

Work Project, presented as part of the requirements for the Award of a Masters Degree  
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# **Business Plan for an Olive Oil Store**

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## ABSTRACT

Sovena Group is one of the largest Portuguese agribusiness holding companies in the world, producing cooking oils, olive oils, table olives and soaps. The core business of the company is the production and commercialization of olive oils, mainly in Portugal under the Brand Oliveira da Serra.

Currently the brand Oliveira da Serra is struggling with a new problem: Placed in a mature and stagnated market, where customers are not loyal to brands and choose products according to price; in a market where retailers` power is extremely high and the competition is growing day-by-day, the brand needs to start thinking in new ways to communicate and to commercialize its products.

The purpose of this work project is to conduct a business plan for an olive oil store, which will be a marketing campaign for the brand Oliveira da Serra. The campaign pretends to take Oliveira da Serra to a new point of sale in a Lisbon high-traffic area – Chiado, in order to capture and add value to its products (impact that can create, specifically on consumer engagement, consumer loyalty and brand awareness). Since the store will face some indirect competition from retailers and other specialty food stores, the brand will be selling an exclusive and differentiate product: An olive oil with a customizable label – Único Olive Oil.

The objective of this work project is to study the viability of this marketing campaign, mainly if it complies inside the brand`s allocated budget for this project. A marketing campaign, considering a TV spot, outdoors and press, costs around 500 k€, so the brand wants to distribute and allocate this value for an annual investment of 100 k€ during the 5 years of this project.

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## 1. Introduction

**Sovena Group** is one of the largest agribusiness holding companies, which produces cooking oils, olive oils, table olives and soaps. It has its own Olive Groves in Portugal and several other countries. The company is a reference in the global olive oil market, bringing different companies together, with a specialization in each step of the olive oil production process. This enables to be present from production to distribution. From Portugal to the world, the goal of the company is to share quality products with the highest number of people. It is why is now trying to expand to new ways of reaching more people, mainly with the expansion to a new point of sale: A brand store. The decision to develop a store, was taken because of various factors including not only the fact that the Portuguese market is small and mature, but also due to the increase of power of retailers and wholesalers.

The purpose of this work project is to conduct a business plan for an olive oil store, which will be a marketing campaign for the brand Oliveira da Serra. The campaign pretends to take this brand to a new point of sale in a Lisbon high-traffic area – Chiado. The objective of this work project is to study the viability of this marketing campaign, mainly if it complies inside the brand's allocated budget for this project.

Oliveira da Serra is currently selling its products through retailers, wholesalers and food services, but the brand pretends to expand its point of sales to a new concept: an olive oil store. Created not only with the single objective of selling, but also a store where consumers can experience the brand. The concept already exists in many countries where olive oil is produced, such as Spain, Italy and Greece. Also the wine sector have stores similar to this one, around the world<sup>1</sup>.

Like Porto's Wine, olive oil from Oliveira da Serra is one of the Portuguese products that is most bought by tourists according to a British airways survey (Mail Online, 2014). Therefore the purpose is to locate the store in Chiado, a high traffic area (tourists and Portuguese people) in order to generate more movement.

Olive oil is rising its demand around the world, equally for its organoleptic characteristics, such as the benefits it has for health. In Portugal, there is potential to increase domestic consumption. There is also enormous potential for price appreciation, primarily in the more developed segments where the product already has a premium perception.

For all of these mentioned above, one can conclude that there is here a great opportunity for the brand.

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<sup>1</sup> Please consult Exhibit 11 for the Benchmark analysis

## 2. Literature Review

In order to address the analysis of this topic, one must first understand why the need for a business plan and then focus more on the research question. Therefore one must research about how to lead a brand to a new point of sale.

According to Bloomberg (Forbes, 2013), 8 out of 10 businesses fail in the first 18 months. The main reasons that businesses fail can be sum up as poor planning (Castrogiovanni, 1993). Investigation has shown that business plans usually can help reduce this risk by doing the planning.

For a good business to be planned, a descriptive plan explaining how it can become successful must exist. Normally, a business plan consists of many different components, in order to give the possibility for one to focus on the essential while deciding on the key topics to the business plan.

For this study the business plan was organized in order to include an introduction, market analysis, company description, marketing and sales strategy, products description, a financial analysis, and the appendix. These topics are normally described as the key ones for a good and structured business plan. These topics will be supported by documents relevant to the business.

Other important topic that one analyzed was the importance of the store location, since this will be one of the major drivers of the store's visitors. A choice on store location is one of the most significant strategic decisions the company has to make for its long term success. Therefore a review of how to classify the store location-selection criteria was also conducted. This delivered a complete insight on factors influencing store performance. Store performance has been evaluated by using several measures such as store sales, market share, store traffic, store profits and so forth.

Assessing the market area in which the store will be located is a critical strategic tool in order to allow to attract large number of costumers' attention and them to the store (Cheng et al., 2007) and in the end to increase the potential sales.

According to (Gülden Turhan, Mehmet Akalin, Cemal Zehir;, 2013), there are several factors used in location study. Choosing a store location should be divided into five categories (1) performance measures (2) population structure (3) economic factors (4) competition and (5) store characteristics.

#### (1) Performance measures

Store performance measures is believed to be an important tool to determine better the probability of getting the success. The most frequently used measures appear in the location selection model are sales volume and store incomes.

#### (2) Population characteristics

When analyzing possible location areas, purchasing habits of the people, who live and/or work in there, are vital in order to be able to describe possible customers.

