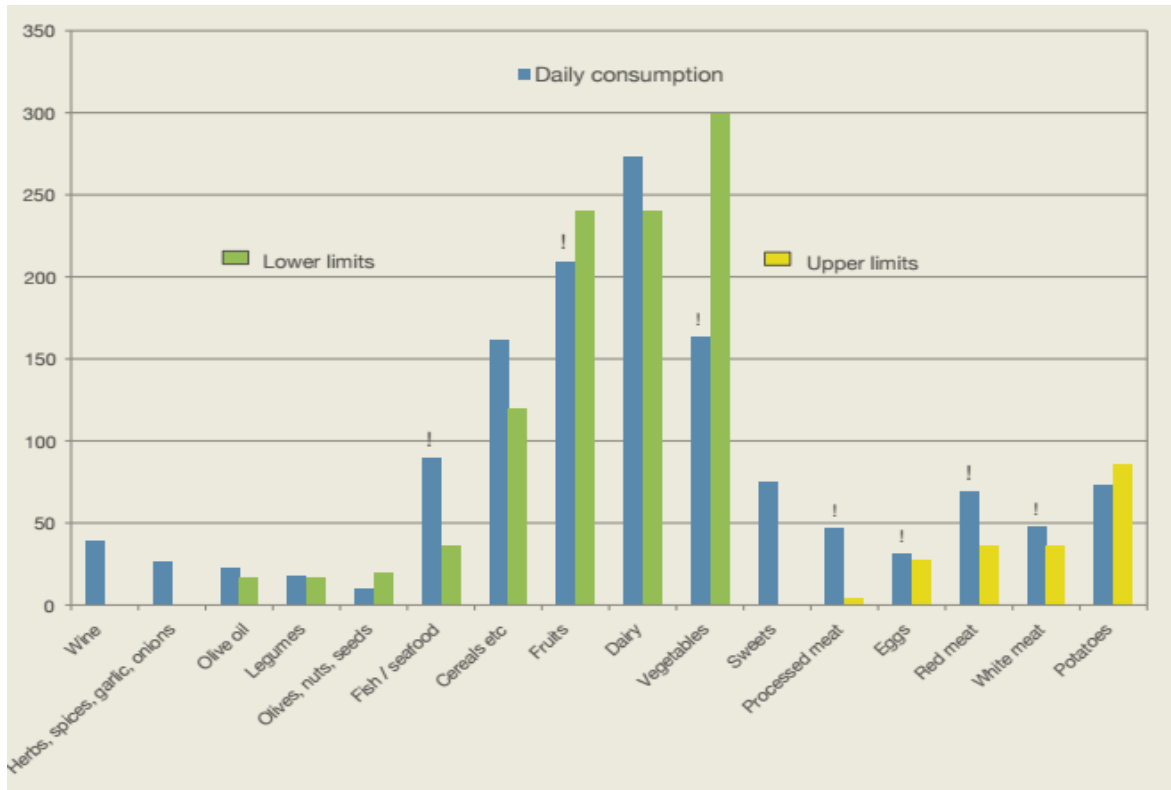


Figure 20: Consumption of different types of food⁴⁸

In the previous image the blue bar represents daily consumption in Kg for one Spanish person and green bar is the minimum recommendation of intake for each kind of product. Author's thesis thinks that cereals intake represents one of the most important meals in a Mediterranean diet and is at the same level as vegetables. In the following table Author's thesis show different parameters according to Spanish consumption of cereals:

CERALS MARKET PARAMETERS	MARKET 2014	% VARIATION
SALES VOLUME (KKG)	76.312,71	0,00%
SALES VALUE (K€)	308.922,12	-4,40%
CONSUME PER PERSON (kg)	1,7	1,10%
CONSUME SPENDING PER PERSON (€)	6,89	-3,40%
AVERAGE PRICE (€)	4,05	-4,50%

Figure 21: Cereals Consumption in Spain (Year 2014)⁴⁹

⁴⁸ <http://www.magrama.gob.es/>



3.3 TARGET MARKET SIZE (1)

The study of our Target market is a useful tool which helps us to quantify the size of potential consumers who might buy our product. That study is necessary to make a realistic business plan in order to make adequate market segmentation. For starting this task, Author's thesis will analyse the population of Spain according to sex, age, residence, occupation and salary.

In reference to last data of Spanish Statistic Institute⁵⁰, at 1st January of 2015, the population of Spain is 46.624.382 persons including 22.890.383 men and 23.733.999 women. These digits result in a distribution according with rate sex of 49,09 % men and 50,91% women. In the following table, Author's thesis shows us the population according with autonomous community:

1 January 2015				
AUTONOMOUS COMMUNITY	TOTAL	MEN	WOMEN	% TOTAL
ANDALUCIA	8.399.043	4.144.532	4.254.511	18,01
ARAGON	1.317.847	652.687	665.160	2,83
ASTURIAS	1.051.229	502.175	549.054	2,25
BALEARIC ISLANDS	1.104.479	549.678	554.801	2,37
CANARY ISLANDS	2.100.306	1.043.203	1.057.103	4,5
CANTABRIA	585.179	284.788	300.391	1,26
CASTILLA Y LEON	2.472.052	1.219.616	1.252.436	5,3
CASTILLA - LA MANCHA	2.059.191	1.032.673	1.026.518	4,42
CATALUNYA	7.508.106	3.691.745	3.816.361	16,1
VALENCIAN COMUNITY	4.980.689	2.460.805	2.519.884	10,68
EXTREMADURA	1.092.997	542.078	550.919	2,34
GALICIA	2.732.347	1.317.054	1.415.293	5,86
COMMUNITY OF MADRID	6.436.996	3.087.022	3.349.974	13,81
REGION OF MURCIA	1.467.288	735.434	731.854	3,15
NAVARRRE	640.476	317.885	322.591	1,37
BASQUE COUNTRY	2.189.257	1.065.925	1.123.332	4,7
LA RIOJA	317.053	156.733	160.320	0,68
CEUTA	84.263	42.757	41.506	0,18
MELILLA	85.584	43.593	41.991	0,18
TOTAL SPAIN	46.624.382	22.890.383	23.733.999	100,00

Table 4: Population of Spain according with Autonomous Communities⁵¹

⁴⁹ http://www.magrama.gob.es/es/alimentacion/temas/consumo-y-comercializacion-y-distribucion-alimentaria/informeconsumoalimentacion2014_tcm7-382148.pdf

⁵⁰ <http://www.ine.es/jaxi/tabla.do>

⁵¹ <http://www.ine.es/jaxi/tabla.do>



Looking at the location of the population, according to the Ministry of Rural and Spanish Statistic Institute, about 80% of Spanish population live in urban areas and the remaining 20% live in rural areas. In the following picture Author's thesis shows from largest to smallest cities with the highest number of inhabitants.

CITY	POPULATION
Madrid	3.141.991
Barcelona	1.604.555
Valencia	786.189
Sevilla	693.878
Zaragoza	664.953
Málaga	569.130
Murcia	439.889

CITY	POPULATION
Mallorca	400.578
Las Palmas	379.766
Bilbao	345.141
Alicante	328.648
Córdoba	327.362
Valladolid	303.905
Vigo	294.098

Table 5: Largest Cities in Spain by Population⁵²

The distribution of population by age and sex is indicated in the Annexes. Taking into account the characteristics of the products that MILZU! might be offer to its customers, Author's thesis is going to make another distribution by age according with data that has found at Spanish Statistic Institute⁵³:

AGE	TOTAL	MEN	WOMEN
0 to 4	2.230.847	1.147.833	1.083.014
5 to 14	4.789.077	2.459.495	2.329.582
15 to 24	4.509.654	2.308.070	2.201.584
25 to 39	10.013.672	5.066.490	4.947.182
40 to 54	11.021.961	5.553.725	5.468.236
55 or more	14.059.171	6.354.770	7.704.401
TOTAL	46.624.382	22.890.383	23.733.999

Table 6: Spanish Population according to age ranges⁵⁴

⁵² <http://www.ine.es/prensa/np960.pdf>

⁵³ <http://www.ine.es>

⁵⁴ Author's original, Annexes



The first age range that Author's thesis can consider (0 to 4) are babies and young children. This range should be less because babies can't eat any of us products, but Author's thesis hasn't got more data to complete that table, so that Author's thesis consider fewer amounts of people later. Moreover, Author's thesis can introduce children from 2 years to 4 years in the next range. Next three age ranges (5 to 14, 15 to 24, and 25 to 39) are the most important in our study, because most of the consumption of cereals in any place is eaten by these age ranges. In addition, Author's thesis has decided to divide these age ranges in three because Milzu company has several different kinds of cereals for each of these three age ranges. Author's thesis has decided to separate next age range (40 to 54) from the previous one because necessities at those ages might be change. And the last age range (55 or more) is old people, and the consumption of cereals is not popular, so that the market size will be small in this case.

Among all these age ranges, Author's thesis knows that main customers will be children because they are the main consumers of this product, and Spanish adult women, since they have the mentality to eat healthy to keep their diet and stay on good physical shape. According to tendencies in consumption habits, it is also true that cereal brands now are focusing on developing products for adults rather than children, because it is being observed that the consumption of cereals in these age ranges has increased considerably.

According with the market analysis Author's thesis has just done, it is possible to think in an approximate number of people whom might be the potential customers in Spain. In Author's thesis potential market, he is going to consider the following segmentations:

1. All children and teenagers between two and fourteen years.

$$2.230.847 \times 50\% \text{ (half children between 0 to 4 years)} + 4.789.077 \text{ (children and teenagers)}$$

$$\text{Total 1} = \mathbf{5.904.500 \text{ people}}$$

2. Large proportion of teenagers between fifteen and twenty-four years.

$$4.509.654 \times 70\% \text{ (large proportion)}$$

$$\text{Total 2} = \mathbf{3.156.758 \text{ people}}$$



3. A small part of men adults between twenty-five and thirty-nine years

5.066.490 (only men) x 20% (small part)

Total 3 = **1.013.298 people**

4. Most women between twenty-five to fifty-four years.

[4.947.182 (women between 25 to 39) + 5.468.236 (women between 40 to 54)] x 80%
(most of these women)

Total 4 = **8.332.334 people**

5. A small part of adult people older than fifty-five.

14.059.171(adult people older than 54) x 20% (small part)

Total 5 = **2.811.835 people**

When Author's thesis adds all these segments, the total market volume is:

TOTAL POTENTIAL MARKET VOLUME = 21.218.725 people

3.4 INTRODUCTION CEREALS PROCEDURE

For introducing MILZU! in Spain, Author's thesis needs to find a distributor able to spread out quickly all products. According with Author's thesis studies, this brand is distributed in the Baltics Countries using distribution networks of supermarkets. They have not specialized in creating its own network because this would be very expensive for the company. The goal of expansion in Spain is to get a reliable number of points of sale and with great acceptance and use by the Spanish people have discussed in the previous section.

To choose in which supermarkets Author's thesis would sell Milzu products, he will make an analysis for comparing different parameters that may be important to achieve our goal of expansion and acceptance in the shortest possible time. Below Author's thesis will explain the different parameters that he has chosen to compare the supermarkets.



Author’s thesis thinks that Consumer Goods market in Spain is dominated by 10 channels of distribution: Mercadona, Carrefour, DIA, Supers Eroski, Lidl, Alcampo, Consum, Hiper Eroski, Caprabo and Ahorramás. This ten teach swept the 52.9% of sales in 2014, 1.8% more than in 2013.⁵⁵

Then, Author’s thesis is going to explain different parameters and he will show different data which he is making references:

3.4.1 MARKET SHARE

Market share is the percentage of an industry or market's total sales that is earned by a particular company over a specified time period.

Market share is calculated by taking the company's sales over the period and dividing it by the total sales of the industry over the same period. This metric is used to give a general idea of the size of a company to its market and its competitors.⁵⁶

COMPANIES	% MARKET SHARE 2013	% MARKET SHARE 2014
MERCADONA	21,5%	22,1%
CARREFOUR	7,5%	7,7%
DIA	7,4%	7,6%
EROSKI SUPERS	3,1%	3,3%
LIDL	2,7%	3,1%
ALCAMPO	2,9%	2,8%
CONSUM	1,7%	1,9%
EROSKI HIPER	1,5%	1,6%
AHORRAMAS	1,5%	1,5%
CAPRABO	1,3%	1,3%
EL CORTE INGLES	1%	1%

Table 7: % Market Share according with supermarket in Spain⁵⁷

As Author’s thesis shows in the above table, Mercadona has highest presence in the market with 22.1% share. Follow him, but far behind, are Carrefour and DIA but

⁵⁵ <http://www.libremercado.com/2015-02-06/mercadona-se-come-a-la-competencia-pero-lidl-es-el-que-mas-crece-1276540015/>

⁵⁶ <http://www.libremercado.com/2015-02-06/mercadona-se-come-a-la-competencia-pero-lidl-es-el-que-mas-crece-1276540015/>

⁵⁷ Author’s original

with one-third part of Mercadona. However, the company has grown in the last year has been Lidl and thanks to its policy of deals are getting better results.

The remaining approximately 50% is for small companies, which haven't got enough market share to name them. Author's thesis has also included El Corte Ingles because is another important supermarket in Spain, but Author's thesis couldn't find its market share.

3.4.2 NUMBER OF SHOPS

In Spain, the universe of supermarkets is very different in each autonomous community. In countries such as Portugal or the United Kingdom a few large operator's controls more than 80% market share in Spain local chains and small distribution companies still spread over about 42% of the market.

That's why it is very important looking at the number of stores has every supermarket in Spain, Author's thesis analyses what areas can reach Milzu product⁵⁸.

COMPANIES	NUMBER OF SHOPS
MERCADONA	1.500
CARREFOUR	471
DIA	4.237
EROSKI SUPERS	1.279
LIDL	530
ALCAMPO	56
CONSUM	644
EROSKI HIPER	90
AHORRAMAS	280
CAPRABO	364
EL CORTE INGLES	300

Table 8: Number of shops for biggest supermarket in Spain⁵⁹

Author's thesis shows that the business with the highest number of shops is DIA. This is due to the acquisition made another major supermarket chain recently, and is what has allowed it to increase its market share.

⁵⁸ http://www.facua.org/es/tablas/InformeFACUA_despilfarroalimentos.pdf

⁵⁹ Author's original



3.4.3 VARIETY OF BRAND

Customers can value positively that there is variety in the brands. In addition, Milzu products can only be offered on the premises of the companies that have a wide variety of brands, since the rest of the companies will not be willing to offer them because that would change its policy action.

Mercadona and Dia are the most restricted supermarkets to introduce new products in their places, because they want to have their own products and Milzu would need to make its products like a white brand for them before they could sell them.

Other supermarkets do not have this problem and Milzu may sell our products directly to the customer. These kinds of supermarkets make things easier and they would start to make its company know in all Spain quickly.

3.4.4 ONLINE POSITION

E-commerce is growing rapidly in Spain, which does not make it easy to set up an online store, especially when it assumes sells physical goods and logistics. According to a study, food moves 3.7% of money allocated to e-commerce in Spain.⁶⁰

Because this market is growing, this may be a good parameter to choose a supermarket. It is preferable that the supermarket has online commerce to increase Milzu distribution. According to research⁶¹, in Spain there are 14 million Internet users who made purchases online. The profile of the average user making the online purchase is between 31 and 45 years with children and gainfully employed.

⁶⁰ <http://www.elalmiar.com/noticia-221-por-qu%C3%A9-no-han-despegado-a%C3%BA-los-supermercados-online.html>

⁶¹ <http://www.marketingdirecto.com/especiales/e-commerce/mercadona-corte-ingles-carrefour-lideran-ranking-supermercados-minoristas-online-espana/>

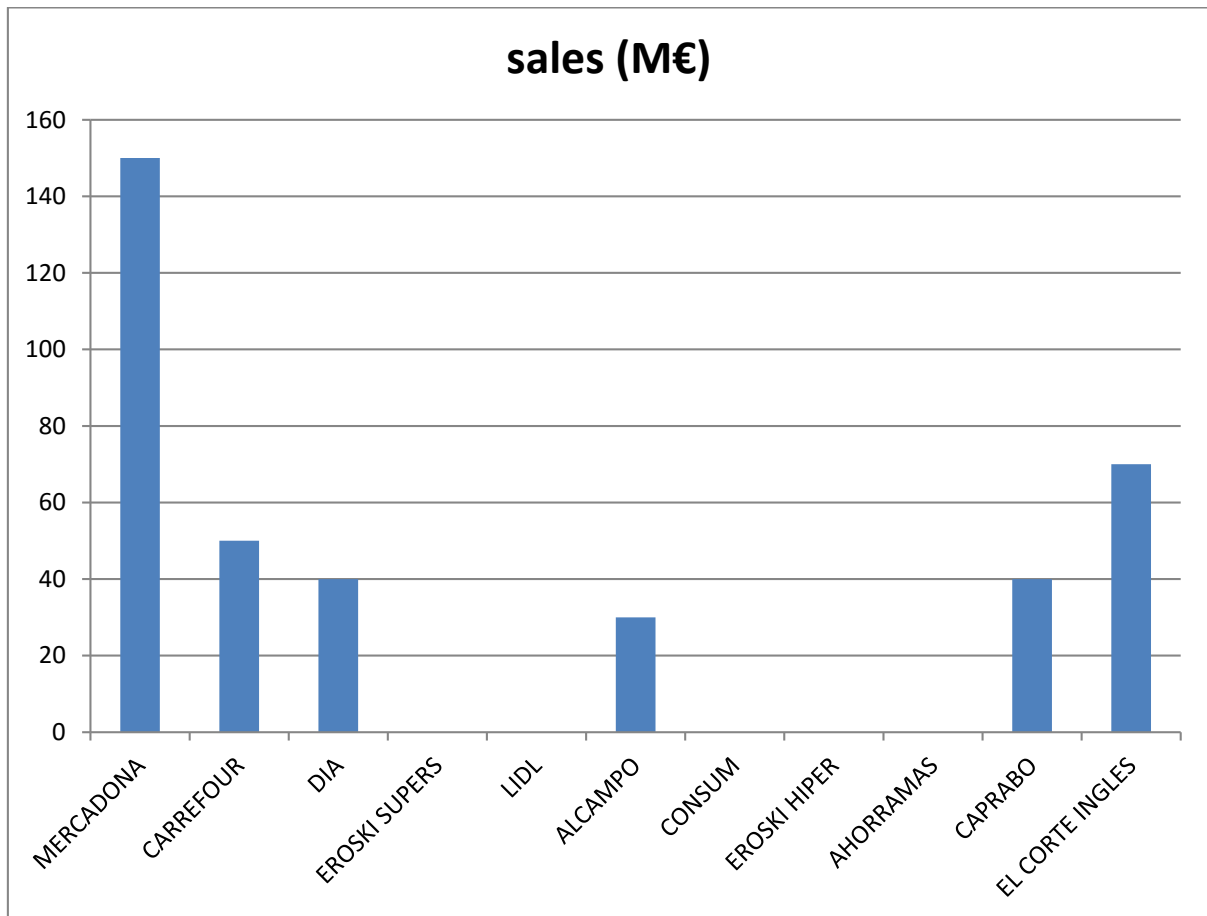


Figure 22: Supermarket e-commerce sales⁶²

Author's thesis shows that companies that do not have online sales are Lidl and Eroski. In addition, the company leading the market is Mercadona, followed by El Corte Ingles far behind⁶³.

3.4.5 PRICE LEVEL

When choosing a supermarket, people always take into account the price level they have, for example, which will cost them throughout the year make the purchase in a particular supermarket. Below is a table with the price level of a basket of the average purchase throughout the year is attached.

⁶² Author's original

⁶³ <http://ecommerce-news.es/actualidad/mercadona-acapara-casi-la-mitad-de-la-facturacion-en-alimentacion-online-18277.html#>



COMPANIES	ANNUAL COST SHOPPING CART
MERCADONA	5.857 €
CARREFOUR	5.904 €
DIA	5.985 €
EROSKI SUPERS	6.123 €
LIDL	-
ALCAMPO	5.629 €
CONSUM	6.004 €
EROSKI HIPER	6.123 €
AHORRAMAS	6.016 €
CAPRABO	6.275 €
EL CORTE INGLES	6.422 €

Table 9: Average Monthly money destined to food basket⁶⁴

The table shows that the supermarket with the lowest price level is Alcampo, followed by Mercadona and Carrefour respectively, but with a difference of about two hundred euros' consumption more. Those three supermarkets would lump them in the lower price range.

Then Author's thesis finds supermarkets with average price level, which are Dia, Consum, Ahorramas and Eroski. The remaining supermarkets, Caprabo and El Corte English, are supermarkets with a high price level.

⁶⁴⁶⁴ <http://www.ocu.org/consumo-familia/supermercados/informe/cadenas-mas-baratas/1>



3.4.6 POPULAR LEVEL

The level of popularity of supermarkets also affects our study. In this case the valuation that Author's thesis do is more subjective than in the other sections.

The level of popularity depends on the image that the company gives to consumers. In Author's thesis opinion, he thinks the most popular is Mercadona supermarket because it is a Spanish company that has emerged for many years and yet has achieved a large market share. This company has a reputation for treating employees well, with good salaries, good labour policy, etc. It should also be noted that Mercadona has never used the media to promote themselves, but how they act is by word of mouth.

Another supermarket that can be very popular also for being Spanish is El Corte English. This supermarket, despite being the highest price level, also is reputed to have high quality products. In addition, the company began as a clothing store and spread to other areas of trade.

The other best-known company is Carrefour. It is a French company that monopolizes between the two countries a market shares close to 70%. It also has its other business models focused on clothes and in Spain is widespread.

The other supermarkets are also known because of the efforts made related to advertising, most campaigns to promote discount to attract new consumers.

3.4.7 FINAL PARAMETRES ANALYSIS

To conclude this section, Author's thesis has decided to include a summary table which will help him to choose which supermarket (or supermarkets) is the best one to market Milzu products in Spain. Author's thesis is going to choose the supermarkets that he considers with the best parameters to introduce Milzu! in Spain.

First of all, Author's thesis is going to choose the best four supermarkets in Spain and then the idea is to use values from 1 to 4 to classify supermarkets using the parameters analysed. Author's thesis has chosen 4 when the supermarket is the best option for this parameter and 1 when is the worst option among supermarkets that I have chosen. And the result is:

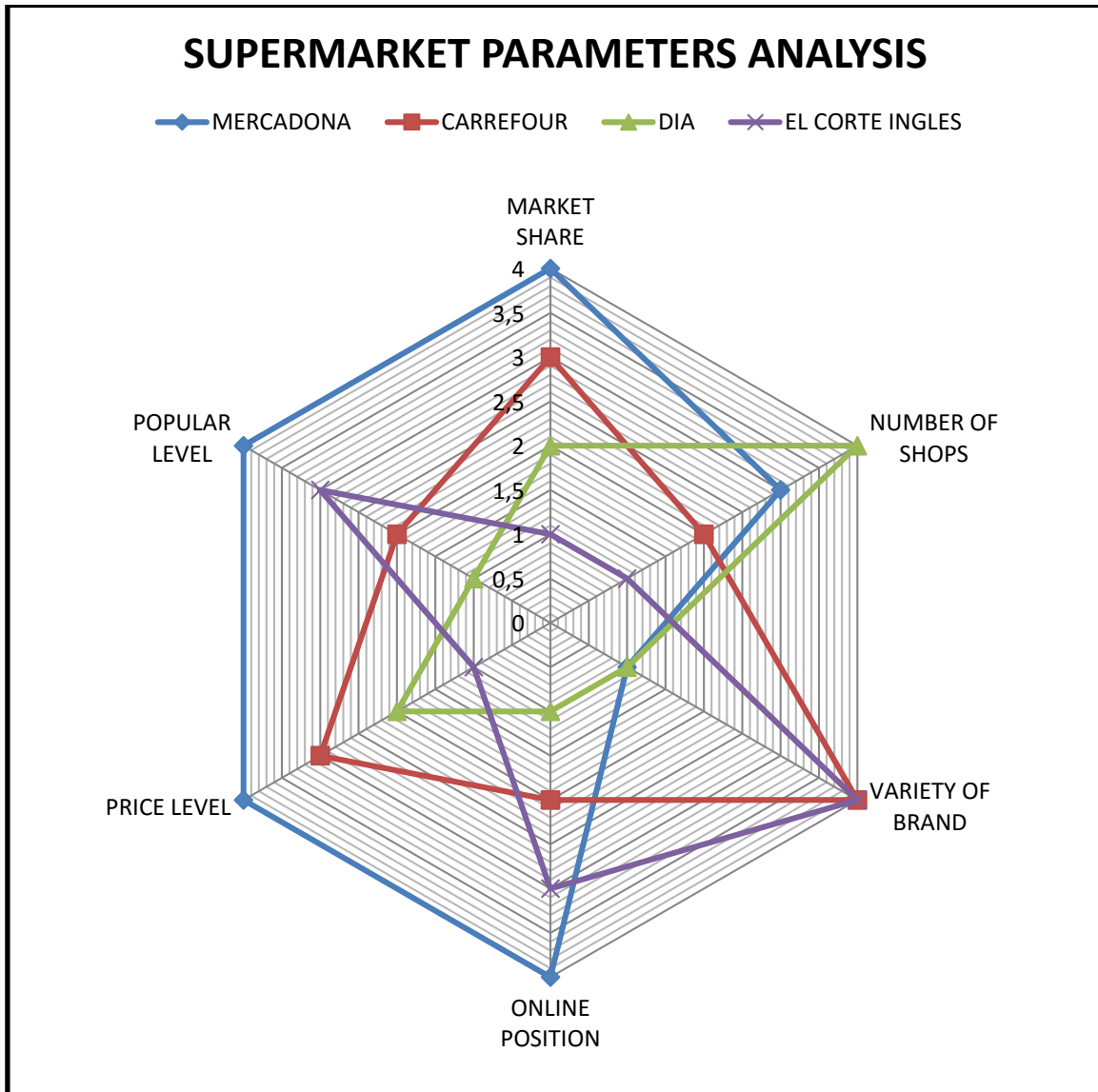


Figure 23: Supermarket Parameters Analysis Summary⁶⁵

The graphic shows that Mercadona is the best option to start a business in Spain. However, there is a problem with its marketing policy because this company does not accept to sell a product in its supermarkets if the product is not a white brand inside the company. Author's thesis cannot refuse Mercadona option because this company has the most market share in Spain and he cannot choose either. In order to solve this problem, Author's thesis is going to choose the second best option among he has chosen, it means Carrefour.

⁶⁵ Author's original, Annexes



3.5 TARGET MARKET SIZE (2)

The idea is to introduce MILZU! in different stages that they will depend on sales as to develop over time in Spain. Firstly, Author's thesis will introduce the product through Carrefour, as he already said before. The second stage will be the biggest expansion, trying to create a white brand for Mercadona, which will make us significantly increase Milzu market share. And in the last stage, Author's thesis will try to introduce it in El Corte Ingles and DIA in order to end our product introduction.

Author's thesis has to correct the number of potential customers in order to make more real his study. This idea creates different stages, each of which have different potential markets.

- **First stage:** Milzu is only introducing its product only using market share of Carrefour. It means that its market will be smaller:

POTENTIAL MARKET VOLUME x CARREFOUR MARKET SHARE

$$21.218.725 \text{ people} * 7.5 \% \text{ Carrefour Market share}$$

REAL MARKET SIZE (FIRST STAGE) = 1.591.405 people

- **Second stage:** Milzu will use Carrefour and Mercadona supermarkets:

POTENTIAL MARKET VOLUME x (CARREFOUR & MERCADONA MARKET SHARES)

$$21.218.725 \text{ people} * (7.5 + 22.1) \% \text{ Carrefour \& Mercadona Market share}$$

REAL MARKET SIZE (SECOND STAGE) = 6.280.743 people

- **Third stage:** This stage could not be performance it depends on its expansion around Spain. Milzu will use the four supermarkets that Author's thesis has chosen before:

POTENTIAL MARKET VOLUME x (CARREFOUR & MERCADONA & DIA & EL CORTE INGLES MARKET SHARES)

$$21.218.725 \text{ people} * (7.5 + 22.1 + 7.6 + 1) \% \text{ Market share}$$

REAL MARKET SIZE (THIRD STAGE) = 8.105.553 people



3.6 MILZU! EXPANSION.

Author's thesis cannot suppose that his sales will be high from the beginning of our business because it would not be a real situation. Author's thesis does not know how much time he is going to stay on the first stage right now, but he can estimate the period of time that he will be. For estimating that, he has chosen an exponential function because at the beginning there won't be much people who know Milzu products, but with his marketing promotion strategy, which Author's thesis is going to explain later, he will assure that sales start to increase. Author's thesis mathematical formula is as the following one⁶⁶:

Equation 1: Exponential Equation

$$P(t) = \frac{K P_0 e^{rt}}{K + P_0 (e^{rt} - 1)}$$

Where K is the maximum number of our market size, P_0 is the number of initials customers, r is the growth rate of the sales and t is time in months.

Author's thesis will give the following values in order to show how sales are grown and to estimate the real time.

$K = 1.591.405$ people and will be the limit of the first stage.

$P_0 = 4$ people, because is the initial customers Milzu will have.

$r = 0.75$, because Milzu don't have lot of influence in customers.

The result is the following one:

⁶⁶ <http://www.veterinaria.org/revistas/redvet/n030310/031004.pdf>

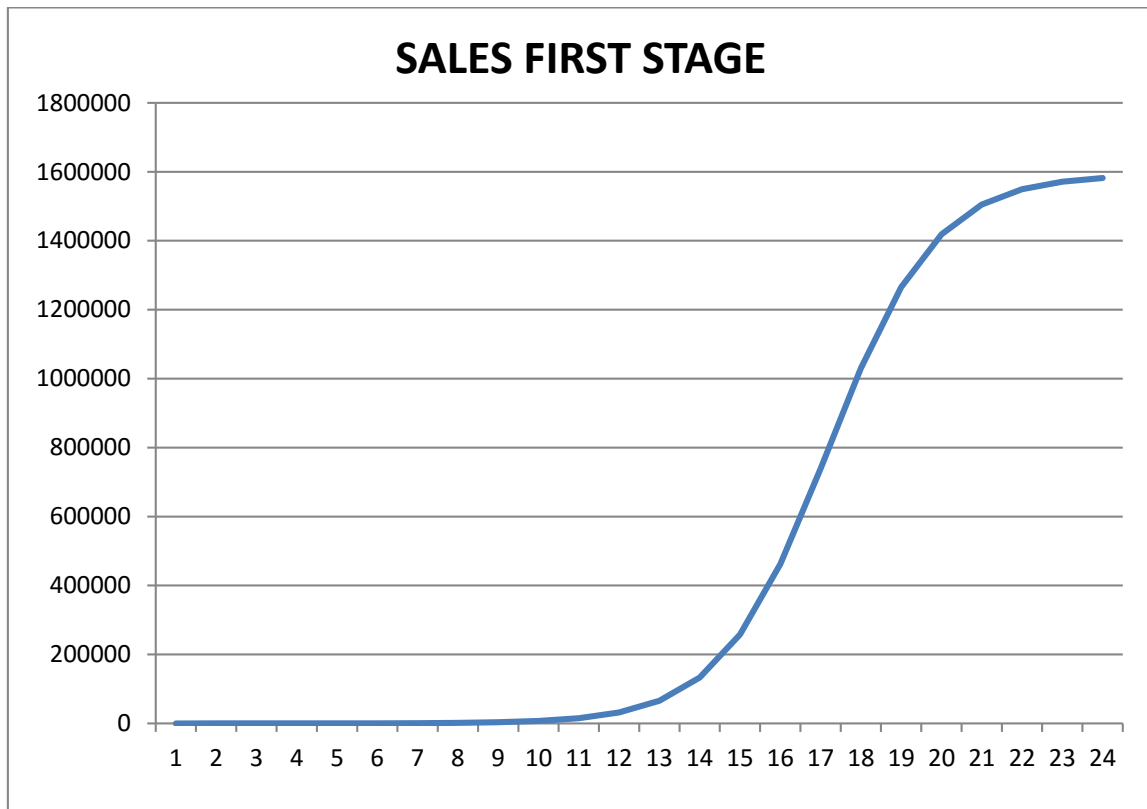


Figure 24: Sales Evolution during First Stage⁶⁷

As Author's thesis shows, the first stage will finish when he has been spending two years since his first delivery to Spain. Before of that happen, Milzu should manage to start with the second stage. It means that Author's thesis will contact with Mercadona supermarket and he will have to perform all the steps necessary to reach an agreement. Therefore, the growth will be exponential as well, but the values that will be used will be different because Author's thesis assume that Milzu products are already a bit known:

$K = 6.280.743$ people and will be the limit of the first stage.

$P_0 = 1.591.405$ people, because is the initial customers Milzu will already have.

$r = 0.2$, because Milzu have to compete with white brands which are cheaper.