#### (3) Economic factors

The economy of the market area in which to locate a store has is also dependent upon some economic considerations

#### (4) Competition

Store performance can also be influenced by the competitive environment. Therefore, a market research should be conducted in order to choose the store location.

#### (5) Store Characteristics

The store-specific characteristics is highly related to the competitiveness. The important aspects of the store should be divided into three basic categories: costs, ease in accessibility and store image characteristics.

### 3. Methodology

Regarding the methodology, both primary and secondary research were conducted. Concerning the primary data, a research on databases such as b-On, Taylor & Francis, and EBSCO, to investigate papers on the importance of products stores, more in particular on olive oil stores in the world to learn more about the activity and what has been already studied worldwide. Also a research to find the best practice to open a store was investigated. Internet search engines were also used to widen the research.

To develop the business model for the olive oil store, interviews were collected in loco. Otto Texeira da Cruz, Marketing and Sales Director and the Marketing department director, Isabel Roseiro were interview in order to better understand the structure of this marketing campaign.

The second approach is a more practical approach, with data being collected from other public or private institutions that prove to be relevant for this analysis. AC Nielsen Company, Kantar Worldpanel, Bain & Company, INE and International Olive Council (IOC) are some of these institutions.

With that said, a market research of Portugal is crucial to determine the appropriate segmentation should be considered as potential target-clients in order to develop a competitive strategy. Besides the target segment, it is crucial to do a benchmark in order to understand what already exists in the market and the sources of competitive advantages. Once these internal and external factors are considered and evaluated, it will be possible to elaborate both SWOT and a Porter's Five Forces analysis. These analyses provide fundamental information for preparing the firm's new point of sale. Consequently, a marketing analysis, as well as an Implementation Plan and a risk assessment will be elaborated in an attempt to guarantee all of this important information is considered.

## 4. Business Description

### 4.1. Firm's Description

**Sovena Group**<sup>2</sup> is a reference in the global olive oil market, with olive groves in Portugal and several other countries. The company aggregates different companies together, with a specialization in each step of the olive oil production process, being able to be present from production to distribution.

The company developed a portfolio that ranges four business units - Agriculture, Oilseeds, Consumer Goods and Biodiesel<sup>3</sup>, having in the olive oil the core business, controlling all stages of the entire value chain, since production to distribution.

World leaders in the global olive oil market and having the largest olive grove planted worldwide, Sovena has over 10 million olive trees and is present in all continents, exporting to over 70 countries.

The company works in the industry of oils and fats, mainly in the olive oil sector, and it produces annually more than 30 thousand tons of olive oil, from which 80% are exported.<sup>4</sup>

### 4.2. Mission and Vision

Sovena Group runs towards a clear mission: To bring olive oil to every single place and every single person in the world, clearly transmitting to consumers the benefits of this "Liquid Gold" and the importance of using it on a daily basis.

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<sup>2</sup> Please consult Exhibit 1 and 2 for the firm's history and key figures

<sup>3</sup> Please consult Exhibit 3 for the business unit description

<sup>4</sup> Internal data provided by the company

The Group focus its strategy on having a glocal positioning. In this way, it is ensured a global reach with an operation acting locally that allows to know the market in which the company operate, their differences and specificities. With olive oil being the core product, the company wants to inspire people to have a healthier diet. To do that it offers wide offer with each product and brand oriented to tastes and habits very well identified.

### 4.3. Products and Brands

As mentioned above, the Sovena Group has 4 different inter-related business areas that cover the entire activities of the value chain<sup>5</sup>. The areas are: Agriculture, Oilseeds, Consumer Goods, Biodiesel<sup>6</sup>.

Sovena has factories Portugal, Spain, the U.S.A. and Tunisia, but also physical offices in Brazil, exporting to more than 70 countries on all 5 continents<sup>7</sup>. The group focus its activities in four main products: Olive oils, table olives, seed oils and soaps<sup>8</sup>. In each category Sovena has different brands, for different markets` needs. The strongest brands of Sovena are Oliveira da Serra, Andorinha, Fula and Olivari<sup>9</sup>. For this study, one will focus its analysis on the brand Oliveira da Serra.

#### 4.3.1. The Brand: Oliveira da Serra

Currently one of the most notorious Portuguese olive oil brands and one the Portuguese olive oil most awarded brand worldwide<sup>10</sup>. Oliveira da Serra is one of the most beloved brands in Portugal<sup>11</sup>.

Market leader since 2011<sup>12</sup>, the brand achieved this position due to several factors. One of them was its well design strategy built upon three pillars: innovation, quality and competitiveness<sup>13</sup>. This strategy enabled the brand to succeed and stand out in a market that used to by dominate by one single brand – Gallo<sup>14</sup>.

There are other factors that led to Oliveira da Serra`s leadership position in Portugal today and that permitted the company to create competitive advantages. As mentioned above,

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<sup>5</sup> Please consult Exhibit 4 for more detailed information on the company`s value chain

<sup>6</sup> Please consult Exhibit 3 it is possible to find detailed information about each area.

<sup>7</sup> Please consult Exhibit 5 for the Company`s representation Worldwide

<sup>8</sup> Please consult Exhibit 6 for the Company`s products description

<sup>9</sup> Please consult Exhibit 7 for the Company`s main brands description

<sup>10</sup> Internal data provided by the company

<sup>11</sup> Please consult Exhibit 10 for more complete brand`s description

<sup>12</sup> AC Nielsen data

<sup>13</sup> Please consult Exhibit 10.1.1 for a complete description of the brand pillars

<sup>14</sup> Please consult Exhibit 8 for Gallo`s description



Sovena's Group and therefore Oliveira da Serra's products, controls all activities in the Value chain. The long time existence of operations allowed the brand to achieve a superior level of industry know-how, especially on mixing the olive oil, which allows Oliveira da Serra to offer a superior quality product.