The result of the new expansion is the following one:

⁶⁷ Author's original , Annexes

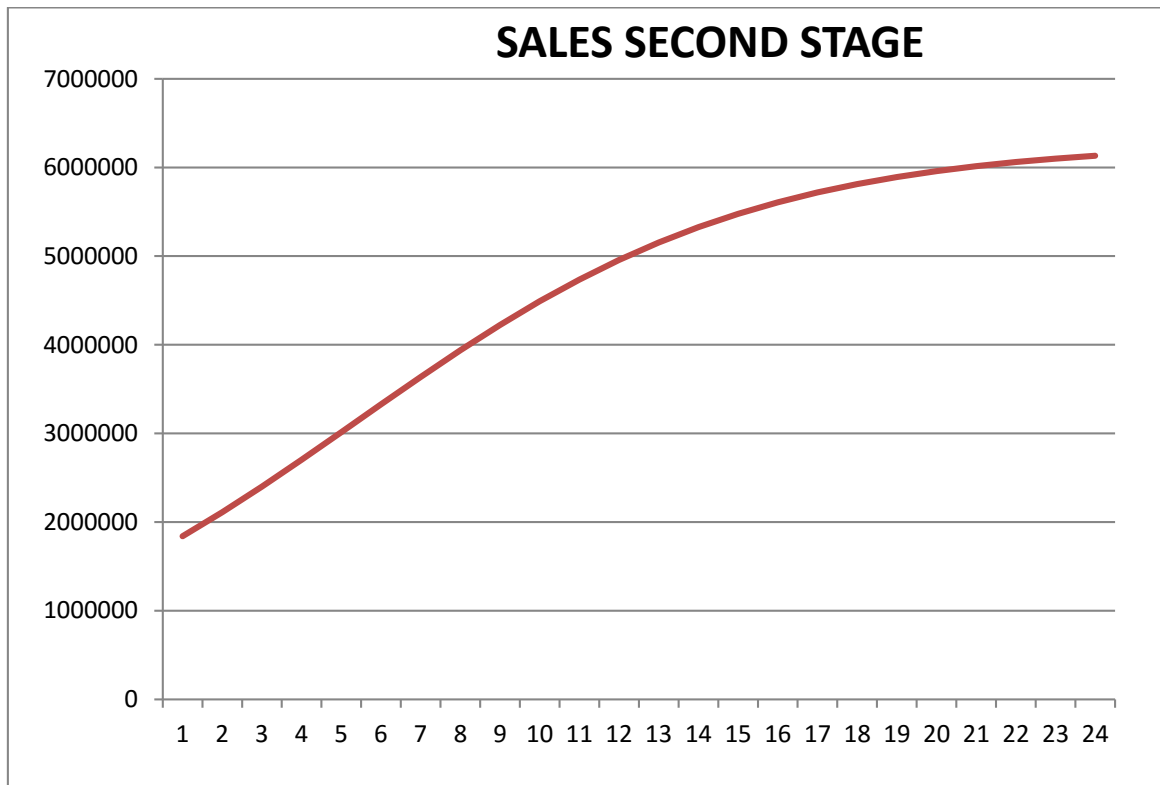


Figure 25: Sales Evolution during Second Stage⁶⁸

Analysing this graphic, Author's thesis thinks that new expansion period will be one year more. Before of that, Milzu should decide if they want to continue with their expansion or not. Perhaps Milzu should keep its business only with two first expansions, and after few years start from the beginning because this is a prediction and Author's thesis might be wrong with his estimations.

⁶⁸ Author's original , Annexes

3.7 PORTER'S FIVE FORCES ANALYSIS.

The value chain is a theoretical model to describe the development of the activities of a business organization generating value to the end customer described and popularized by Michael E. Porter in his book 'Competitive Advantage: Creating and Sustaining Superior Performance'.

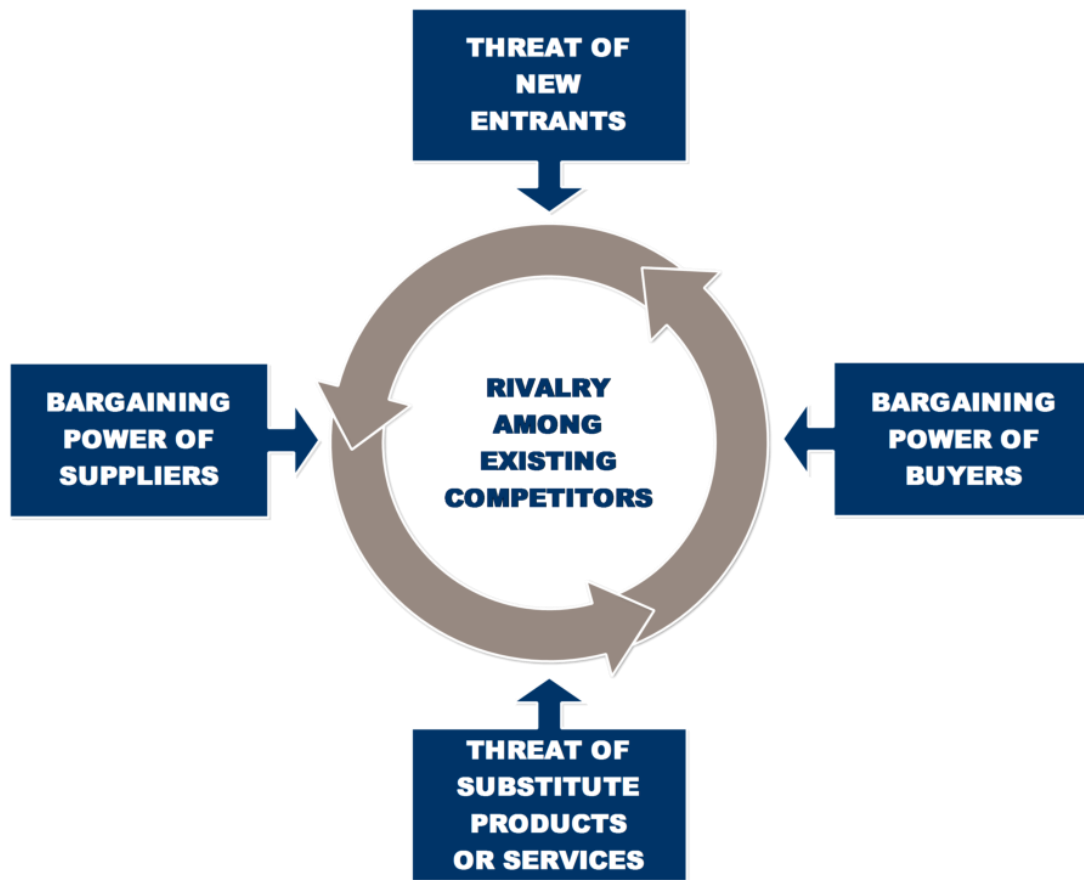


Figure 26: Porter's Five Forces⁶⁹

Porter's 5 forces are a great business tool used to maximize resources and surpass the competitors with a minimum cost. According to Porter, if Author's thesis does not have a plan perfectly prepared, there is no way for our company to survive in the business world. It means that Author's thesis should make the development of a competent strategy for surviving and it is also important to get his goals.

⁶⁹ <http://masonmyers.com/wp-content/uploads/2013/02/fiveforcesmichaelporter.png>



Threat of new entrants

A cereal for breakfast market is very developed. There are many companies that work with economies of scale, which gives them a competitive advantage when they are setting a price on their products. Milzu does not have those economies of scale, but its advantage is that all those cereals for breakfast that its competitors are offering contain high amounts of sugar, mostly unhealthy. That's why Milzu product is different in this regard as it is a healthy product for every age range. On the other hand, it will be more difficult at first to compete using good distribution channels, but the supermarket that Author's thesis has already chosen might help Milzu.

Threat of substitute products

There is a threat of substitute products for breakfast. It is known that many people might prefer other breakfast food such as energy bars, cookies, muffins or just bread spread with jam. But Author's thesis also knows that people often do not change their habits. It means that an adult who eats cereals for breakfast, he probably still eats cereal for breakfast all his life. In addition, the above substitute products may be of lower quality because they are processed foods that eventually can lead to problems in the health of people, especially in children. That is why, so maybe Milzu products are a little more expensive but customers appreciate this differentiation when they are deciding at the supermarket.

Bargaining power of suppliers

In the cereal for breakfast industry there is not much threat from suppliers. In addition, Milzu company has the advantage of using grain coming from the Baltic countries and this can give them an advantage over other companies because they have to negotiate with many farmer's companies.

Bargaining power of buyers

If customers are few, are very well organized and agree as to the prices they are willing to pay a threat to the company generates, as they acquire the ability to stand on a price they want but it will generally be less than Milzu company would be willing to accept. There are also many suppliers and customers increase their bargaining power as they are more likely to switch suppliers more and better quality.



Rivalry among existing competitors

Cereal for breakfast market is mature and highly competitive because there are some products with different levels of price and quality. However, according to Author's thesis analysis of tendencies in consumption habits seen above, he has realised that breakfast is most important meal during the day and customers prefer to buy healthy products instead of processed products.

3.8 COMPETITORS ANALYSIS IN SPAIN

To continue developing Author's thesis marketing plan, he will analyse Milzu competitors. The competitors are all companies operating in the same market and the same industry, offering the same product or service, with identical distribution channels and trying to be the best option to purchase the final consumer through different business strategies, which means that their target has the same profile of potential customers.

Customers appreciate MILZU! benefits⁷⁰:

- Rye is the main ingredient.
- High nutritional value (especially fibre and protein).
- Reduced sugar and the opportunity to buy the product without added sugar.
- No added fats.
- Free of "E".
- Contains vitamins of natural origin.

Author's thesis has to identify which Milzu main competitors are trying to know which their market size is and how Milzu can catch them up. In this case, Author's thesis will start in an old market, where Milzu competitors have more experience and have also loyal customers many times, it means that Milzu has to specialise in these sector for being different.

⁷⁰ <https://www.vivaness.de/en/ausstellerprodukte/bio16/exhibitor-20839547/milzu-sia>



At the supermarket in Spain it is possible to find three different types of cereals: for children (with lots of sugar), high in fibre and fitness. Author’s thesis opinion, the most known are the Special K Kellogg's, in all its varieties, the All Bran, also Kellogg's and Fitness Nestle.

Here Author’s thesis shows the nutritional facts of the leading brands in Spain:

100gr	Fitness		For children			High fibre	
	Special K	Fitness Original	Frosties	Choco Krispies	Chocapic	Allbran Plus	Allbran Fibre
Kcal	379	368	375	387	389	334	328
Proteins	14	8.4	4.5	5	8.2	14	10.6
Carbohydrates	76	77.6	87	85	75.7	48	49
Sugar	17	17	37	35	28.7	18	13.4
Fat	1.5	1.3	0.6	2.5	4.5	3.5	2.8
Fibre	2.5	6.2	2	2	6.2	27	31.6

Table 10: Competitor's Nutritional Facts⁷¹

What they call attention is the difference between Kcal cereals considered fitness and normal, practically non-existent, however, there is quite a difference in price.

Author’s thesis must also look at the amount of added sugars including, especially children.

As cereals aimed at combating constipation, often increase their amount of fibre because they added other ingredients like saved and not because whole grain cereal is used.

Although it doesn’t appear in the table, they all have a high salt content, with the family of All-Bran those who have less.

Then Author’s thesis will analyse nutritional facts of Milzu brand. As Author’s thesis said before, its products are also divided in three different groups: for children, for adults and BIO. Milzu BIO group is divided in two types as well: for children and for adults. The main reason to create this group is because Milzu are compromised with environment and there are much people that will become this kind of product. It is

⁷¹ <http://cronosfit.com/en-busca-de-los-cereales-perfectos-para-desayunar/>



necessary some formalities to get make these kinds of products and the main feature is that all ingredients used to make them are growth by natural method, without chemical products.

In the following table Author’s thesis shows nutritional facts from products for children and for adults of Milzu. The products with high fibre content are for adults:

100gr	For adults	For children
Kcal	311	341.7
Proteins (g)	7.4	8.9
Carbohydrates (g)	64.5	70.4
Sugar (g)	17	0.4
Fat (g)	2.7	2.7
Fibre (g)	19.7	11.6

Table 11: Milzu! Nutritional Facts⁷²

As Author’s thesis shows, there is almost no difference between amount of fibre of products for children and products for adults. The main difference is in the including sugars because adults are able to tolerate more amount of them.

According with a study, during 2014 the Spanish cereals market for breakfast recorded figures well below those achieved in the previous year. Thus, by volume, slightly less than 71,440 tons were sold, representing an annual decrease of 2.7%. In value terms the drop was even more significant, around 5.7%, reaching 306.3 million euros, compared with 324.9 last year.

It is true that at the beginning of the last decade, consumption of breakfast cereals in our country just was around 25,000 tonnes, but recent years indicate a clear maturity of this market and changing consumer preferences to alternative products, normally cheaper prices. Anyway, principal competitors in this sector and their sales figures are the following ones:

⁷² http://www.mercasa-ediciones.es/alimentacion_2015/pdfs/Sectores/pag_078-079_cereales_para_desayuno.pdf

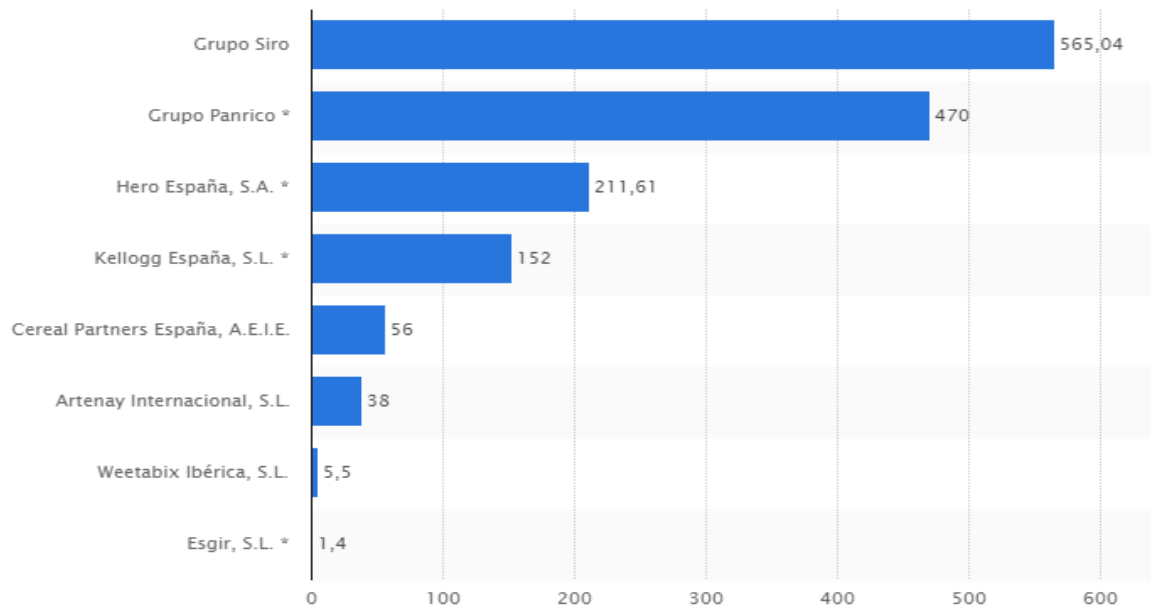


Figure 27: Competitors Sales in 2014 (M€)⁷³

The breakfast cereals market is in the hands of a few large companies, very often, are subsidiaries of major multinational companies.

Distribution brands control most of the sales, with percentages of 59% of total volume and 45.8% in value. These figures represent annual increases of 1.2% and 0.6% respectively.

The first offer that stands reaches 24.9% of the total volume, 1.4% less than in the previous year and 33.2% in value (-1.7%), while the second shows manufacturer branded stays at 12.5% in volume (+ 0.4%) and 16.4% in value, representing a similar percentage to the previous year.

The first group of the sector is based in 180 countries and is present in Spain for 35 years. It has a global workforce of over 32,000 employees. Its main offerings are cereals, cookies and crackers. Meanwhile, the second operator is part of the world's largest agriculture-food company, with more than 330,000 employees. Its main offerings are baby food, coffee, milk, bottled water, breakfast cereals, ice cream, etc.

⁷³ <http://es.statista.com/estadisticas/501714/valor-de-las-ventas-de-las-empresas-lideres-de-cereales-para-desayuno-en-espana/>



4 SWOT ANALYSIS OF MILZU!

SWOT analysis is an environmental study of Strengths, Weaknesses, Opportunities and Threats. It is used to analyse the situation of a company or a product and the result is the real situation of that company or product in the market. The author's thesis will use the information provided by SWOT to make a strategy in the future to take advantage of opportunities and prepare Milzu organization against threats using our strengths and weaknesses.

SWOT is divided into internal and external analysis. Internal analysis is formed by strengths, which describe the resources and skills acquired by the company, and weaknesses, which describe the factors in which Milzu has an unfavourable position on competition.

4.1 STRENGTHS

1. Lower fixed cost. The idea of introducing the product in Spain through a supermarket allows Milzu to not have high fixed costs because they do not have to open any store or distribution centre at the beginning of the expansion.
2. Good distribution channel. Milzu business will have distribution channels of supermarkets that they use for its expansion, generating an advantage to Milzu because they are great companies and are well established on Spanish business.
3. Healthy products. Milzu products are made only with natural resources and without using processed foods. In addition, they don't have added sugar. The result is healthy cereals that can be enjoyed by any consumer without fear of diseases such as diabetes or overweight.
4. Different products for different age ranges. Milzu offers different products which are aimed at different age ranges, and contain different amounts of vitamins, carbohydrates or other food components based on the needs they have. This makes Milzu differentiate from its competitors and generates a competitive advantage.