Currently in Portugal, the brand's awareness is around 40% (TOM)<sup>15</sup> and a very positive brand image, which should as well be considered a competitive advantage.

In this context of great vitality of the brand is important to prepare the future. Amplifying the contact points with the consumer. Making the Oliveira da Serra's store an experience of the process, product, brand, sale and communication is the challenge.

## 5. Competitors

Many shoppers are turning their focus to new concept stores in search of a different shopping experience. These new concept stores offer more personalized service, and higher-quality products. Shoppers are encouraged to come and try new ways of consuming their usual products. That's why this olive oil store will offer different products, and customizable ones, in order to attract its target market.

When considering the option of opening a store, one of the crucial questions to consider is, "What is the competition out there?"

In the gourmet food store industry, businesses must distinguish themselves from competitors, in this particular case, grocery stores and supermarkets, by offering unique and hard-to-find products. They must convince customers that the special quality of their products and service is worth the price premium they pay.

- **Supermarkets (Retail Stores)**

Supermarkets chains like Pingo Doce and Continente are considered to be an indirect competitor of the olive oil store. A few years ago, premium products like olive oil were only available in gourmet shops. Nowadays they are in every Retailer. As consumers have more and more choices for where to buy their food products, supermarkets are always creating motives for shoppers to come and spend, mainly through promotions. However, depending on the supermarket size, these supermarkets usually do not have a lot of variety from a product, more specifically they do not offer the more premium products.

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<sup>15</sup> Please consult Exhibit 10.2 for the olive oil brand's awareness

- **Natural & Organic stores**

The natural and organic stores are one of the most rapidly expanding segments in Portugal, due to the increase of healthy products. In recent years, natural and organic products have left the boundaries of the independent “natural and organic markets” and have become predominant in typical supermarkets. Example of this is the Brio Supermarket. The Brio Supermarket is located in the center of Chiado, with the specific goal of making organic-products reachable for anyone. Brio supermarket arrived with the strategy of making good organic-products available for much reasonable prices.

- **Gourmet stores**

In gourmet stores it is possible to find products such as wines, olive oils, teas, “patés” and assorted chocolates, essential from Portugal.

There are a lot of stores in Lisbon, being the one in El Corte Inglés the most famous one.

The strengths of these competitors is their market shares, distribution channels, and know-how. They already have gained strong market recognition. The weakness of these products is in the lack of variety.

## **6. Market Overview**

### **6.1. Market Overview: size, growth and trends**

Olive oil has been in this world for a very long time. Nevertheless it is a product that might not be well known around the world, but it is an essential element in the Mediterranean diet. Olive oil is extracted from olives, a fruit which comes from the olive tree. It is believed that olive trees were first cultivated in Anatolia, Turkey about 8000 years ago. It then drifted to Syria, Jordan, Egypt and finally to the rest of the Mediterranean basin.

Countries where olive oil is a part of their culture have nowadays the highest consumption rates per capita. As it is possible to see in Exhibit 9.3, these countries are Mediterranean basin countries: Portugal, Spain, Italy, Greece and Cyprus (IOC, 2015). Olive oil made its way into these countries cultural heritage by being constantly present in people’s lives, mainly because it is used for cooking. Together with red wine, cheese and wheat bread, olive oil is one of the pillars in the Mediterranean Diet which is believed to be one of the healthiest in the world. Olive oil is one of the most important ingredient in this diet. It is a nutritional and traditional fat therefore it is present in the confection of most traditional dishes from the above mentioned countries.

The Mediterranean diet was inscribed in 2013, by UNESCO, on the Representative List of the Intangible Cultural Heritage of Humanity. Eating together is the basis of the cultural identity throughout the Mediterranean basin. Meaning olive oil is, for the Mediterranean people, a true part of their culture.

In the last 20 years the world's olive oil consumption have increased about 0,6% per year (Casa do Azeite, 2015). Despite an increase in consumption by non-traditional consumer countries, such as the USA, the European Union consumes around 56% of the world's olive oil (Casa do Azeite, 2015).

However, demand characteristics for olive oil in Portugal differ a lot from international markets. 90% of Portuguese people use olive oil in their daily life. The domestic consumption has been increasing in the past ten years. In 2014/2015 the consumption per capita in Portugal was 7.2 Kg (INE, 2014).

### 6.1.1. Portuguese Olive Oil Industry

The Portuguese consumers are now feeling some economic improvement and job creation, however they continued to prepare their meals themselves using healthy ingredients, instead of going to restaurants. The same happened for lunch meals. Among those who work, there was also an increased number of consumers preparing lunches at home and then taking them to the workplace.

The popularity of home cooking in Portugal was additional supported by the success of culinary-themed television programs, such as Master Chef.

A closer look to the oils and fats industry in Portugal, considering all their categories, it is possible to see in the years of 2014 and 2015 a 6.5%<sup>16</sup> decline in volume, mainly due to the consumer's reduced purchasing power.

One cannot put aside as another reason for this decline, the poor economic conditions that clearly reduce Portuguese purchasing power.

Olive oil is still one of the most significant categories since Portugal is a major producer. Furthermore, Portuguese consumers use olive oil on a daily basis and are able to understand the benefits of using this product. However, many Portuguese families, still produce their own olive oil for their own consumption.