5. Low risk for investors. The development of this business is very staggered, which will allow expenditures involved are partially performed while it is found that the objectives are being achieved and existing the possibility to stop the project, and thus the investment, in case of not obtain the expected results.
6. Clearly defined target market size. Author's thesis has clearly defined Milzu potential customers and the needs that its products satisfied. This allows Milzu to focus on them and reach larger number of customers.
7. Mission, vision and values. They are well defined in the introduction of the company, which helps Author's thesis to easily choose a strategy to meet them.

4.2 WEAKNESSES

1. New brand in Spanish market. At the beginning, it will be difficult to get consumers to try Milzu products. Milzu products are sold in the supermarket without making any advertising before.
2. Depend on supermarket to start Milzu business. Relying on a supermarket for distribution can become a long-term problem because at some point the objectives of both companies might be different, then this will end up hurting Milzu.
3. Limited target market. At the beginning, the choice of supermarket forces Milzu to reduce its market share and to limit its possibilities for expansion. On the other hand, Milzu has a possible consumption of different age ranges, which can change at any time.
4. Possibility of entry of new competitors. Although there are high entry barriers because most of the market is shared by few brands, there will always be in this market because it is attractive for any company with these characteristics where there are lot of customers.
5. Difficulty to build regular customers. It will be difficult the loyalty of customers in this market because there is much variety of brands and products with different characteristics. Customers can also change diet.



6. Unrecognized brand on international level. Internationally recognized brands always have an advantage when selling their products because they do not need publicity and people often trust their products when they are buying at the supermarket.

To make external analysis Author's thesis has used porter's five forces to identify opportunities and threats and PESTEL analysis.

4.3 OPPORTUNITIES

1. New Market. The Spanish market in which Milzu will introduce has many more consumers in which Milzu has in Baltic countries. Moreover, in this new market Author's thesis finds a Mediterranean diet in which the consumption of cereals is very important.
2. Higher purchasing power of new customers. As Author's thesis shows on PESTEL analysis, the average standard of living is above in Spain, which means that the consumer will be less sensitive to the selling prices of Milzu product, and may bring a somewhat higher price to offset the cost of export.
3. Changes on the market. Cereals for breakfast market in Spain is dominated by large multinational companies that do not care about the health of consumers as they use processed foods that cause overweight both children and adults. Milzu company does not add sugar and all ingredients are natural.
4. Emergence of new distribution channels for the company. Using the supermarket chosen from those analysed, Author's thesis obtains a new distribution channel that helps the company to settle easily in Spain.

4.4 THREATS

1. Many competitors on the market. Cereal for breakfast market is mature and highly competitive because there are some products with different levels of price and quality.

2. Product not manufactured in Spain. At the time of purchase, the consumer may prefer one that has been manufactured in one of the factories that other companies have in Spain.
3. Economic downturn. It can generate some concern when it comes to spending money so you can spend later. Customers prefer to save and have a higher sensitivity to prices.
4. Customers distrust to new brands. In this market the fact of knowing a brand it is a very important factor for customers when picking a product of one or another brand. So that customers know the brand, it is necessary to publicize it.

4.5 SWOT SUMMARY

		HELPFUL	HARMFUL
		STRENGTHS	WEAKNESSES
INTERNAL		<ul style="list-style-type: none"> ▪ Lower fixed cost ▪ Good distribution channel ▪ Healthy products ▪ Different products for different age ranges ▪ Low risk for investors ▪ Clearly defined target market size ▪ Mission, vision and values 	<ul style="list-style-type: none"> ▪ New brand in Spanish market. ▪ Depend on supermarket to start Milzu business. ▪ Limited target market. ▪ Possibility of entry of new competitors. ▪ Difficulty to build regular customers. ▪ Unrecognized brand on international level.
	EXTERNAL		<ul style="list-style-type: none"> ▪ New Market ▪ Higher purchasing power of new customers ▪ Changes on the market ▪ Emergence of new distribution channels for the company

Figure 28: SWOT Analysis⁷⁴

⁷⁴ Author's original

5 MARKETING MIX

After having done a market study and knowing our advantages and disadvantages through SWOT analysis, Author's thesis is managed to make a Strategy for introducing Milzu products. Marketing mix is a resource which aimed is to analyse market behaviour and customers. Through the study of business management, the company will try to satisfied most of the necessities in order to get many loyalty customers.

Another challenge to marketing mix in the company is that loyalty customers recommend the product to other people that they know. In this way, the product will be recognised by all potential customers. Author's thesis has many strategies which each one of them is focused in different areas, so that Author's thesis is going to analyse one by one.



Figure 29: Seven P's of Marketing Mix⁷⁵

To use correctly this resource, Author's thesis has to keep in mind that each element must be combined with the others in other to satisfied most of the customers that they are in the potential market.

⁷⁵ <http://marketingmix.co.uk/content/uploads/marketing-mix.jpg>



5.1 PRODUCT

On this tool of marketing mix, the aim is to describe the products which are ready to sell in the market. This means that Author's thesis should expose a number of assumptions that might help the client to be able to choose between competitor and Milzu products. Among other things, if it has benefits, which quality and why it is good.

Milzu products are divided in three main groups in order to satisfy different necessities of customers. Three different types of products are managed for children, for adults and bio. According with Milzu webpage, Author's thesis is going to describe all this attributes for each type of product⁷⁶:

For children

In this case Milzu has four different products which are associated with different attributes that children might appreciate when they are doing purchase with their mothers. The main reasons to buy this product are:

- They are made of wholegrain wheat flour. This way of making provides to the cereal more fibre, proteins, vitamins and minerals, helping to children to grow up properly.
- This kind of fibre works well for intestinal microflora and optimise cholesterol metabolism, avoiding overweight problems in children. If customers compare with other cereals brands, Milzu products have higher protein and unsaturated fat content.
- Milzu cereals contain B and E vitamins. B vitamins are good for metabolic processes because promoting energy release and they also stabilise the functioning of the nervous system. E vitamins are a natural antioxidant that operates at cell level in the body and controls quantity of selenium.
- Minerals provide in Milzu cereals are phosphor, calcium, magnesium, iron, zinc and copper. They help our body to function properly and they are also acting as an antioxidant.
- All cereals are made by ingredients from Baltic countries, which contain some biologically active substances.

⁷⁶ <http://milzu.lv/en/>

Then Author's thesis will analyse the different products that are selling on the market. All these products have the attributes that Author's thesis has explained before. Each one of them adds other ingredients in order to make it tasty and is represented by one different character that Author's thesis will explain later. Children's products sold in the market are four and are divided in two groups:

- Milzu! prāts & Milzu! spēks, add small amount of cocoa chocolate.



Figure 30: MILZU! Products for children⁷⁷

- Milzu! prieks & Milzu! veiklums, add natural Latvian honey.



Figure 31: MILZU! products for children (2)⁷⁸

As a summary of benefits provided by Milzu products for children and comparing with competitor products, Author's thesis can highlight that:

1. Competitor products contain too much sugar levels and this could result in some diabetes problems for children. Milzu only added natural small amount of chocolate or honey.

⁷⁷ <http://milzu.lv/en/>

⁷⁸ <http://milzu.lv/en/>



2. Competitors add to their products some colouring and tasting agents in order to be more attractive for children. Milzu products are made by natural ingredients.
3. Competitors do not use good ingredients and it means that their products are highly fat contained and low in fibre, vitamins and minerals. On other hand, Milzu products are made by wholegrain wheat flour providing all these essential nutrients.
4. Competitors product have also high contain in salt.

For adults

This group is mainly associated with people who need energy in order to complete a good day and cereals are also ideal for people who require a balanced diet. Milzu has three different kinds of cereals to achieve these goals and the main features that they provide customers are:

- As Author's thesis has shown in cereals for children, Milzu use the best ingredients to make its products. In this case Milzu cereals are made with wholegrain rye flour and wholegrain oat flour, which provide its product.
- Rye flour provides us food rich in E vitamin (antioxidant) and fibre. Main advantages of using this ingredient are the feeling of satiety, help customers to digest food, minimize risk of colon cancer and risk of second type diabetes and reduce cholesterol levels.
- Oat flour also provide customers enough fibre in order to help their body with digestion process avoiding absorption of cholesterol, sugar and fats, restoring damaged mucous membranes and strengthens immune systems.
- Milzu products are suitable for vegetarian and vegan people and there are neither colouring agents added nor genetically modified ingredients.

Then Author's thesis is going to talk about other added features which have each one of these three products and are the consequence of the tasty:

- Milzu! rye flakes with cranberries. Cranberries are a natural antioxidant and provide us other nutrients that help to be healthy. Moreover, this fruit

has good effects in gastrointestinal tract, cardiovascular system and mucous membrane and help with cholesterol problems.

- Milzu! rye flakes with sea buckthorn. Sea buckthorn is a natural ingredient which is used for absorbing vitamins, fats and minerals. It also helps to prevent atherosclerosis and cardiovascular diseases.
- Milzu! rye flakes with honey. Natural sweetener, rich in various substances necessary for the body that provide macro- and microelements, organic acids and vitamins.



Figure 32: MILZU! Products for adults⁷⁹

As a summary of benefits provided by Milzu products for adults and comparing with competitor products, Author's thesis can highlight that:

1. As Author's thesis shows in previous section, Milzu uses the best quality of rye and oat flour in order to achieve the healthiest features that giving to its products better satisfaction to its customers.
2. Milzu ingredients try to reduce cholesterol levels of adults, which are a really important problem that suffer lot of adult people.
3. A large number of adult people mix fruit with cereals for breakfast to make them tasty. Milzu products include these ingredients and are also combined in order to facilitate the absorption of essential nutrients.

⁷⁹ <http://milzu.lv/en/>

BIO

In this group Author's thesis finds products made with ingredients 100% ecological. This satisfies customer's necessities who want to have compromise with the environment and they are healthier at the same time.

These types of products are mainly made with rye, which features have already explained above. Another ingredient added in this type of products is ecological oatmeal. They are also good for vegan people because of their nutrients. The products are aimed at both adults and children. Then Author's thesis is going to explain the difference among all products:

- Milzu! bio rye natural flakes. These cereals are natural and the main difference is that they contain a pinch of salt.
- Milzu! bio rye honey flakes. They add Latvian honey obtained from Gauja National Park and bio sugar.



Figure 33: MILZU! BIO products for adults⁸⁰

- Milzu! bio rye honey rings. They add Latvian honey obtained from Gauja National Park and bio sugar.
- Milzu! bio rye cocoa balls. They add bio cocoa powder which has antioxidant properties.

⁸⁰ <http://milzu.lv/en/>



Figure 34: MILZU! BIO Products for children⁸¹

Nowadays in Spain is very difficult to find this kind of cereal out of herbalists or special stores. Organic farming is not very developed. That's why these products can attract a large number of consumers to the supermarket.

Organic products are characterized by being grown without use of chemical components for development. Some of the advantages of consuming these products are:

1. They are environmentally sustainable. When customers eat foods from organic farming collaborate in the conservation of the environment and avoid pollution of land, water and air.
2. They have maximum quality level. They follow European Regulation. All actors involved in the food chain are subject to the control and inspection of the raw materials used, the process of processing, packaging, labelling, etc. by companies accredited control and certification.
3. They are tastier. Organic products are made with more traditional and carefully process in order to recover the original taste and taste better.

⁸¹ <http://milzu.lv/en/>

5.2 PRICE

In this section Author's thesis will define the price Milzu should have in its products in Spain. Price is always an important part of marketing because it will help us to understand whether the marketing of the product is right in the region where Milzu will start its new business area. If consumers are satisfied with the price at which the product is sold, an increase in sales that will help us to expand.

To do this, first of all, Author's thesis have checked the prices of products in Latvia. The following table shows the relationship of the prices per gab of all products for different kind of customers:

	PRODUCT	PRICE (€) / GAB
FOR CHILDREN	prāts	3.29
	spēks	3.29
	prieks	3.29
	veiklums	3.29
FOR ADULTS	cranberries	3.40
	sea buckthorn	3.40
	honey	3.40
BIO	natural flakes	4.70
	honey flakes	4.70
	honey rings	4.49
	cocoa balls	4.49

Table 12: Product Prices sell in Rimi Supermarkets (Latvia)⁸²

Using these prices provided by the sale of the products in Latvia, Author's thesis is able to stablish a similar value for products which will sell in Spain. It is possible that the products have a high price for customer at the beginning and perhaps customers will decide to buy other common brand, but Milzu knows that its products distinguish because their good quality and its processing method. These two main reasons must be transmitted to customers if Milzu wants to survive in this market.

Although the price will be similar, Milzu must also realise that there are additional costs because transport, which Author's thesis will specify later on

⁸² Author's original



distribution section. Therefore, the price will be slightly higher than in Latvia. Due to the different standard of living between Spain and Latvia which Author's thesis discussed in the second section of this work and in which note that the average salary for each country is 2.188 €⁸³ and 819 €⁸⁴ respectively, Author's thesis can assume that a small increase in price due to these distribution costs will not affect significantly and it means that there won't be a decrease in sales of Milzu products.

In other hand, Author's thesis goal is to establish an average price for each of our two products to sell them to the supermarket Carrefour and being entrusted the distribution in Spain through its own distribution channels.

Author's thesis does not know the exact price of the sale of products Milzu! to supermarkets. But it is possible to estimate these prices thought a percentage of profit that supermarket obtain selling the products as a distributor. Author's thesis knows price of the Milzu products are sold in Rimi supermarket and Author's thesis also knows an approximately percentage which is used in this supermarket to get benefit selling products. This percentage is between 30 % and 40 %.

It means that the price used by Milzu in order to sell its products to supermarkets will be less than the one used by supermarkets. This is the price which Author's thesis has to use to estimate how much money Carrefour supermarket should pay.

The price at which Milzu sells its products must be suitable to transmit a good relationship between quality and price. At the beginning, the number of shipped products will be lower. But when the market starts to grow, Milzu can go through a range of discounts on selling its product to the supermarket because transport costs will be divided among many more products shipped to Spain. It means that Author's thesis is supposed that Milzu will have an agreement with Carrefour company in order to sell cheaper our products when those number of products will be enough.

In the following table Author's thesis has applied the approximate percentage to each product which he has talked about in the last paragraph. It means that the price will be lower:

⁸³ <http://www.datosmacro.com/mercado-laboral/salario-medio/espana>

⁸⁴ <http://www.datosmacro.com/mercado-laboral/salario-medio/letonia>



	PRODUCT	PRICE (€) / GAB 30 %	PRICE (€) / GAB 40 %
FOR CHILDREN	prāts	2,303	1,974
	spēks	2,303	1,974
	prieks	2,303	1,974
	veiklums	2,303	1,974
FOR ADULTS	cranberries	2,38	2,04
	sea buckthorn	2,38	2,04
	honey	2,38	2,04
BIO	natural flakes	3,29	2,82
	honey flakes	3,29	2,82
	honey rings	3,143	2,694
	cocoa balls	3,143	2,694

Table 13: Product Prices sell by MILZU! to supermarkets⁸⁵

Using the last table, Author’s thesis is able to approximate a sale price for each product, but it is necessary to add some cost to these prices because of the transport that Milzu will need to send to Spain. Author’s thesis has decided that it could be a 10 % more on product value.

Milzu competitors have some different products as well. As Author’s thesis said in Competitors analysis section, they are divided in three different groups. According with Carrefour supermarket webpage the approximately sale price for each value are⁸⁶:

- For children, the most important brands sell their products between 2 euros and 3.5 euros.
- For adults, Author’s thesis considers products with more fibre and the most important brands sell their products between 3 euros and 4.5 euros.
- I have found only one BIO product and its sale price is 5.25 euros.

If Author’s thesis compares these prices with the prices checked on Rimi supermarket, he can realize that is possible to compete in Spanish market with Milzu products, and Milzu is able to introduce its products with lower sale prices.

⁸⁵ Author’s original

⁸⁶ <http://www.carrefour.es/supermercado/BusquedaResultados.aspx?id=cereales#>



To finish with this section, Author’s thesis will decide how our sale price will change depending on number of products that supermarkets need from Milzu. At the beginning of its business, Milzu doesn’t apply any discount to supermarkets in Spain. However, when they decide to purchase more amounts of them, Milzu is able to apply the following discounts:

Q (units)	< 100.000	100.001 - 500.000	500.000 - 1.000.000	> 1.000.000
discount	0%	5%	6%	7%

Table 14: Discounts applied depending on sales⁸⁷

This is possible because as its demand in Spain increases, fixed costs they have due to send its products are spread over more units. Thus its benefit does not decrease and Milzu get that the supermarket and try to purchase more products.

5.3 PLACE

According to target market study, Author’s thesis has decided how to commercialize Milzu products using different supermarkets. This means that Milzu can use their distribution channels in Spain. However, Author’s thesis has to explain how Milzu product will arrive there.