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<sup>16</sup> Please consult Exhibit 9.5 for the Kantar Worldpanel Data on the oils and fats industry in Portugal

Regarding the topic of the competitive landscape of the industry, especially focusing on olive oil subcategory, Sovena Group`s brand Oliveira da Serra continued to lead in 2015 with 21% market share, followed by its major competitor, Gallo with 19% share<sup>17</sup>.

Portuguese consumers are now showing a clearly desire for products that can associate good taste and health benefits, explaining the drops on brands with less quality. The Portuguese industry is equally divided between domestic and international producers. Yet, in the olive oil sector (accounting for 40% of overall value sales of oils and fats in 2015, there is a huge concentration of local players. Currently, two brands are offering high quality olive oil - Oliveira da Serra and Gallo - followed by Serrata and Condestável. There are also several small local producers offering other olive oil brands, however they do not constitute a threat to Oliveira da Serra or its main competitor, because of their higher quality and worldwide dimension of operations (both sell in the five continents). Also important to highlight that among the local players are private labels, which accounted for 30% share of volume in olive oil category in 2015 and then assume a relevant role in the market.

The macroeconomics scenario in Portugal has been changing and the tendency is that consumption will start increasing (in 2016 the market is increasing 1%<sup>18</sup>). At the same time, Oliveira da Serra maintained a high performance recording a 5% increase on sales<sup>19</sup>. Portuguese consumers choose mainly according to price, mostly because of the poor economic conditions. This clarifies why private labels have so power within the industry. Oliveira da Serra has been market leader for the past five years, though, due to this unusual economic situation, if the main and almost only competitor, Gallo, invest in price promotion for example during one month, it will easily appear in the statistics as market leader, surpassing Oliveira da Serra. If Oliveira da Serra follows competitor`s strategy the same will occur and will be leader again in next month. This clearly shows that consumers are not loyal to brands and choose them according to their price.

Olive Oil is an established market, with already high average purchase, and consumption per capita (INE, 2014)<sup>20</sup>. There is not much to progress and competition depends on price wars. Nevertheless, in terms of brands, Oliveira da Serra is clearly leader with years of experience, which is truly valuable by Portuguese consumers.

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<sup>17</sup> Please consult Exhibit 9.4 for the olive oil industry Market Shares in Portugal

<sup>18</sup> AC Nielsen Data

<sup>19</sup> Internal data provided by the company

<sup>20</sup> According to INE, consumption per capita is 7,2Kg

In a recent study from Observatório da Nutrição e Alimentação em Portugal (ONAP), 90% of the inquired perceive that alimentation has a huge impact in health (ONAP, 2014). In the forecast period, which shows the tendency for 2016 and 2017<sup>21</sup>, it is possible to see the interest in health and wellness is rising among Portuguese consumers. This will for sure be the core driver and will impact the expansion of this industry. Consequently, sales will be determined by categories like olive oil that are seen as healthier choices. As a result, the olive oil category is measured to be the less affected sector by crisis in the forecast period. As it is possible to see in Exhibit 9.1 and 9.2, olive oil is the only sector that registers a continuous sales volume growth over the forecast period.

## 6.2. Potential Market

The store will appeal to consumers looking for premium products to use in their cooking or entertaining, as well as gift shoppers. The core consumer is not a chef, but a discerning foodie who demands quality in their gourmet ingredients and values the ability to sample and receive recommendations for using the products prior to purchasing.

Based on the research made on stores with the same concept it is my intention to analyze the viability of the first Portuguese olive oil brand store, in order to innovate in this industry and to attract more customers.

After researching the topic, it was perceived that the market is one which is influenced by an educated consumer and embraces a population base (local and tourism driven) which will draw over 50,000 unique visitors to the store a year.<sup>22</sup>

### 6.2.1. The case of Mercado de Campo de Ourique – Stand “Banca” Oliveira da Serra



<sup>21</sup> Please consult Exhibit 9.1 and 9.2 for the forecast period of the oils and fats industry

<sup>22</sup> <http://www.franchisechatter.com/2012/06/05/matt-stermer-ceo-of-oil-vinegar-usa-our-mission-is-to-be-the-consumers-first-choice-when-looking-for-a-unique-and-tasteful-gift-for-any-occasion/>

Since the brand already has a shop (stand) in Mercado de Campo de Ourique, one will analyze its performance in order to understand the potential market.

Stand (“Banca”) Oliveira da Serra in Mercado de Campo de Ourique, results from a partnership between the brand and the company “Quinta Encantada”, since August 2015. Combined with the remaining four stands of the project Quinta Encantada, Oliveira da Serra have an exclusive space where it sells all its products ranging from olive oils to vinegars and table olives.

The restored Mercado de Campo de Ourique joins traditional trade market - fruit, vegetables and fish - with new product stores. Annually around 530.000 people visit this new concept (Publico, 2014), including the stand of Oliveira da Serra. According to internal data<sup>23</sup>, the average purchase is 260 units per month, ranging prices between 2,49€ and 12€.

The following table represents the total unit sales per month since the stand was opened.

AUG -2015	SEP - 2015	OCT - 2015	NOV - 2015	DEC - 2015	JAN - 2016	FEB - 2016	MAR - 2016	APR - 2016	TOTAL
384	352	132	178	236	120	380	368	218	2 368

### 6.3. Market and Shopper Trends

The development of the competitive environment of oils and fats reflected consumers’ most important criteria which affected demand over the last few years: Price. In 2015, private label continued to have a strong impact on the category, accounting for a 27% share of retail value sales. However, private label’s market share recorded a decline of one percentage point in 2015, drove by consumers’ increasing disposable incomes and subsequent trading up to more expensive alternatives. The slowdown of private label’s growth was also related to the fact that it appears to be reaching saturation point in certain categories.