Firstly, Author’s thesis will decide how to send our products to Spain. It means which distribution channels Milzu will use to send its products to Spain. There are four possibilities and Author’s thesis are going to explain advantages and disadvantages for each one of them:

By plane

The main advantages of use this transport are its delivery speed because distance to Spain is quite high and time take to send products would be lower than using other means of transportation; its ability to arrive anywhere because perhaps it is better arrive at Madrid or Barcelona where supermarkets will have the best distribution channels; its security because our products will be travelling less time; and there are less formalities using this transport.

⁸⁷ Author’s original



The main disadvantages are its high cost due to use planes, its storage ability because space is connected with the size of the plane, and climate because Milzu might depend on the weather to carry our products.

By boat

The main advantages its high storage ability which Milzu might need in the future; products will have a mandatory secure so that it is not important to care about them; it is cheaper than other means of transport; and it is not important which product you want to carry on.

The main disadvantages are necessity of carry on large number of products to make it rentable; there are large numbers of paperwork; boats need too much time to travel to other place; it generates lot of pollution; and transport depends on the weather as well.

By train

The main advantages are its low pollution level; it is avoiding traffic problems and Milzu will arrive faster than using a truck; it is possible to combine with other transports; its reliability because there are not many accidents during the trip; Its storage ability because it is possible to move large number of products and it is not important weight or size; and it is not a problem to return back containers because of the cost.

The main disadvantages are its low speed and it is also difficult to arrive on time because products will share transport with passengers, and they have preference; and in some countries there is no infrastructure to move products in the same train.

By truck

The main advantages are that it is cheaper than the other options; it is possible arrive wherever you need; it is a flexible mean of transport; you can use different routes; and there is not too much paperwork because Latvian is a European country.

The main disadvantages are that it generates a lot of pollution; it is restricted by traffic conditions; it is the most dangerous in order to carry on products; and it depends on the roads.



As a summary, Author's thesis has done a table in order to compare important points:

	SPEED	STORAGE ABILITY	SECURITY	COST	RESTRICTION
TRUCK	MEDIUM	LOW	MEDIUM	LOW	NONE
TRAIN	LOW	HIGH	HIGH	MEDIUM	BIG AMOUNT
BOAT	LOW	HIGH	HIGH	LOW	CONTAINERS; BIG AMOUNT
PLANE	HIGH	LOW	HIGH	HIGH	HIGH VALUE PRODUCTS; PERISHABLE FOOD

Table 15: Means of Transport Summary⁸⁸

In order to send Milzu products to Spain, there are two options: Deliver by themselves or subcontract a delivery company. Thinking in deliver by themselves, Milzu problem is clear, they have to think that if they send a truck to Spain, it will have to come back to Latvia. The other choice is better, because Milzu don't need to take care about these return expenses. So Author's thesis is better to subcontract a delivery company.

After have analysed different transports, Author's thesis is able to choose the one that Milzu will use to send our products to Spain. In the first year, Author's thesis has decided that the best choice to move Milzu products is using trucks because Milzu hasn't got enough number of product to get full a container and this is restricting boats and trains and Milzu don't need too much space as well.

After Author's thesis thinks about storage ability, he should decide between plane and truck. It is clear that Milzu product is not perishable so that it is not necessary to use plane at all. If Author's thesis compares both cost, he will choose truck option because it is cheaper.

When Carrefour orders to Milzu a sending, its products should be there on time. Milzu deliver truck would come out from Kuldiga, where it is one of Milzu warehouses. The Spanish destination would be Santander because it is the city where Carrefour has its main distribution centre to northern area of Spain and it is the closest place for us as well.

⁸⁸ Author's original

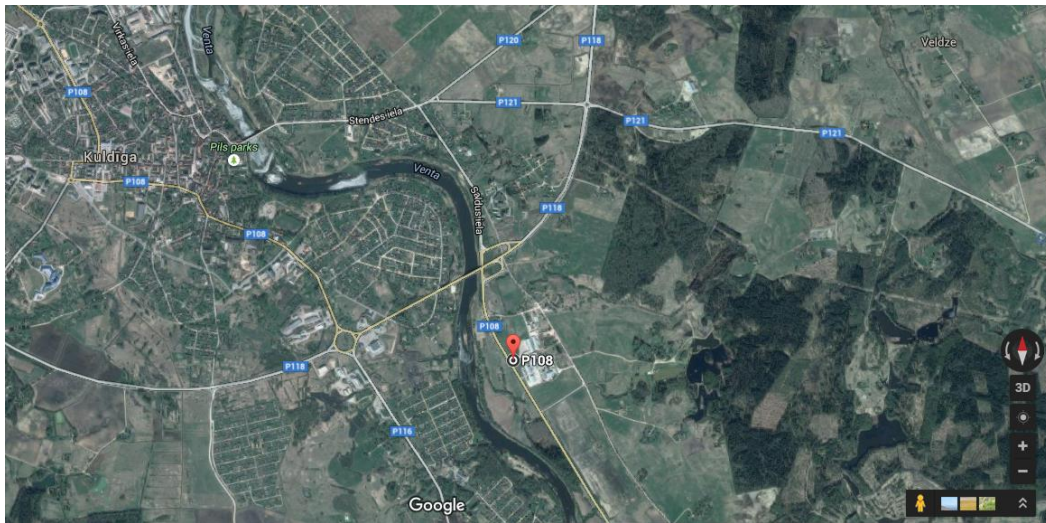


Figure 35: MILZU! Factory Address⁸⁹

Using Google Maps application, Author's thesis shows that the distance Milzu has to travel from its warehouse in Kuldīga to Santander is 3.400 km and the travel time using a land vehicle is approximately 33 hours without stopping.

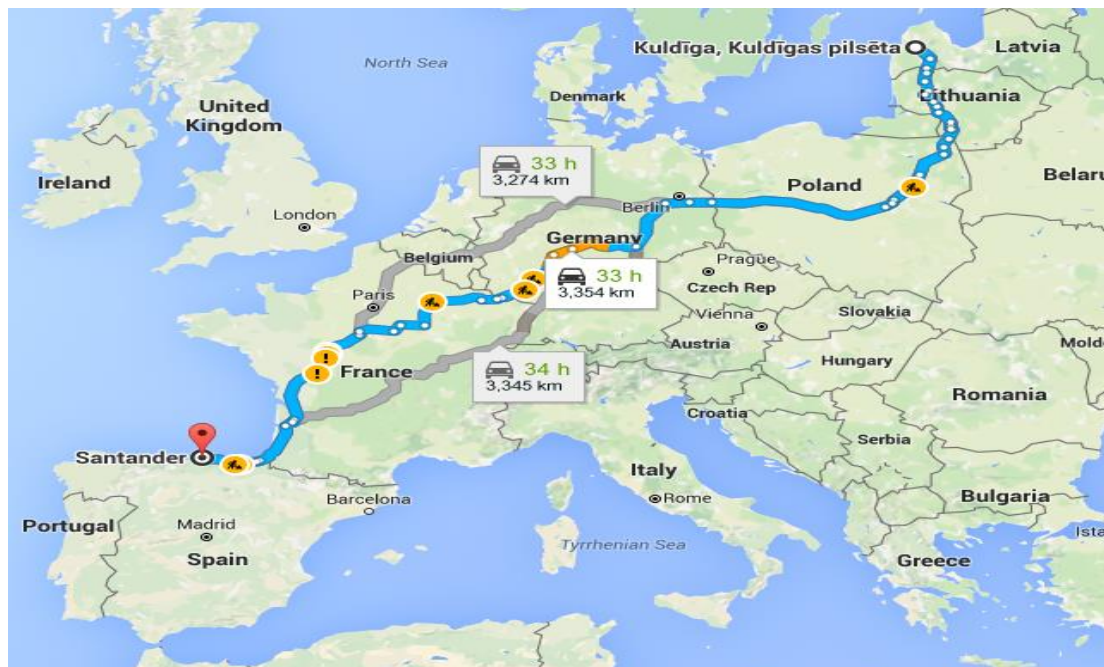


Figure 36: Route from Kuldīga to Santander by road⁹⁰

⁸⁹ <https://www.google.lv/maps/>

⁹⁰ <https://www.google.lv/maps/>



After checking the distance and the number of products, Author's thesis has decided to use a truck which is able to deliver at least 40.000 units per truck. The price is over 3.600€ all included⁹¹. According to a truck company which works in this route⁹², transit time from Latvia to Spain is between seven and eight days. So this information may provide to manage Milzu business in Spain in order to know when they have to send their products.

After first year, Author's thesis has decided to use maritime transport because of the number of delivery products will increase highly. In economic plan section Author's thesis will explain about how many products Milzu has to send. Maritime transport is cheaper and it allows Milzu to send more products. Author's thesis has checked a webpage in order to decide this kind of transport and to calculate how many units Milzu can send in one container. The result is approximately 20.000 unit per container and the cost is round 1.500€, but there are discounts if Milzu send more containers⁹³. Therefore, Milzu products will spend the same time as sending them by road, it means 7 days.

When Milzu products arrive, Author's thesis will suppose that Carrefour will manage the distribution of Milzu products around all Spain because they have the ability to do that properly. When Milzu has to make its expansion to the other supermarkets chosen, Milzu will have to look for the closest distribution warehouses of Mercadona or Dia and Milzu will act in the same way as Carrefour.

According with a webpage which Author's thesis have found⁹⁴, there are many possibilities to deliver our products to Spain. The type of mean of transport by road will depend on the number of products Author's thesis decide to sell, but these cost will be included in the price that has provided previously.

5.4 PROMOTION

Now Author's thesis will analyse different ways of getting Milzu brand to become known in Spain. The aim of this section is to explain these forms in order to attract and encourage the consumer to buy Milzu product.

⁹¹ <http://www.forgatrans.net/tarifasdetransporte.html>

⁹² <http://www.coraltransports.com/index.php/transporte/internacional/transporte-letonia>

⁹³ <http://www.icontainers.com/es/transporte-maritimo/>

⁹⁴ <http://www.forgatrans.net/tarifasdetransporte.html>



As Author's thesis already known, according with SWOT analysis, one of Milzu strengths is its healthy features because is made with natural oat wholegrain and there are no sugars added, so that Milzu can attract its potential customers using that way.

Then Author's thesis can use those features in order to make Milzu products better than competitor's on customer's minds. First of all, Author's thesis can realize that Milzu has usually a place in some conferences in Latvia, Estonia or Lithuania in order to advertise themselves in this kind of events.

Milzu competitors are big multinational companies which don't mind if they have to spend more money in advertising. That's why they are using radio or television in order to promote themselves. Milzu is a small company and should choose different ways less expensive. These alternatives might attract kind of customers that Author's thesis is looking for.

First of all, Author's thesis has look for some healthy webpages where it is selling different products. Milzu can also use some webpages from different gyms. The aim is to make some advertisements which will be linked with Milzu website in order to give information to potential customers. This kind of advertisement is to get some people who care about them.

Secondly, Milzu should use conferences. In Spain there are many conferences in which Milzu might be for advertising. These conferences are about healthy food where its products can be interesting for many people who are looking for new products, easy to find them because Milzu will sell them on Carrefour and not too expensive.

For example, Author's thesis found FIAB conference which have had place this year and it will have place again in 2020 and it consist in advertise about different kind of food and Milzu might get a new contract with other companies as well.



Figure 37: Logotype FIAB Conference⁹⁵

⁹⁵ https://pbs.twimg.com/profile_images/449223870864556033/5uJ6sE5D.png

There are also many conferences about healthy products where Milzu products could be very interesting for people who don't know about them. These conferences take place every year and it is easy to sign in them. For example, Author's thesis found 'Expo Eco Salud' which is managed in Madrid.



Figure 38: Logotype Expo Eco Salud Conference⁹⁶

Author's thesis also found another type of conferences which are more specialized in product completely biological and help people to find the main references of organic food products.

As Author's thesis said, one of Milzu different types of products is called BIO and this kind of conferences would be good for advertisement them because they are able to meet the requirements in order to sign in these conferences. One of the most important conferences in Spain is called 'Biocultura' and takes place in Barcelona every year.



Figure 39: Logotype Biocultura Conference⁹⁷

This kind of advertisement is not expensive because it mainly consists in manage a small place in order to provide some information about our product. Milzu

⁹⁶ http://images.neventum.com/2016/25/thumb100x100/56a757d839a33-expo-eco-salud_835dc892.png

⁹⁷ http://images.neventum.com/2016/45/thumb100x100/56c1c11b420ef-biocultura_c1c76473.png



should invite people interested in these conferences to taste its products and they can explain about benefits of intake of this kind of cereals.

Thirdly, another way to promote Milzu brand in Spain would be through the sponsorship. Sponsorship is used to link a brand with different events, which could be social, sportive or cultural. It will be necessary for the company to pay the entire event or at least a part of the event.

If Author's thesis decides to do that, Milzu should realize that these events should be suitable like a sport event. In this way Milzu ensure that its products are associated with health and welfare of people. Also they could sponsor some event involving children because many of their products are suitable to prevent childhood obesity.

The forth way to promote Milzu brand is using social networks. There are many Facebook groups in which customers can read about some information provide by other customers that have tried a new product. Their opinion should be very important for Milzu.

Finally, Milzu should use its website. Nowadays, Milzu website is only translated in Russian, English, Latvian and Estonian. So that a possible change might be translate the website to Spanish in order to make comprehension for new customers easy. And Milzu could put a phone number to answer some questions about its products as well.

On the other hand, there are another way to get some customers. Many competitors use their packs to put some discounts or awards. Milzu should think that these are good ways to attract more customers. For example, Milzu could put inside children cereals pack a small toy or raffling a journey with some codes in adult's pack cereals through our webpage.

Regarding the budget that Milzu will need in order to make all ideas explained on this section, Author's thesis will suppose that at the beginning Milzu product will not recognize by anyone. It means that Milzu will have to spend more time and money in conferences until its products start selling. Author's thesis thinks that it would be good that Milzu budget should be between 1% and 10% sales in Latvia at the beginning of the expansion to Spain, it means a budget between 10.000 and 100.000€ approximately⁹⁸. When Milzu business starts to provide some money from Spain, they could start to change this budget.

⁹⁸ <http://exim.lv/milzu>



5.5 PEOPLE

When Author's thesis is making an expansion of Milzu company, is very important to keep in good conditions most of people involved. In this situation, Milzu has two different kinds of people: Customers and employees.

Firstly, Author's thesis is going to talk about customers again. According with the target market analysis, Milzu has three different types of customers divided by age range and necessities.

1. Children. To satisfy their necessities Milzu has products for children. They don't mind about nutritional values of the cereals. As Author's thesis said on promotion section, Milzu can introduce any kind of toy or something that they might be interesting for them. Anyways, this group is not as important as the other ones because, in spite of their influence to their parents, they are not able to buy the product.
2. Adults. It is the most important and large group because the market size depends specially on them. They are the ones who made the purchase of the product at all times and also depend on them that our children market grows in the future. Therefore, Milzu should keep them satisfied at all times and take care of every detail to get their loyalty when they have to decide which cereals should buy. On the other hand, they are mainly women and their diet mostly needs some fibre. So, Milzu should include some award which could be good for them, like a trip or some extra coupons in order to win something.
3. BIO Adults. There are not many people who care about where products come from. But Author's thesis has realized that this group might increase in a short period of time. This group is also composed by adults so Milzu should worry about their necessities and its promotions should be the same as previous group. Another way for getting their satisfaction might be something related with environment. For example, Milzu should think about a campaign in order to get planting more trees in Spain.



On the other hand, Author’s thesis is going to talk about Milzu employees. Nowadays, Milzu has not many employees. According with a webpage⁹⁹, Milzu has between 1 and 10 employees.

It means that the company is small but, as Milzu director said on August 2015¹⁰⁰: “We only have eight employees at our company, and that offers advantages such as mobility, flexibility and the ability to take decisions more quickly. My experience tells me that small businesses have a more precise understanding of the subjective mood, and the mood can shift from the feeling that everything is failing to the idea that things are becoming better. Such emotional uplift is truly satisfying. It is best to maintain cautious optimism. Excessive hopes may not prove to be possible, thus creating the aforementioned sense of pessimism.”

In order to manage properly Milzu business in Spain, they should hire at least one person who could speak Spanish. This person might manage to translate the webpage as well in order to make things easy for Spanish customers. It is also sometimes necessary to travel to Spain to keep our relations there in good conditions with the supermarkets, because they need them to distribute their products round all Spanish territories and to manage the conferences that Author’s thesis was explaining on promotion section.

Author’s thesis has created a system in order to motivate Milzu employees if some aims in sales or distribution are gotten. This system should be created to keep workers happy and one way to do that is giving some extra money. Milzu should create a working environment where workers feel accomplished, motivated and valued is also very important for the philosophy of Milzu because they don’t have many employees.

For example, one way to reward employees is giving them some money depending on the sales in Spain:

Q (units)	< 100.000	100.001 - 500.000	500.000 - 1.000.0000	> 1.000.000
Extra salary	0%	5%	6%	7%

Table 16: Extra Money depending on sales in Spain¹⁰¹

Author’s thesis realizes that these extra salaries for employees are related with the sales on Spain and they are also related with discounts provide to our distribution channels in Spain which are supermarkets. Doing in this way, Milzu will assure that both sides of our business are joyful and their efforts will be greater.

⁹⁹ <http://exim.lv/milzu>

¹⁰⁰ <http://www.baltic-course.com/eng/analytics/?doc=109864>

¹⁰¹ Author’s original



5.6 PROCESS

Now Author's thesis is going to analyse the processes needed to bring Milzu products, both manufacture and carry out, its expansion by Spain so Author's thesis will explain process to process until Milzu reaches its distribution channel in Spain.

First, Author's thesis is going to talk about the manufacture. The first thing is to cultivate ingredients needed to produce the final product. This is achieved by planting seeds in extensive fields. The seeds Milzu is going to use are wheat, oat and rye. These ingredients are those that mainly use to produce the final products.

There are different fields, because its products range BIO requires more special conditions in the treatment of crops. Milzu also sometimes need other additives such as honey, chocolate, cranberries and sea buckthorn which they are going to take from other Latvian places.

When the necessary ingredients are collected after their period of development, the next step is washing and processing of the ingredients to manufacture the products. Milzu will have separate factories where products are manufactured BIO of those that do not. In this way, Milzu gets the necessary certifications to purchase our product quality.

Then it is possible to find the process of handling the processed ingredients. In this process it proceeds to the extraction of the parts that interest Milzu of the ingredients that have collected. In this situation would be mainly parts of wheat, oat and rye. When these parts are extracted, it proceeds to the elaboration of cereal. Depending on the way that will have can be balls, rings or flakes. After manufacture and depending on the purpose of the product, are added the other ingredients already mentioned above (honey, chocolate, cranberries and sea buckthorn).

After packing the finished products, they are stored in a nearby place waiting for distribution among different regions. In this situation, the final destination is Spain. A truck can carry between 30.000 and 40.000 units with different products. On the other hand, the second year Milzu is going to use ships for delivery its products. Ships use containers to carry on the materials. These containers can approximately carry 20.000 units of its products.

After the trip, which will be approximately one week (it doesn't mind which mean of transport is used), the products arrive at Santander, where it is one of the main logistics Carrefour warehouses in the area of northern Spain. There, they will be redistributed in accordance with the statutes of Carrefour. With this distribution, products finally arrive to their sale place and from the moment Milzu makes known its product by applying the measures explained in promotion Section.

5.7 PHYSICAL EVIDENCE

This section is trying to make the brand will be associated with the minds of customers. In this case, Author's thesis goal is to get customers to associate our brand with health, welfare and sport.

Milzu products are already developed and should not think any physical evidence that is not in the cereal box yet. However, Author's thesis is going to name, describe and explain them in order to make it easier to understand.

First, Author's thesis will describe products intended for children. The most essential characteristic and what difference the other groups are the drawings that are in the boxes. Obviously, these drawings are not intended for adult people because they have no meaning. Then Milzu has the different products for children:



Figure 40: MILZU! Products for children¹⁰²

Before to the creation of those cereal boxes, a study was performed to see which skills were more appreciate by children. The results were: intelligence, fun, strength and agility. These skills are reflected by order from left to right in the image Author's thesis has above.

¹⁰² <http://milzu.lv/en/>

Furthermore, as Author's thesis shows, each of the skills is associated with a character in the box. Author's thesis could say that this is the physical evidence of Milzu products in this case. In the same order as before animals are a parrot, a pig, a bull and a bee.

In addition to these drawings, another important point is that nutritional values are visible on cereal boxes as they will be the parents of the children who buy Milzu products, and nutritional values are important to the health and proper growth.

On the other hand, Author's thesis has found adult cereals. The physical evidences in these situations are less notable, but still Author's thesis has found that trying to convey that are healthy, putting "rudzu" which its meaning is rye, and also added some drawings related to sports.



Figure 41: MILZU! Products for adults¹⁰³

Finally, Author's thesis has found BIO products. These are destined for both adults and children. It means that they will include the physical evidences of both groups discussed above. But Author's thesis also found a black box which highlights the word "BIO" written in green letters. This physical evidence attempts to associate this product with its ecological value in manufacturing.



Figure 42: MILZU! BIO Products¹⁰⁴

¹⁰³ <http://milzu.lv/en/>

¹⁰⁴ <http://milzu.lv/en/>



5.8 PROTECTION

In this section Author's thesis will explain various measures undertaken by the company to protect different areas of the company.

Firstly, Milzu must protect its products by signing agreements with suppliers to not have any problems in the future. This means protecting all responsibility to logistical problems Milzu could have, as might be an accident on the truck in which our products would damage. Milzu must ensure that this does not affect if it happens.

On the other hand, it attempts to protect the environment as far as possible. The thing is about avoiding the problems are older than they are. The smallest detail can be seen a lot over the years.

First of all, highlight the BIO products as they are the main reference that the company has to say that is committed to the environment as these products, as Author's thesis has said before, they are ecological and are not used up chemicals to make them.

Then, Author's thesis talks about cereal boxes used by the company. These boxes are made of cardboard, a recyclable material. Author's thesis can also suppose that the manufacture of these cereals does not produce any hazardous waste to the environment.



6 ECONOMIC PLAN

In this last section Author's thesis will review the most relevant project numbers. Subsequently Author's thesis will analyse the expenses involved in this project and the income obtained and he will study how to finance the project and its economic and financial viability. All this will allow him to implement, execute and control new business.

6.1 RELEVANT NUMBERS

As Author's thesis showed in Milzu expansion section, where he estimated two first stages, Milzu potential market follows an exponential distribution and in the first year they don't get much revenues because of the small amount of products which will sell. By applying the measures explained in promotion section of marketing mix, Milzu products will become known to the customer market that interests them.

6.1.1 POTENTIAL SALES

According with Author's thesis estimation, Milzu has the following potential customers:

STAGE	TOTAL VOLUME (PEOPLE)
FIRST STAGE	1.591.405
SECOND STAGE	4.689.338
THIRD STAGE	1.824.810
TOTAL POTENTIAL MARKET	8.105.553

Table 17: Potential Markets¹⁰⁵

Starting from each stage, Author's thesis obtained the market size in each stage. This allow him to analyse and suppose how Milzu market could grow. However, this is not the real number of sales, this is the potential number of customers. Milzu customers will buy more than once product in one year, depending on their consumption, so

¹⁰⁵ Author's original



Author’s thesis has to estimate the number of products that Milzu should send and which type of them they would sell to Spain. Doing that Author’s thesis is able to estimate expenses and incomes of Milzu.

Using percentages, Author’s thesis is going to break down total customers depending on their preferences of Milzu main different kind of products. Author’s thesis has estimate that percentages are 30% for children, 45% for adults and the remaining 25% for BIO and sales results are the following ones for first 4 years:

	FOR CHILDREN	FOR ADULTS	BIO	TOTAL SALES
YEAR 1	9.089	13.632	7.574	30.295
YEAR 2	1.736.756	2.605.133	1.447.297	5.789.185
YEAR 3	6.206.269	9.309.403	5.171.891	20.687.562
YEAR 4	10.388.229	15.582.343	8.656.858	34.627.429
TOTAL	18.340.341	27.510.511	15.283.619	61.134.471

TOTAL SALES FIRST 4 YEARS	61.133.471
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Table 18: Potential Sales¹⁰⁶

Author’s thesis has supposed that each customer will buy one cereal box every two months, although maybe is not a high number but the study could be more realistic if he does the estimation using this way.

6.2 EXPENSES

In order to determine the investment required for the project and its economic and financial viability, the first step Author’s thesis should do is to determine the expenses of the expansion to Spain. At this point, he is going to break down the cost of stablish Milzu in Spain.

Author’s thesis doesn’t know exactly what is the cost of produce each different product in the company, but he is going to suppose the following ones depending on the sale price on supermarkets according with price section in marketing mix. Author’s thesis will suppose that the expenses are the same for all products for one group:

¹⁰⁶ Author’s original, Annexes

GROUP OF PRODUCTS	PRODUCT EXPENSES
For children	2,30 €
For adults	2,38 €
BIO	3,20 €

Table 19: Expenses for each group of products¹⁰⁷

In the following table Author's thesis shows expenses for first year:

		YEAR 1			
		PRICE	UNITS	PERIOD	TOTAL
PRODUCTS	CHILDREN PRODUCTION	2,30 €	9.089	1	20.904,70 €
	ADULTS PRODUCTION	2,38 €	13.632	1	32.444,16 €
	BIO PRODUCTION	3,20 €	7.574	1	24.236,80 €
	STORAGE	0,10 €	30.295	1	3.029,50 €
	INSURANCE	0,10 €	30.295	1	3.029,50 €
DISTRIBUTION AND DELIVERY	SUBCONTRATATION	3.600,00 €	1	1	3.600,00 €
	OFFICE SUPPLIES	60,00 €	1	12	720,00 €
	SUPERMARKET TAXES	0,45 €	30.295	1	13.632,75 €
	STORAGE TAXES	0,10 €	30.295	1	3.029,50 €
ADVERTISING AND PROMOTION	CONFERENCES	400,00 €	1	12	4.800,00 €
	SPONSORSHIP	200,00 €	1	12	2.400,00 €
	MERCHANDASING	0,05 €	0	0	0,00 €
	RAFFLES	1.000,00 €	0	0	0,00 €
INTERNET AND SOCIAL NETWORK	WEB PAGE	1.025,00 €	1	1	1.025,00 €
	FACEBOOK	1.000,00 €	1	1	1.000,00 €
	INTERNET ADVERTISING	200,00 €	1	12	2.400,00 €
PERSONAL	RESPONSABLE	2.000,00 €	1	12	24.000,00 €
	PROMOTION STAFF	300,00 €	2	12	7.200,00 €
	DISTRIBUTION STAFF	300,00 €	3	1	900,00 €
TOTAL FIRST YEAR					148.351,91 €

Table 20: Expenses break down¹⁰⁸

¹⁰⁷ Author's original



Then, Author's thesis is going to explain from where he has obtained all the prices one by one. He has divided cost in several groups in order to be easier to explain:

- Products group: Author's thesis has divided the average price explained before for each type of products and multiplied by number of products Author's thesis has estimated in the first year on potential sales. Author's thesis took the expensive cost for making the products in order to make the study more realistic. Then Author's thesis has supposed unit cost of 0.1€ per unit for storage and for insurance.
- Distribution and delivery group: Author's thesis has taken the cost of subcontract the transport for delivery. First year by truck and in the following years by boat. Then Author's thesis wrote supermarket taxes for sell and storage Milzu products in the supermarkets. This tax will be the same for all different supermarkets.
- Advertising and promotion group: Author's thesis will apply strategies which he explained in marketing mix. Author's thesis has estimated these values for each different strategy.
- Internet and social network group: Milzu needs to renovate its social networks and webpage for new customers in Spain. Therefore, Milzu needs to put some advertisement as Author's thesis explained in marketing mix as well.
- Personal group: Milzu needs to hire one person in Spain who knows well the company in order to keep Milzu contacts there and to manage all deliveries. Milzu needs also some helpers for its place in the conferences and some distribution staff to help unload its products.

After the explanation, Author's thesis will show a summary of the expenses for each year:

TOTAL FIRST YEAR	148.632,19 €
TOTAL SECOND YEAR	20.565.454,29 €
TOTAL THIRD YEAR	71.441.865,54 €
TOTAL FOURTH YEAR	119.748.865,39 €

Table 21: MILZU! Cost Extended¹⁰⁹

¹⁰⁸ Author's original, Annexes

¹⁰⁹ Author's original, Annexes

6.3 REVENUES

According with Author's thesis study about sales growth, he is able to estimate how many products Milzu will sell per year. The price of the products has to be the same as in Latvia, and Author's thesis is going to suppose an average price for each different group of products (For children, for adults and BIO). Milzu will sell its products at the same price than they are selling in Latvia. In reference with Author's thesis marketing mix in the price section, Milzu should have the following prices:

GROUP OF PRODUCTS	SALE AVERAGE PRICE (€/gab)
For children	3.29 €
For adults	3.4 €
BIO	4.6 €

Table 22: Average Sale Price for each group of products¹¹⁰

Author's thesis has checked all prices in Rimi supermarket in Latvia. In the potential sales section, Author's thesis has supposed that Milzu customers buy approximately one of its products each two months. So that Author's thesis will estimate Milzu revenues using this premise.

But Author's thesis has to estimate how many products belong to each section. Using Author's thesis market size section (1), he can estimate that Milzu distribution is the following one because of the number of customers that Author's thesis classified previously:

GROUP OF PRODUCTS	CUSTOMERS	PERCENTAGE
FORCHILDREN	9.061.258	30 %
FOR ADULTS	12.157.467	45 %
TOTAL POTENTIAL CUSTOMERS	21.218.725	
BIO	5.304.681	25 %

Table 23: Sales Percentage for each group of products¹¹¹

Author's thesis has estimated the number of BIO products customers using a 20% of children and adult customers.

¹¹⁰ Author's original, Marketing Mix

¹¹¹ Author's original, Target Market Size (1)

The number of total potential customers is not the one which Author's thesis has used in the other sections. He uses this distribution only for estimate how many customers Milzu has for each kind of product.

In the following table Author's thesis is showed revenues for first year:

YEAR 1					
MONT H	TOTAL CUSTOMERS	For children	For adults	BIO	TOTAL REVENUES
		TOTAL UNITS			
1	8	2	4	2	14,69 €
2	18	5	8	5	33,33 €
3	38	11	17	10	70,00 €
4	80	24	36	20	146,68 €
5	170	51	77	43	313,70 €
6	360	108	162	90	660,06 €
7	762	229	343	191	1.399,11 €
8	1612	484	725	403	2.955,58 €
9	3409	1023	1534	852	6.250,24 €
10	7199	2160	3240	1800	13.201,20 €
11	15165	4550	6824	3791	27.804,85 €
12	31765	9530	14294	7941	58.240,95 €
TOTAL REVENUES YEAR 1					111.090,37 €

Table 24: Revenues break down¹¹²

In this table Author's thesis has estimated Milzu revenues according with one product for each customer every two months. First of all, Author's thesis has estimated how many customers Milzu is going to have each month for each type of product. Author's thesis did that according with his estimation in Milzu expansion section.

Then Author's thesis has calculated the revenues using the prices provide in the previous page, it is a simple multiplication and divided by two months as Author's thesis said in the previous paragraph. By the addition of revenues of each month Author's thesis obtains the final result, which in this case is total revenues in a year. The remain calculations done to this section may be found in the annexes. The result is showed for each year:

¹¹² Author's original, Annexes



TOTAL FIRST YEAR	111.090,37 €
TOTAL SECOND YEAR	21.228.941,70 €
TOTAL THIRD YEAR	75.861.289,87 €
TOTAL FOURTH YEAR	126.978.782,47 €

Table 25: MILZUI Revenues Extended¹¹³

Milzu first year is not good because its products are not known by many people. However, applying different strategies explained in marketing mix on the promotion section Milzu is going to increase the number of customers exponentially till get its final number of customers.

6.4 INCOME STATEMENT

With the breakdown of cost previously done, Author's thesis has estimated the necessary investment. Here Author's thesis will show the most relevant data but he attaches all the data information in the annexes section.

In spite of Milzu won't have big initial costs for expanding to Spain, Author's thesis has to think about the next year because the cost Milzu is going to need will considerably increase. Initial cost in the first year are a sum of all expenses of the first year and the cost of the seeds Milzu will need in order to make its products on the second year, which it could be at least 20% of the total cost of making our products.

To finance the project, Milzu should do using own funds, bank loan or both. If Milzu would ask to the bank, to determine how much money they should ask to the bank and how much Milzu provides with our own capital, Author's thesis has used the ratio of debit, which optimal value is 0.6.

$$\text{Initial cost} = 148.351,91 \text{ €} + 3.103.004,11 \text{ €} = 3.251.356,02 \text{ €}$$

As Author's thesis found in some webpage¹¹⁴, Milzu turnover is not enough to do all this investment, so should ask to a loan bank.

Taking this into account, the financing will be:

- Own funds = 1.000.000 €
- Loan = 2.251.356,02 €

¹¹³ Author's original, Annexes

¹¹⁴ <http://exim.lv/milzu>



Then, Author’s thesis is going to say the financing conditions for shareholders:

- Own funds: the shareholders will have a profitability of 17% for its resources and they may distribute among them the 80% of net profit in concept of annual profits.
- Loan: bank loan to four years, with an interest of 11% and linear amortization.

In this table Author’s thesis shows the liquidation of the bank loan:

LOAN	YEAR 1	YEAR 2	YEAR 3	YEAR 4
Principal	562.909,07 €	562.909,07 €	562.909,07 €	562.909,07 €
Interest	247.679,99 €	185.759,99 €	123.840,00 €	61.920,00 €
Total Bank	810.589,07 €	748.669,07 €	686.749,07 €	624.829,07 €
Outstanding debt	1.688.727,22 €	1.125.818,15 €	562.909,07 €	0,00 €

Total after taxes	444.698,17 €	382.778,17 €	320.858,17 €	258.938,17 €
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Table 26: MILZU! Loan bank¹¹⁵

After that, Author’s thesis says that Milzu doesn’t need any type of amortization because they haven’t got any fix expense. Author’s thesis decided to subcontract the delivery in order not to buy them some money. It means that Author’s thesis doesn’t have to calculate expenses in amortization.