As the economic climate continues to improve in Portugal, a slowdown in the growth of private label it is likely that consumers will again begin to favor more premium references and companies will respond by investing strongly in value-added and more gourmet products, following the steps of for example Unilever and Jerónimo Martins.

Nowadays, the market is facing new challenges. There are currently two major trends in the market: Customization and Premium / Gourmet Products. Currently “brands are

<sup>23</sup> Please consult Exhibit 13 for more detailed data of this stand

taking personalization a big step forward into mass customization” (Bain & Company, 2013). They are discovering that customer loyalty and engagement can increase if they use their customer base as brand advocates to potential buyers.

In a recent Bain & Company survey of more than 1,000 online shoppers, it was perceived that while less than 10% have tried customization options, 25% to 30% are interested in doing so. At a time when it is more important than ever to increase brand loyalty, providing customization solutions can be an important strategy for brands.

In another Bain & Company survey of more than 1,200 global executives, 67% believed their customers are becoming less loyal to their brand. As mentioned above, it is known that customization helps companies differentiate their products from those of their competitors. Customization can also lead companies to influence specific consumers – more in particular the millennial generation shoppers. A group recognized for their fast-moving preferences. As a growing consumer power, young shoppers demand more individualized products.

Forbes recently studied the millennial shoppers. 60% of the inquired said that they are frequently (almost all the time) loyal to brands that they purchase. The quicker brands start creating a relationship and a deep connection with this generation, the better because they will continue to purchase the products as an adult (Study: Millennials Are the Most Brand-Loyal Generation, 2015).

Due to the lift of social media and online publishing, trends are changing rapidly, forcing brands to keep up with shifting preferences. Companies that offer customization are able to use consumers as advocates. With that they are able to acquire and perceive insights from customized products that helps companies stay one step ahead of the competition.

Today`s customers are prepared to pay 20% more than standard equivalents for a customized service or products—and many companies are successfully charging higher premiums.

Premium products offer have expressively increased in recent years, at a point where is no longer exclusive of dedicated distribution channels. For some time, this offer was very limited and mainly concentrated in foreign brands with specialties from other countries. Now the penetration of domestic brands in this segment is evident.

Taking into consideration new types of consumers, ones that look for excellence and an experimental consumption, it is possible to realize that there have been strong incentives to expand this product category food. For some time, speaking of gourmet products was directed related with high prices of the product and, as such, associated with a niche of

consumers. Nowadays, the market is witnessing a new concept. The fact is that currently it is possible for every type of consumer to acquire these gourmet products in a hypermarket. More affordable products, even though above the average price category, opened the range of choice for what might be called an "affordable luxury".

From the consumer's point of view the price variable can be an important indicator of quality of the product. In the case of food products the price premium is particularly used in the product categories with authenticity certification, including: certification of origin (example DOP products). In these products the premium price contributes as a differentiating factor for the recognition of exclusive attributes of products serving as an indicator of prestige and quality. The combination of a premium price in gourmet food products, along with other marketing tools, gives a high perceived value of these products.

## 7. Porter Five Forces Analysis

Using Porter's Five Forces Model, an analysis of the industry will be performed. The goal is to understand better how this industry works, what the major challenges are and how it affects the brands.

- **Bargaining Power of Buyers - High**

Customers are powerful because they can capture more value by forcing down prices. The true is that consumers these days demand new products and better quality on the existent ones. Thereby driving up the costs for companies, and generally playing industry players off against one another. Buyers are powerful because they have negotiating leverage relative to industry players. In this particular case, they are extremely price sensitive, using their power primarily to impose pressure on price reductions.

The buyers` power comes from the fact that they are able to choose what product they want, since there are many options to choose. One cannot forget about the fact that olive oil is sometimes (depending on the quality) an expensive product. Therefore buyers are occasionally forced to choose between olive oil and its substitutes, like butter and seed oils, but also between the variety of olive oils such as EVOO<sup>24</sup>, virgin olive oil and pure olive oil. Hence one can conclude that in this particular industry there are low switching costs.

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<sup>24</sup> EVOO – Extra Virgin Olive Oil



- **Bargaining Power of Suppliers - Moderate**

Suppliers usually and in order to capture more value for themselves use different strategies. Charging higher prices, shifting costs to industry players or limiting quality or services, or are some of them. However when a firm simultaneously produces and exports, suppliers and distributors lose their power because firms are able to perform all the steps (such as production, packaging and distribution), meaning they are independent from suppliers and distribution channels. Therefore, they can guarantee the quality of their own product.

However, there are also other situations when suppliers possess a lot of power. They can play a major role for exports and determine the olive oil price. Depending on the season which determines the overproduction or the opposite, suppliers can raise the prices.

- **Threat of Entry - Moderate**

New entrants that want to compete in the olive oil industry face barriers that can be the following: Considering the factor experience, in the olive oil industry, economies of scale play an extremely significant role. Countries that lead this industry have greater advantage due to the variety of its huge production. Thus, they can determine the costs and successively the prices. Additionally one cannot forget that these countries (the big players of the industry), have already gotten the proper knowledge as experts, meaning that they know much more about how the industry, then the new entrants. Therefore, it is very difficult for a new player from another country to get in the industry.

Another important factor that it is need to be take into consideration is the Differentiation factor. New entrants have to bring to the market new products that provide consumers with a different experience, making their product different in contrast to rivals.

New entrants have also difficulties when considering the accessibility to supply or distribution channels: suppliers and distributors with large chain stores and supermarkets are dominators and they collaborate with the industry`s big players, hence it is difficult to find anyone because of their high switching cost.

To conclude, one cannot forget about the retaliation factor. Current industry players will do whatever they can to reduce the number of new or potential entrants, using the price factor.

- Threat of substitutes - High

In the Olive oil industry, substitutes such as butter or seed-oils, like sunflower oils have an essential role to play. Being olive oil an expensive product and its price depending on many factors, the consumers, because of low switching costs, in times of higher prices can choose between olive oil and its substitutes.

Industry/Competitive rivalry - High

Extra factors affect the olive oil industry such as low differentiation and high fixed cost. Commodity markets like this one, rivalry is always amplified by existent players since products are similar and therefore poorly differentiated. Therefore players are always struggling because of the low switching costs between products. Hence, they make efforts to reduce the market share between them.

### 8. SWOT Analysis

The table below presents the factors considered critical to the success of this project:

<ul style="list-style-type: none"> <li>• High Quality and healthy product</li> <li>• Exclusive products</li> <li>• Commercialization throughout the year</li> <li>• New experience for olive oil consumers</li> <li>• Store Location: high-traffic area</li> <li>• Diversity of tourism activities that attract tourists.</li> </ul>	<ul style="list-style-type: none"> <li>• 1<sup>st</sup> olive oil brand store in Portugal</li> <li>• High prices</li> <li>• Consumption habits – people are used to consume olive oil for cooking and not tasting.</li> <li>• Focusing on a niche market</li> </ul>
<ul style="list-style-type: none"> <li>• Portuguese origin/products</li> <li>• Olive oil highly prized as a healthy fat</li> <li>• Consumer education</li> <li>• Special moments of consumption (Christmas)</li> <li>• Communicate in high-traffic areas</li> <li>• New concepts that can be associated with olive oil: Wine tasting and cheese tasting</li> </ul>	<ul style="list-style-type: none"> <li>• Private label</li> <li>• Retailers and wholesalers power</li> <li>• Traditional markets</li> <li>• Transfer to cheaper fats</li> <li>• Market consumption</li> <li>• Volatility of olive oil Prices</li> <li>• Purchase frequency decreasing</li> </ul>

## 9. Marketing Mix

### 9.1. Product

In order to solve the problem mentioned in the beginning of this study, a Marketing Campaign will be realized. The campaign will be based on the creation of a brand store located in Chiado, a project with a duration of 5 years and with an allocated total budget for this project of 500.000€.

The main objective of this marketing campaign will be creating consumer engagement, consumer loyalty and brand awareness. To achieve these, the store will be built upon three pillars: brand communication, brand experience and selling<sup>25</sup>.

Oliveira da Serra assumes a high commitment with quality and it is considered one of its sources of success. It will then offer in the store the premium quality olive oils. Oliveira da Serra's products will be sold under the claim of a luxury product.

Since the store will face some indirect competition from retailers and other specialty food stores, the brand will be mainly selling one exclusive and differentiate product: An olive oil with a customizable label – Único Olive Oil. A premium product, made with the best selection of olive oils, in a 500ml bottle – A perfect gift for foodie who demands quality in their gourmet ingredients. This customizable Olive oil was launched online in 2015 selling on average 30 Units per month with a price of 12€. In Exhibit 14.1.2<sup>26</sup> is possible to see the expected sales of this particular product, based on a previous online example.

### 9.2. People

Before starting defining the target it is important to understand that the perception of Olive Oil products has changed over time. Some years ago Olive Oil was only seen as a cooking product, with no extra benefits. Much of the use of olive oil was based on habit and price. These days' customers are putting more emphasis on the product, on its benefits and on the experience it gives, rather than focusing only on the cooking factor. However there is still a long path to go. In a recent study conducted by IOC, consumers still do not understand the main differences between olive oils (extra virgin, virgin and Pure). Consumers are also relatively uneducated about the benefits of olive oil versus other oils and therefore tend to substitute when price of olive oil increases. They have much to learn

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<sup>25</sup> Please consult Exhibit 12 for a complete description of the store's concept

<sup>26</sup> Please consult Exhibit 14 for a more detailed analysis of Unico Olive Oil

about the numerous olive oil profiles, and these can be seen as an opportunity for the brand to educate its customers.

Taking into consideration the new trends of healthy nutrition, consumption of premium products, customizable products and the trend of cooking at home, the individuals targeted to purchase olive oil in the store are people with a healthy lifestyle, with a likeness to premium and customizable products, and that share a passion for cooking. The store will appeal to consumers looking for premium products to use in their cooking or entertaining, as well as gift shoppers. The core consumer is not a chef, but a perceptive foodie who demands quality in their gourmet ingredients and values the ability to sample and receive recommendations for using the products prior to purchasing.

### 9.3. Promotion

As mentioned earlier the marketing campaign will be performed to create buzz and awareness around the brand Oliveira da Serra. Therefore it is important to understand that reaching these individuals and persuade them to visit the store and acquire the products is the priority. The target market must be aware of the existence of this brand store. It is only by knowing it that they will feel the desire to visit and to purchase the Olive oils.

Since this store will be a new point of sale for the Oliveira da Serra`s products, in the introduction stage awareness is crucial. So, the marketing department along with the creative agency need to develop the most effective activities to make Oliveira da Serra`s store known. First a good PR campaign should be developed: general and specialized media should be impacted. Presence on many social networks, essentially throughout a partnership with several blogs, related with health issues and related with culinary should also be developed.