¹¹⁵ Author’s original, Annexes

Then, Author's thesis has to calculate Milzu expenses according with taxes that they have to pay to the government. Tax is 35% of the company benefit. In the following table Author's thesis represent the results chart for Milzu for three years:

	1st Year	2nd Year	3rd Year	4th Year
Incomes	111.090,37 €	21.228.941,70 €	75.861.289,87 €	126.978.782,47 €
- Expenses	148.351,91 €	20.565.454,29 €	71.441.865,54 €	119.748.865,39 €
=Operating margin	-37.261,55 €	663.487,41 €	4.419.424,32 €	7.229.917,07 €
- Amortization	0,00 €	0,00 €	0,00 €	0,00 €
= EBIT	-37.261,55 €	663.487,41 €	4.419.424,32 €	7.229.917,07 €
- Interests	233.721,06 €	175.290,80 €	116.860,53 €	58.430,27 €
= EBT	-270.982,61 €	488.196,61 €	4.302.563,79 €	7.171.486,81 €
- Taxes	0,00 €	170.868,81 €	1.505.897,33 €	2.510.020,38 €
= Net profit	-270.982,61 €	317.327,80 €	2.796.666,47 €	4.661.466,43 €

Table 27: MILZU! Profit Results¹¹⁶

The calculations of the investment, with the total cost of funding, are detailed in the following table. Milzu cash flow will be the same as its net profit because they don't have amortization:

	Initial	Year 1	Year 2	Year 3	Year 4
Cash Flow	-3.251.636,30 €	-270.982,61 €	317.327,80 €	2.796.666,47 €	4.661.466,43 €

Table 28: MILZU! Investments¹¹⁷

¹¹⁶ Author's original, Annexes



As Author's thesis shows, at the end of the first year Milzu will obtain losses because they won't have too many customers. However, at the end of the second year and due to our efforts for promoting our brand, people will start buy our products and Milzu will earn lot of money in Spain.

Finally, Author's thesis shows the results of the treasury for the expansion of Milzu in Spain:

TREASURY	YEAR 1	YEAR 2	YEAR 3	YEAR 4
CASH FLOW	-270.982,61 €	317.327,80 €	2.796.666,47 €	4.661.466,43 €
Principal	562.909,07 €	562.909,07 €	562.909,07 €	562.909,07 €
shareholders	0,00 €	-245.581,28 €	2.233.757,39 €	4.098.557,35 €
dividend forecast	0,00 €	0,00 €	475.433,30 €	792.449,29 €
Treasury	0,00 €	-245.581,28 €	1.758.324,09 €	3.306.108,06 €
Accumulated treasury	-833.891,68 €	-1.079.472,96 €	678.851,13 €	3.984.959,19 €

Table 29: MILZU! Treasury¹¹⁸

In the previous table, the first two years shareholders won't receive money because Milzu won't have enough money in cash flow. But in the following years, Milzu will have benefits and its business will be successful.

¹¹⁷ Author's original, Annexes

¹¹⁸ Author's original, Annexes



6.5 ECONOMIC VIABILITY

After show Author's thesis table result, Milzu should know if its expansion to Spain will be rentable or not. To do that, Author's thesis is going to use two different tools useful for marketing studies: Internal Rate of Return and Net Present Value.

Internal Rate of Return (IRR)	26%
Net present value (NPV)	4.182.591,21 €

Table 30: Economic Viability¹¹⁹

Milzu has a great value for The internal rate of return (IRR). Generally speaking, the higher a project's internal rate of return, the more desirable it is to undertake the project. IRR is uniform for investments of varying types and, as such, IRR can be used to rank multiple prospective projects a firm is considering on a relatively even basis. Assuming the costs of investment are equal among the various projects, the project with the highest IRR would probably be considered the best and undertaken first.¹²⁰

Related with the IRR is the Required Rate of Return (RRR) which is used for evaluation of where Milzu should put this money and is the minimum annual percentage earned by an investment that will induce individuals or companies to put money into a particular security or project. For example, it could be to give this money to the bank during four years. This will suppose that our RRR could be 10% as much.

Author's thesis might compare IRR with another IRR provide by another choice of expansion for Milzu. And Author's thesis would choose the highest one. In this case Author's thesis doesn't have another IRR for other study and Author's thesis can compare our IRR with the RRR give from the bank. It means that his IRR is higher and he would invest in this project.

On the other hand, Author's thesis used Net Present Value (NPV) which is the difference between the present value of cash inflows and the present value of cash outflows.

$$NPV = - \text{Initial disbursement} + \text{Cash flow}_1 + \text{Cash flow}_2 + \text{Cash flow}_3 + \text{Cash flow}_4$$

¹¹⁹ Author's original, Annexes

¹²⁰ <http://www.investopedia.com>



A positive net present value indicates that the projected earnings generated by a project or investment (in present dollars) exceeds the anticipated costs (also in present dollars). Generally, an investment with a positive NPV will be a profitable one and one with a negative NPV will result in a net loss. This concept is the basis for the Net Present Value Rule, which dictates that the only investments that should be made are those with positive NPV values.

As Author's thesis shows, Net Present Value (NPV) is positive. It means that his project is economically viable.

6.6 FINAL ANALYSIS

When Milzu will implement and execute the project, there are several fundamental aspects. Once Author's thesis has determined the objectives, he had in mind whenever that these are attainable and achievable. Therefore, when Milzu implements and executes the project, is very important to respect times and guidelines provided.

On the other hand, it will be necessary to make an exhaustive control of the results Milzu obtained, because they can change at any time. For example, given the pessimistic character Author's thesis has estimated sales, when considering that a person consumes the product every two months, this time is likely to be lower, which will result in the number of products needed is greater. The popularity of the product should always be one of our priorities, Milzu should never ignore the promotion of its products and the opinion that consumers have of them.



7 CONCLUSION.

Milzu is a small company started two years ago, but is the biggest rye wholegrain producer in the Baltic Countries. They are compromised with health and welfare of the people. That's why they are making different products which have many well features such as its natural fibre and protein contain and could help to people. This has enabled them to get approximately 10% of the market share in Latvia during a small period of time, just with ten employees.

Author's thesis thinks that Spain is a good choice in order to expand their business mainly due to two different reasons. After several years of strong recession, Spanish country and society are both returning to normal as Author's thesis shows with the economic data provided by many different statistics studies. This will active the consumption and people will expend more money because they are not afraid of the situation anymore. On the other hand, their culture is very important to make the decision as well because of their Mediterranean diet and their concern about the healthy. Mediterranean diet is based on a high cereals consumption and this will provide Milzu a good advantage when its business starts. Their concern about healthy is important for them because the number of people with different health problems is increasing, and they are specially worried for children obesity.

After this decision, Author's thesis has found that there are many potential customers in this market because population of Spain is very large and, as Author's thesis said before, they are used to consume cereals every day. Cereals breakfast market in Spain is very competitive as well. There are many companies trying to get more customers but Milzu advantages are mainly its quality and concern about customers healthy because competitors are mainly largest multinational companies only thinking in their profits and not worried about the composition of their processed products.

Then, Author's thesis decided how Milzu would introduce our products in Spain. The procedure would be the same as Milzu use in Latvia, Author's thesis studied which supermarkets were the most important in Spain and compared them using different parameters such us market share, number of shops, online position, variety of brand, price level and popular level. The result of the study was the choice of two supermarkets and Milzu should use their distribution channels to expand its company though whole Spanish territory.

The beginning of Milzu expansion will be difficult because its products are not known and there are lot of competitors. However, Author's thesis has done an extensive marketing mix where he has explained all efforts in order to get more customers such as conferences or website advertisements. The period of expansion is approximated by an



exponential function depending on different parameters and it should be four years approximately.

About the development of this marketing plan, in order to make it more realistic, Author's thesis has estimated Milzu revenues and costs according with some conditions. For example, the profit for the supermarket chosen is quite high and Milzu sales would be more because Author's thesis has supposed that each customers would buy one of its products every two months. Author's thesis tried to do the study adjusting to the current situation, trying to optimize our resources and minimizing the risk as much as possible. In spite of this, as Author's thesis showed in economic plan section, Author's thesis has obtained great results for the expansion of Milzu in Spain.

By author's opinion, the realization of this study has helped him to realize the large number of different factors to take into account in order to be consistent with reality think very much about everything in the business world before carrying them out. During the years in the university, he has done many works but he had never had to know of any of them as in this study. Therefore, he can appreciate the knowledge that the study has given to him. He should also be pleased to have lived a great experience in other country and have done the work in English because these two situations have helped him to improve my oral and written skills.



8 ANNEXES.

8.1 BENEFITS IN CERALS INTAKE¹²¹

Cereals are probably the greatest source of energy for humans. Providing almost 30% of total calories in a regular diet, cereals are probably the most widely consumed caloric food in America. This percentage rises in places like rural Africa, Asia and India where cereals are reported to supply almost 70 to 80% of energy requirements since people in these regions cannot afford to eat other food products like fruits, vegetables, meat, or milk products. Cereals are cheap and a widely available source of energy; this is probably the main reason why people from all budgets prefer cereals as the major energy provider in their diet.

In cereals, around 95% of minerals are the sulphates and phosphates of magnesium, potassium and calcium. A good amount of phosphorous in cereals is present, called phytin. The phylates present in the cereals considerably reduce the activity of iron absorption. The unrefined cereals have more phytates as compared to refined cereals. After the cereals germinate, phytates reduces due to the breakdown of enzymes, and then the iron content is enhanced. This is the reason why malted flours of cereals are said to have more nutritional value than raw flour. Zinc, copper and manganese are also present in cereals in very small quantities. Cereals hardly have and calcium and iron.

Whole wheat products reduce the chances of breast cancer. Cereals are rich in phytosterols or plant based steroids and plant estrogen that stimulate the hormone estrogen. Phytosterols bind to estrogen receptors present in the tissues of the breast and blocks human oestrogen that promotes the growth of breast cancer. Many studies have shown that colon cancers can be avoided by consuming whole wheat products or any fiber-rich cereals. Phytosterols increase the stool movement through the intestines, thereby constricting the re-absorption time of the estrogen into the blood through the colon wall.

¹²¹ <https://www.organicfacts.net/health-benefits/cereal/health-benefits-of-cereals.html>



Cereals have both insoluble and soluble fibres like cellulose, pectin and hemicellulose. These fibres are present in the bran and pericarp, which often gets demolished while processing, thus it is advisable to consume whole cereals to cure extreme constipation troubles. Cereals also effectively improve peristalsis in the intestine and increase the bulk of the stools, thus keeping your internal system clean. Ragi is high in cellulose and has excellent laxative properties that relieve constipation. Brown rice is also helpful for treating this disorder.

The fibre content in cereals decreases the speed of glucose secretion from food, thereby maintaining sugar levels in the blood.

Proteins are present in every tissue of the cereal grain. The concentrated protein-rich areas are scutellum, embryo and aleuronic layer and moderate amounts can be found in the endosperm, pericarp and testa. The concentration of proteins becomes denser in the endosperm from the centre to the borderline. The cereal proteins are of different types; like albumins, prolamines gliadins, globulins and glutelins. These types of proteins are called “gluten” proteins. This gluten has extraordinary elasticity and mobile properties, mainly present in wheat grain, but also in some other types of cereal. Cereals usually have 6-12% protein but lack in lysine. The protein content varies in each type of cereal. For instance, rice contains less protein in comparison to other cereals. In fact, the protein percentage even varieties with different varieties of the same cereal. Although less in amount, the quality of rice protein is better than the protein of other cereals. When you consume cereals with pulses, the protein quality automatically improves, owing to the mutual supplementation. Pulses have high lysine content and are deficient in methionine; on the other hand, cereals have an abundance of methionine.

If you are suffering from a deficiency in the Vitamin B complex, add whole grain cereals to your diet. Most of the vitamins of cereals are present in the outer bran, but the refining process usually reduces the vitamin B content, and thus it is advisable to consume whole grain cereals. Cereals are usually devoid of either vitamin A or vitamin C; only maize has small amounts of carotene. The cereal grains are processed to extract oils that are rich in vitamin E. Rice bran oil has more concentrated amounts of vitamin E than other oils available on the market.

Cereal grains are rich in enzymes, particularly protease, amylase, lipases and oxide-reductases. After the seed germinates, amylase actively increases. The germ encloses the protease enzymes.



Cereals are undoubtedly full of nutrition, but unfortunately, the refining process degrades their quality. The degree of milling, polishing and refining to some extent decides the nutrient content of cereals. Some nutrients are lost during food preparation, especially vigorous washing, soaking and cooking methods, which result in the depletion of the nutrients on the skin of the grains.

Prepare a bowl of milk with breakfast cereals will take less than 5 minutes, providing great benefits for your health. And if you delete breakfast, it means that you are reducing the amount of nutrients in our diet consumed in the most important meal of the day. In addition, it is not possible to recover nutrients which are not consumed at breakfast in other meals.

Breakfast cereals provide a minimum percentage of the daily consume of added sugars in children because most breakfast cereals contain small amounts of salt and contribute less than 5% of the average daily consumption.

Fortified breakfast cereals are a major source of vitamin B12 for vegetarians and folic acid for pregnant women. It means that the consume of breakfast cereals fortified with vitamin D is essential especially in the winter months where less vitamin D is obtained through solar radiation. In addition, people who eat breakfast have a lower rate of overweight and obesity.



8.2 DIFFERENT KINDS OF CEREALS

The most familiar grains used for making the category of cereals include the following ones:

- Rice is probably the most common and popular cereal consumed all over the world; especially in tropical and temperate regions. Rice cannot grow in cold regions. It is used as the staple food in most of the countries and restaurants all over the globe have invented some lip smacking rice recipes that are truly appetizing.
- Brown rice is another variety of rice that is rich in the vitamin B group, particularly thiamine, riboflavin, niacin and minerals like iron, potassium, phosphorous and magnesium.
- Maize is the staple cereal in continents like Africa and South America and is used as animal feed worldwide. ‘Cornflakes’, as Author’s thesis knows them, are nothing but the flaked form of maize. Popcorn is also a popular corn product.
- Wheat is a prime cereal consumed in temperate zones, especially in Australia, North America, Europe and New Zealand. Wheat is a major ingredient in foods like bread, biscuits, pastries, porridge, cakes, crackers, pancakes, muesli, pies, cookies, rolls, muffins, doughnuts, gravy, and some breakfast cereals.
- Barley is highly nutritious one that is usually grown for malting; livestock also thrives on it in lands that are not capable of growing wheat due to financial or climatic conditions.
- Sorghum is consumed widely in Africa and Asia and it is also considered a good livestock feed.
- Mille is grown widely in Africa and Asia. Millet porridge is extremely popular in China, Germany and Russia. It is also used in alcoholic beverages and sometimes as bird and animal feed.
- Oats were initially a staple cereal in Scotland, however now oats are very popular as breakfast cereals in almost all countries. Owing to its fiber-rich property, oats are considered vital for all ages and are used as livestock feed.



8.3 MARKET SIZE

POPULATION OF SPAIN BY AUTONOMOUS COMMUNITY AT 1 January 2015				
AUTONOMOUS COMMUNITY	TOTAL	MEN	WOMEN	% TOTAL
ANDALUCIA	8.399.043	4.144.532	4.254.511	18,01
ARAGON	1.317.847	652.687	665.160	2,83
ASTURIAS	1.051.229	502.175	549.054	2,25
BALEARIC ISLANDS	1.104.479	549.678	554.801	2,37
CANARY ISLANDS	2.100.306	1.043.203	1.057.103	4,5
CANTABRIA	585.179	284.788	300.391	1,26
CASTILLA Y LEON	2.472.052	1.219.616	1.252.436	5,3
CASTILLA - LA MANCHA	2.059.191	1.032.673	1.026.518	4,42
CATALUNYA	7.508.106	3.691.745	3.816.361	16,1
VALENCIAN COMMUNITY	4.980.689	2.460.805	2.519.884	10,68
EXTREMADURA	1.092.997	542.078	550.919	2,34
GALICIA	2.732.347	1.317.054	1.415.293	5,86
COMMUNITY OF MADRID	6.436.996	3.087.022	3.349.974	13,81
REGION OF MURCIA	1.467.288	735.434	731.854	3,15
NAVARRRE	640.476	317.885	322.591	1,37
BASQUE COUNTRY	2.189.257	1.065.925	1.123.332	4,7
LA RIOJA	317.053	156.733	160.320	0,68
CEUTA	84.263	42.757	41.506	0,18
MELILLA	85.584	43.593	41.991	0,18
TOTAL SPAIN	46.624.382	22.890.383	23.733.999	100

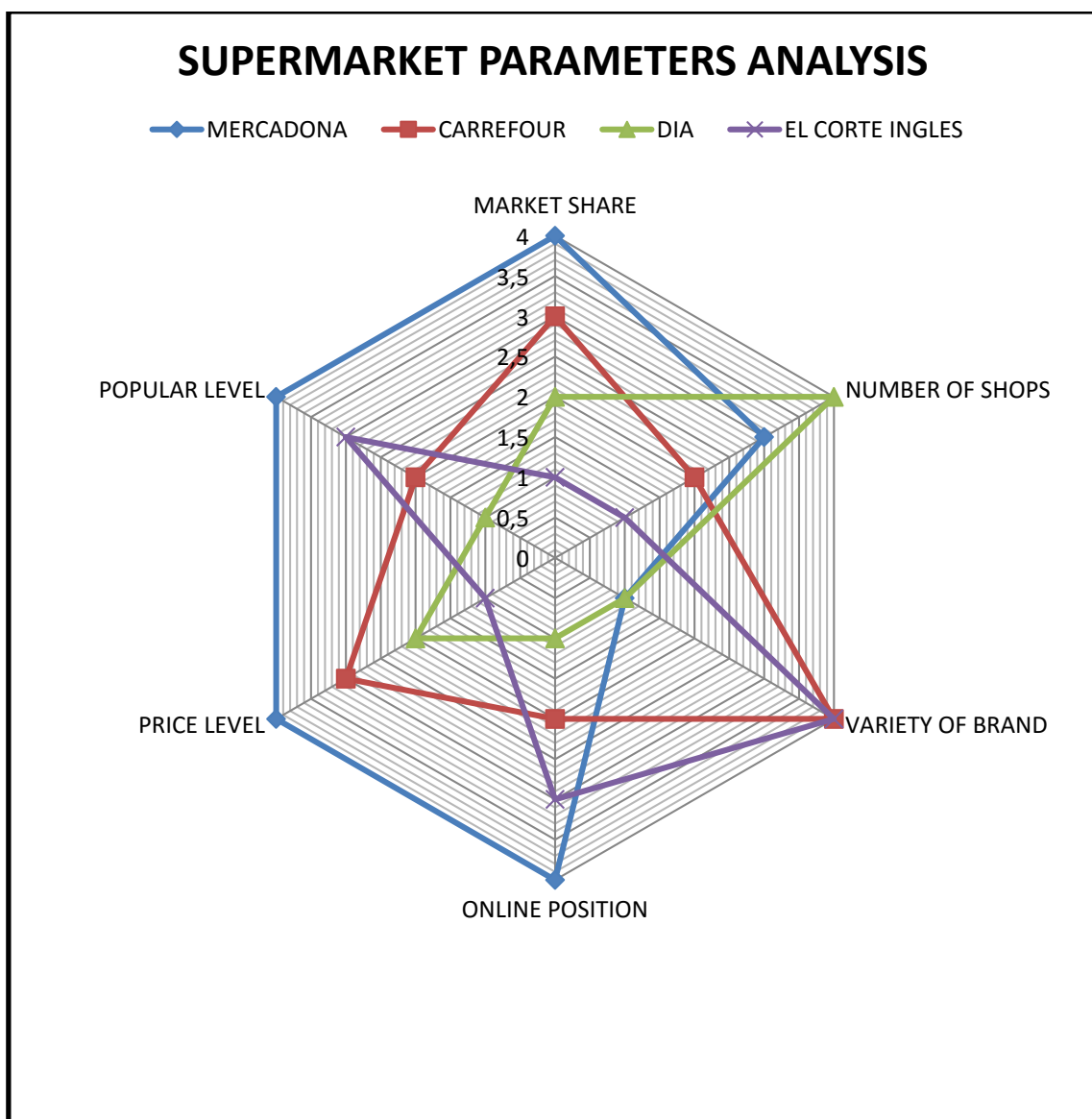


Year 2015	BOTH	men	women
0-4 years	2.230.847	1.147.833	1.083.014
5-9 years	2.482.175	1.275.954	1.206.221
10-14 years	2.306.902	1.183.541	1.123.361
15-19 years	2.155.056	1.108.717	1.046.339
20-24 years	2.354.598	1.199.353	1.155.245
25-29 years	2.695.630	1.350.302	1.345.328
30-34 years	3.328.153	1.678.351	1.649.802
35-39 years	3.989.889	2.037.837	1.952.052
40-44 years	3.909.699	1.993.988	1.915.711
45-49 years	3.699.662	1.863.013	1.836.649
50-54 years	3.412.600	1.696.724	1.715.876
55-59 years	2.979.243	1.463.284	1.515.959
60-64 years	2.505.943	1.215.214	1.290.729
65-69 years	2.354.952	1.116.301	1.238.651
70-74 years	1.944.885	897.943	1.046.942
75-79 years	1.548.072	668.968	879.104
80-84 years	1.423.331	569.374	853.957
85-89 years	854.272	298.677	555.595
90-94 years	355.574	104.062	251.512
95-99 years	78.412	17.972	60.440
100 years and more	14.487	2.975	11.512

<http://www.ine.es/prensa/np917.pdf>

8.4 SUPERMARKETS PARAMETERS ANALYSIS

COMPANIES	MARKET SHARE	NUMBER OF SHOPS	VARIETY OF BRAND	ONLINE POSITION	PRICE LEVEL	POPULAR LEVEL
MERCADONA	4	3	1	4	4	4
CARREFOUR	3	2	4	2	3	2
DIA	2	4	1	1	2	1
EL CORTE INGLES	1	1	4	3	1	3





8.5 MILZU! EXPANSION

$$P(t) = \frac{K P_0 e^{rt}}{K + P_0 (e^{rt} - 1)}$$

Po	4	1591405
k	1591405	6280743
r	0,75	0,2
t (months)	sales (units)	sales (units)
1	8,467976292	1840496,986
2	17,9265994	2111025,909
3	37,95013372	2399827,607
4	80,33829374	2702531,532
5	170,0665793	3013766,761
6	359,9879798	3327513,252
7	761,9020464	3637554,793
8	1612,084541	3937963,774
9	3408,925751	4223539,318
10	7199,46963	4490132,839
11	15164,64619	4734823,828
12	31765,44494	4955942,89
13	65780,7973	5152967,684
14	133112,002	5326333,739
15	257719,2193	5477205,082
16	462016,5173	5607242,648
17	738577,6201	5718396,678
18	1029744,727	5812737,063
19	1265383,981	5892325,728
20	1418739,678	5959128,485
21	1504890,963	6014960,27
22	1549331,84	6061456,405
23	1571249,894	6100062,822
24	1581820,353	6132039,146



8.6 MILZU! EXPENSES

		YEAR 1				YEAR 2			
		PRICE	UNITS	PERIOD	TOTAL	PRICE	UNITS	PERIOD	TOTAL
PRODUCTS	CHILDREN PRODUCTION	2,30 €	9.089	1	20.904,70 €	2,30 €	1.736.756	1	3.994.538,80 €
	ADULTS PRODUCTION	2,38 €	13.632	1	32.444,16 €	2,38 €	2.894.593	1	6.889.131,34 €
	BIO PRODUCTION	3,20 €	7.574	1	24.236,80 €	3,20 €	1.447.297	1	4.631.350,40 €
	STORAGE	0,10 €	30.295	1	3.029,50 €	0,10 €	5.789.185	1	578.918,50 €
	INSURANCE	0,10 €	30.295	1	3.029,50 €	0,10 €	5.789.185	1	578.918,50 €
DISTRIBUTION AND DELIVERY	SUBCONTRATATION	3.600,00 €	1	1	3.600,00 €	1.300,00 €	25	12	390.000,00 €
	OFFICE SUPPLIES	60,00 €	1	12	720,00 €	60,00 €	1	12	720,00 €
	SUPERMARKET TAXES	0,45 €	30.295	1	13.632,75 €	0,45 €	5.789.185	1	2.605.133,25 €
	STORAGE TAXES	0,10 €	30.295	1	3.029,50 €	0,10 €	5.789.185	1	578.918,50 €
ADVERTISING AND PROMOTION	CONFERENCES	400,00 €	1	12	4.800,00 €	400,00 €	1	12	4.800,00 €
	SPONSORSHIP	200,00 €	1	12	2.400,00 €	200,00 €	1	12	2.400,00 €
	MERCHANDISING	0,05 €	0	0	0,00 €	0,05 €	100.000	1	5.000,00 €
	RAFFLES	1.000,00 €	0	0	0,00 €	1.000,00 €	1	12	12.000,00 €
INTERNAL SOCIAL NETWORKING	WEB PAGE	1.025,00 €	1	1	1.025,00 €	1.025,00 €	1	1	1.025,00 €
	FACEBOOK	1.000,00 €	1	1	1.000,00 €	1.000,00 €	1	1	1.000,00 €
	INTERNET ADVERTISING	200,00 €	1	12	2.400,00 €	200,00 €	2	12	4.800,00 €
PERSONAL	RESPONSABLE	2.000,00 €	1	12	24.000,00 €	2.000,00 €	1	12	24.000,00 €
	PROMOTION STAFF	300,00 €	2	12	7.200,00 €	300,00 €	4	12	14.400,00 €
	DISTRIBUTION STAFF	300,00 €	3	1	900,00 €	300,00 €	3	276	248.400,00 €
TOTAL FIRST YEAR					148.351,91 €	TOTAL SECOND YEAR			20.565.454,29 €



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	YEAR 3			YEAR 4			
PRICE	UNITS	PERIOD	TOTAL	PRICE	UNITS	PERIOD	TOTAL
2,30 €	6.206.269	1	14.274.418,70 €	2,30 €	10.388.229	1	23.892.926,70 €
2,38 €	9.309.403	1	22.156.379,14 €	2,38 €	15.582.343	1	37.085.976,34 €
3,20 €	5.171.891	1	16.550.051,20 €	3,20 €	8.656.858	1	27.701.945,60 €
0,10 €	20.687.562	1	2.068.756,20 €	0,10 €	34.627.429	1	3.462.742,90 €
0,10 €	20.687.562	1	2.068.756,20 €	0,10 €	34.627.429	1	3.462.742,90 €
1.300,00 €	43	24	1.341.600,00 €	1.300,00 €	72	24	2.246.400,00 €
60,00 €	1	12	720,00 €	60,00 €	1	12	720,00 €
0,45 €	20.687.562	1	9.309.402,90 €	0,45 €	34.627.429	1	15.582.343,05 €
0,10 €	20.687.562	1	2.068.756,20 €	0,10 €	34.627.429	1	3.462.742,90 €
400,00 €	1	12	4.800,00 €	400,00 €	1	12	4.800,00 €
200,00 €	1	12	2.400,00 €	200,00 €	1	12	2.400,00 €
0,05 €	10.000.000	1	500.000,00 €	0,05 €	20.000.000		1.000.000,00 €
1.000,00 €	10	12	120.000,00 €	1.000,00 €	20	12	240.000,00 €
1.025,00 €	1	1	1.025,00 €	1.025,00 €	1	1	1.025,00 €
1.000,00 €	1	1	1.000,00 €	1.000,00 €	1	1	1.000,00 €
200,00 €	2	12	4.800,00 €	200,00 €	2	12	4.800,00 €
2.000,00 €	1	12	24.000,00 €	2.000,00 €	1	12	24.000,00 €
300,00 €	4	12	14.400,00 €	300,00 €	4	12	14.400,00 €
300,00 €	3	1034	930.600,00 €	300,00 €	3	1731	1.557.900,00 €
TOTAL THIRD YEAR			71.441.865,54 €	TOTAL FOURTH YEAR			119.748.865,39 €



8.5 MILZU! REVENUES

YEAR 1					YEAR 2				
TOTAL CUSTOMERS	For children	Foradults	BIO	TOTAL REVENUES	TOTAL CUSTOMERS	For children	Foradults	BIO	TOTAL REVENUES
TOTAL UNITS					TOTAL UNITS				
8	2	4	2	14,69 €	65781	19734	29601	16445	120607,63
18	5	8	5	33,33 €	133112	39934	59900	33278	244060,83
38	11	17	10	70,00 €	257719	77316	115974	64430	472529,62
80	24	36	20	146,68 €	462017	138605	207908	115504	847108,025
170	51	77	43	313,70 €	738578	221573	332360	184645	1354183,085
360	108	162	90	660,06 €	1029745	308924	463385	257436	1888037,28
762	229	343	191	1.399,11 €	1265384	379615	569423	316346	2320081,575
1612	484	725	403	2.955,58 €	1418740	425622	638433	354685	2601259,79
3409	1023	1534	852	6.250,24 €	1504891	451467	677201	376223	2759217,815
7199	2160	3240	1800	13.201,20 €	1549332	464800	697199	387333	2840700,2
15165	4550	6824	3791	27.804,85 €	1571250	471375	707063	392813	2880888,875
31765	9530	14294	7941	58.240,95 €	1581820	474546	711819	395455	2900266,97
TOTAL REVENUES YEAR 1				111.090,37 €	TOTAL REVENUES YEAR2				21.228.941,70 €



YEAR 3					YEAR 4				
TOTAL CUSTOMERS	For children	Foradults	BIO	TOTAL REVENUES	TOTAL CUSTOMERS	For children	Foradults	BIO	TOTAL REVENUES
	TOTAL UNITS					TOTAL UNITS			
1840497	552149	828224	460124	3374551,105	5152968	1545890	2318836	1288242	9447966,85
2111026	633308	949962	527757	3870568,16	5326334	1597900	2396850	1331584	9765833,7
2399828	719948	1079923	599957	4400084,66	5477205	1643162	2464742	1369301	10042455,19
2702532	810760	1216139	675633	4955092,4	5607243	1682173	2523259	1401811	10280880,19
3013767	904130	1356195	753442	5525741,95	5718397	1715519	2573279	1429599	10484680,76
3327513	998254	1497381	831878	6100994,93	5812737	1743821	2615732	1453184	10657653,15
3637555	1091267	1636900	909389	6669458,915	5892326	1767698	2651547	1473082	10803581,71
3937964	1181389	1772084	984491	7220257,005	5959128	1787738	2681608	1489782	10926061,21
4223539	1267062	1900593	1055885	7743860,59	6014960	1804488	2706732	1503740	11028429,16
4490133	1347040	2020560	1122533	8232658,7	6061456	1818437	2727655	1515364	11113679,57
4734824	1420447	2130671	1183706	8681299,815	6100063	1830019	2745028	1525016	11184465,66
4955943	1486783	2230174	1238986	9086721,635	6132039	1839612	2759418	1533010	11243095,34
	TOTAL REVENUES YEAR 3			75.861.289,87 €		TOTAL REVENUES YEAR 4			126.978.782,47 €



8.6 INCOME STATEMENT

LOAN	YEAR 1	YEAR 2	YEAR 3	YEAR 4
Principal	562.909,07 €	562.909,07 €	562.909,07 €	562.909,07 €
Interest	247.679,99 €	185.759,99 €	123.840,00 €	61.920,00 €
Total Bank	810.589,07 €	748.669,07 €	686.749,07 €	624.829,07 €
Outstanding debt	1.688.727,22 €	1.125.818,15 €	562.909,07 €	0,00 €

Total after taxes	444.698,17 €	382.778,17 €	320.858,17 €	258.938,17 €
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Ingresos	111.090,37 €	21.228.941,70 €	75.861.289,87 €	126.978.782,47 €
- Gastos	148.351,91 €	20.565.454,29 €	71.441.865,54 €	119.748.865,39 €
=mo	-37.261,55 €	663.487,41 €	4.419.424,32 €	7.229.917,07 €
- Amort	0,00 €	0,00 €	0,00 €	0,00 €
= BAIT	-37.261,55 €	663.487,41 €	4.419.424,32 €	7.229.917,07 €
- Intereses	233.721,06 €	175.290,80 €	116.860,53 €	58.430,27 €
BAT	-270.982,61 €	488.196,61 €	4.302.563,79 €	7.171.486,81 €
- Impuestos	0,00 €	170.868,81 €	1.505.897,33 €	2.510.020,38 €
= BN	-270.982,61 €	317.327,80 €	2.796.666,47 €	4.661.466,43 €



	Initial	Year 1	Year 2	Year 3	Year 4
Cash Flow	-3.251.636,30 €	-270.982,61 €	317.327,80 €	2.796.666,47 €	4.661.466,43 €
Internal Rate of Return (IRR)		26%			
Net present value (NPV)		4.182.591,21 €			

TREASURY	YEAR 1	YEAR 2	YEAR 3	YEAR 4
CASH FLOW	-270.982,61 €	317.327,80 €	2.796.666,47 €	4.661.466,43 €
Principal	562.909,07 €	562.909,07 €	562.909,07 €	562.909,07 €
shareholders	0,00 €	-245.581,28 €	2.233.757,39 €	4.098.557,35 €
dividend forecast	0,00 €	0,00 €	475.433,30 €	792.449,29 €
Treasury	0,00 €	-245.581,28 €	1.758.324,09 €	3.306.108,06 €
Accumulated treasury	-833.891,68 €	-1.079.472,96 €	678.851,13 €	3.984.959,19 €



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