## 10. Implementation Plan

### 10.1 Location

To achieve a successful model of the Olive Oil store, it is important to understand the most relevant factors for a successful store and what makes it appealing for customers to visit. Such analysis is related, to what has been mentioned in the literature review.

After researching the topic of store location, one found out that there are lots of studies that prove that this is a relevant factor on a company`s success. The store location impacts a lot the performance of the business therefore companies usually place the stores in commercial areas.

Porter stated (Porter, 1995) that traditional business groups in the heart of the cities, like the example of Chiado, tend to benefit from the presence of tourist centers, historical infrastructures and entertainment centers. An area that attracts several people, creating a self-sustainability of these clusters. Therefore one can conclude that established business groups like Chiado are more attractive to launch a Store.

To conduct this analysis, one will evaluate the Lisbon location – Chiado. Choosing a store location should be divided into five categories (1) performance measures (2) population structure (3) economic factors (4) competition and (5) store characteristics. Taking these five topics into consideration an analysis of the Chiado location is presented below:

Located on the heart of Lisbon, Chiado is known for being a popular place for both tourists and Portuguese consumers. Not only for those who enjoy the historical side of this location, but also for those who like shopping. Currently Chiado can be described as a traditional shopping area with modern commercial establishments.

On a daily basis, 200.000 people cross the Chiado`s streets (Diário de Notícias , 2008), by car or by walking, shopping or just passing by. The average daily number of store visitors ranges between 50 – 200 people, depending on the type of store. Impressive numbers that become a major attractiveness factor for new stores that want to settle in this particular location.

Other factor that represents a huge weight in this analysis is the number of tourists. In 2013, the city of Lisbon for the first time surpass the barrier of 10 million tourists (Sic Notícias, 2014) visiting the city. 87% of those who visit Lisbon, visit Chiado (Dinheiro Digital, 2016), an impressive number that gives extra points to the location chosen.

It is also important to mention that in Chiado, Oliveira da Serra store will not face any direct competition. Currently, in Portugal there are two shops selling Olive Oil – Oil & Vinegars and Oliva & Co, both with no stores in this location<sup>27</sup>.

## 10.2 2M`s Methodology

### 10.2.1. Men

The Oliveira da Serra`s store will be opened from 10am to 8pm, therefore it will operate in the forming of shifts: one from 10am to 4pm, and the second from 4pm to 8pm. From Thursdays to Sundays, which are the days that Chiado has more people visiting, the store will have an extra employee helping the shifts.

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<sup>27</sup> Please consult Exhibit 11.1 and 11.2 for these stores` description

These employees will be hired by an external company, and will receive an extensive training regarding Olive Oil.

### 10.2.2. Money

The total budget the brand will allocate to this project will be the equivalent of a normal marketing campaign: 500 k€. This investment will be distributed during the 5 years of the campaign. The foreseen of the total initial investment is 185.00€, which includes costs with personnel, marketing and other costs. Thus, Oliveira da Serra will have to have an initial financial support totaling 200.000€, which will be provided internally.

## 11. Financials

In order to build the financials of this project, some assumptions of future demand need be made, and all other data for this project was collected as real as possible.

Taking into consideration the data from our stand in Mercado de Campo de Ourique<sup>28</sup>, one will performed its analysis based on this specific case. On Exhibit 13 it is possible to find more detailed information about the stand`s performance. The following assumptions are data collected from the years of 2015 and 2016:

<b>Monthly Sales (average)</b>	260 Units
<b>Average expected store visitors per year</b>	10.000
<b>Average Unit Price (in € without VAT)</b>	6€
<b>COGS is 40% of Unit Price</b>	2,40€
<b>Olive Oil Market annual growth<sup>29</sup></b>	1%
<b>Average growth in November and December</b>	50%

Olive oil is considered to be have a cyclical process in its sales, and thus in special occasions like Christmas, Easter and summer months there is more consumption of this product. However it is during the month of Christmas that the brand faces its major growth (more than 50% growth). This variations in consumption make sales increase in these particular months.

Months	Jan - April	May- July	Aug - Oct	Nov - Dec
<b>Total Sales (unit)</b>	272	263	289	207

<sup>28</sup> See chapter 6.2 for more detailed information

<sup>29</sup> Based on forecast in Exhibit 9.1

The following table represents the sales forecast in value, having in consideration the annual growth that it is expected in this market<sup>30</sup>, and also the growth it is expected to happen in the months of Christmas. Also these growth rates can be supported by the increase in healthy consumption in Portugal already mentioned in the previous chapters, and also for the increase of tourism in the country, that can be consider an as advantage to this product.

Sales	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
<b>2017</b>	1 629	1 629	1 629	1 629	1 579	1 579	1 579	1 736	1 736	1 736	1 242	1 242	<b>18 944</b>
<b>2018</b>	1 645	1 645	1 645	1 645	1 594	1 594	1 594	1 753	1 753	1 753	1 863	1 863	<b>20 351</b>
<b>2019</b>	1 662	1 662	1 662	1 662	1 610	1 610	1 610	1 771	1 771	1 771	2 795	2 795	<b>22 380</b>
<b>2020</b>	1 678	1 678	1 678	1 678	1 627	1 627	1 627	1 789	1 789	1 789	4 192	4 192	<b>25 342</b>
<b>2021</b>	1 695	1 695	1 695	1 695	1 643	1 643	1 643	1 806	1 806	1 806	6 288	6 288	<b>29 704</b>

In Exhibit 14.3 it is also possible to consult the expected units sold per day during the time of this project.

In the table below one can find the five years evaluation plan<sup>31</sup>.

	2017	2018	2019	2020	2021
<b>Sales</b>	27 344	31 187	36 852	45 251	57 750
<b>COGS</b>	11 778	13 558	16 188	20 091	25 905
<b>SES</b>	181 493	101 493	101 493	101 493	101 493
<b>EBITDA</b>	<b>-165 926</b>	<b>-83 864</b>	<b>-80 829</b>	<b>-76 333</b>	<b>-69 647</b>
<b>Depreciations</b>	3 600	3 600	3 600	3 600	3 600
<b>EBIT</b>	<b>-169 526</b>	<b>-87 464</b>	<b>-84 429</b>	<b>-79 933</b>	<b>-73 247</b>
<b>Taxes</b>					
<b>Operational Result</b>	<b>-169 526</b>	<b>-87 464</b>	<b>-84 429</b>	<b>-79 933</b>	<b>-73 247</b>
<b>Operational Result (EBIT) x (1-IRC)</b>	-133 926	-69 097	-66 699	-63 147	-57 865
Depreciation and amortization	3 600	3 600	3 600	3 600	3 600
Provisions for the year					
	<b>-130 326</b>	<b>-65 497</b>	<b>-63 099</b>	<b>-59 547</b>	<b>-54 265</b>
<b>Net Working Capital Investment</b>					
Working Capital	26 559	-10 652	422	626	932
<b>CASH FLOW</b>	<b>-103 767</b>	<b>-76 149</b>	<b>-62 677</b>	<b>-58 921</b>	<b>-53 334</b>
<b>Fixed Assets Investment</b>					
Fixed Assets	-45 000				
<b>Free cash-flow</b>	<b>-148 767</b>	<b>-76 149</b>	<b>-62 677</b>	<b>-58 921</b>	<b>-53 334</b>
<b>Accumulated CASH FLOW</b>	<b>-148 767</b>	<b>-224 916</b>	<b>-287 593</b>	<b>-346 514</b>	<b>-399 847</b>

<sup>30</sup> Based on forecast in Exhibit 9.1

<sup>31</sup> Please consult Exhibit 15 (income statement) and 17 (sample of the business plan) for more detailed data on the business plan

According to the following plan of the Cash Flow, the Net present Value is -339.801€, taking in consideration a discount rate of 8%<sup>32</sup>.

The following table represents the expected costs regarding Suppliers and External Services<sup>33</sup>.

	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Subcontracts</b>	80 000				
<b>Specialized services</b>	59 071	59 071	59 071	59 071	59 071
<b>Energy</b>	840	840	840	840	840
<b>Other services</b>	41 581	41 581	41 581	41 581	41 581
<b>TOTAL</b>	<b>181 492</b>	<b>101 492</b>	<b>101 492</b>	<b>101 492</b>	<b>101 492</b>

## 12.Sensitivity Analysis

### 12.1.Sensitivity Analysis Critical Variables

The new Oliveira da Serra`s store is subject to numerous risks. The main risk identified and associated with the business is the Sales variation

One considered that the variable mentioned above is critical and therefore the sensitivity analysis will be performed upon this one. A small variation of this variable can reflect in losses or potential gains.

The methodology adopted for the purpose of analyzing exposure to sales variation consists in measuring the impact on NPV.

### 12.2. Results of Sensitivity Analysis

It was concluded that a change of 10% in sales translates into a change in terms of net income by 4%. Important to mentioned that a sales variation of 10% will also implicate an increase in the number of units sold (more than 300 units in the 1<sup>st</sup> year)

<sup>32</sup> Internal data provided by the Financial Department.

<sup>33</sup> Please consult Exhibit 16 for a more detailed data on the costs structure



The sensitivity analysis performed of the critical variables identified above, the following results were obtained:

<b>Sales Variation</b>	<b>2017</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
------------------------	-------------	-------------	-------------	-------------

<b>Sales</b>				
<b>Initial scenario</b>	<b>27 344 €</b>	<b>39 090 €</b>	<b>45 251 €</b>	<b>57 750 €</b>
> 10%	30 078 €	40 537 €	49 776 €	63 525 €
< 10%	24 610 €	33 167 €	40 726 €	51 975 €

<b>NPV</b>	
<b>Initial scenario</b>	<b>-339 801 €</b>
> 10%	-322 814 €
< 10%	-347 127 €

### 13. Conclusion and Recommendations

The current project discussed implies many areas of investigation in order to elaborate a solid business plan with real projections and get interesting revenues in the short-term and mid-term. The marketing campaign project requires a large initial investment in order to launch the store. However this investment will be divided throughout the five years of the project.

Despite not being a sustainable store, this marketing investment is predicted to be a very successful one, regarding the awareness it will bring for Oliveira da Serra. This will also create loyal customers, and therefore, engage consumers with the brand.

For this project there are a lot of indirect competition in Lisbon, however the stores mentioned in the previous chapters despite could be seen as a competitor, the quality and exclusivity of Oliveira da Serra's store products and location makes it into a strong player. Additionally there is a trend of healthy consumption in Portugal and Olive oil is highly associated with these current consumer requirements.

One of the main conclusions that can be taken from this project, is that betting on a different type of marketing campaign like this one, instead of doing a commercial TV for example, is considered to be a safe bet. However this investment depends on crucial variable, the sales. Therefore one recommends that after the initial investment in marketing, the company should keep invest in order to attract consumers to this store and encourage them to purchase, by explaining the benefits of the product.

To conclude, in the end of the project the company should perform a marketing analysis. The idea will be to measure the impact it created on the brand equity, brand consumers and non-consumers; the total awareness it created and the total ROI.

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