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Santini

A Scoop of Expansion

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Abstract:

Title: Santini, a scoop of expansion

Santini has been a very well-known artisanal brand of ice-cream, famous for the quality of its products, based on a secret recipe.

In 2009, the family ice-cream company, Santini decided to open its capital to external investment. This started a new phase in the life of the company that allowed it to open new stores and a new production plant.

This dissertation provides a case study of this small Portuguese company which main objective is to keep its expansion process without damaging its brand image and its differentiation positioning.

The Master Thesis also presents a Literature Review that seeks to provide theoretical tools for further analysis of the case.

The Teaching Note includes an analysis of the case; it's in this section that conclusions are drawn and the recommendations are suggested regarding the strategy that should be followed by the firm.

Resumo:

Título: Santini, uma colher de expansão

Santini é uma conhecida marca de gelados artesanais, famosa pela qualidade dos seus produtos feitos com base numa receita secreta.

Em 2009, a empresa de gelados familiar, Santini, abriu o seu capital a investimento externo. Isto desencadeou uma nova fase da vida da empresa que permitiram a abertura de mais lojas e de uma nova fábrica.

Esta dissertação proporciona um Estudo de Caso da pequena empresa portuguesa cujo principal objective é continuar o processo de expansão sem prejudicar a imagem da marca e o seu posicionamento de diferenciação.

A Tese de Mestrado apresenta também uma Revisão de Literatura que visa fornecer ferramentas teóricas para a posterior análise do caso.

A Nota de Ensino contém a análise do caso, sendo nesta secção que são retiradas as conclusões e apresentadas as sugestões relativamente à estratégia que devem ser adoptada pela empresa.

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List of Contents:

Abstract:.....	ii
Resumo:.....	iii
Acknowledgements:	iv
List of Contents:.....	v
List of Exhibits:	vii
I- Introduction:.....	1
II- Santini’s Case Study:.....	2
1. Company’s background:.....	2
2. The ice- cream market.....	5
3. Product:.....	6
4. Price.....	9
5. Promotion.....	9
6. Place.....	10
7. Operational Resources:.....	12
8. Financial data:.....	12
9. Competitors:.....	13
10. Future expansion:	15
III- Literature Review	25
1. Growth Strategies:	25
1.1 Product/Market expansion grid	25
1.2 External Development.....	28
1.3 New markets: Entry strategies:.....	31
2. The Brand:.....	34
2.1 Targeting and Positioning:	34
IV- Teaching Note:.....	37
1. Case Overview	37
2. Teaching Note objectives.....	38
3. Assignment questions:.....	38
4. Class Plan.....	39
5. Analysis.....	39

V- Conclusion:.....	60
VI- References:.....	61

List of Exhibits:

CASE STUDY:

EXHIBIT 1: ATILIO SANTINI.....	17
EXHIBIT 2: THE FIRST SANTINI STORE IN TAMARIZ.....	17
EXHIBIT 3: SPANISH ROYAL FAMILY IN SANTINI.....	18
EXHIBIT 4: THE MOBILE STORE: VANTINI	18
EXHIBIT 5: EUROPEAN ICE CREAM MARKET VALUE.....	19
EXHIBIT 6: FORECAST OF EUROPE’S ICE CREAM MARKET VALUE.....	19
EXHIBIT 7: EUROPEAN ICE CREAM MARKET VOLUME	19
EXHIBIT 8: FORECAST OF EUROPE’S ICE CREAM MARKET VOLUME.....	20
EXHIBIT 9: EUROPEAN ICE CREAM MARKET CATEGORY SEGMENTATION	20
EXHIBIT 10: ALLERGENS LIST OF FLAVORS	21
EXHIBIT 11: SANTINI’S PRODUCTS	22
EXHIBIT 12: LOYALTY CARD.....	23
EXHIBIT 13: SANTINI’S PRICES (NOVEMBER 2014).....	23
EXHIBIT 14: COMPETITORS’ PRICES.....	23
EXHIBIT 15: STORES DESIGN	24

TEACHING NOTE:

INTERNET SURVEY RESULTS.....	49
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I- Introduction:

Santini is a traditional ice-cream company born in 1944 at the famous Portuguese beach of Tamariz.

The firm has been in the same family hands for generations and in 2009, 50% of the ice-cream producer was sold to external investors.

Santini is known by the quality of its unique products and by exclusiveness of the service provided.

Since the acquisition, the company has been growing and expanding in the Lisboa area but its main goal is to become a national brand.

The objective of this Master Thesis is to analyze the current situation of the firm, how it has been evolving and to study the possible strategies the company can follow to achieve its expansion path, without jeopardizing the brand image and its differentiation positioning.

This thesis is organized in three main parts: the Case Study, the Literature Review and the Teaching Note. The first one is where the company is presented along with its history, the strategy that the partners have been following and their plans for the future.

On the Literature Review part some theoretical tools and frameworks are provided to help the reader in the analysis of the case.

In this final part, the Teaching Note, the environment and the company are studied as well as the possible growth strategies, ending with a recommendation for the brand's expansion.

II- Santini's Case Study:

Driving to Porto in November 2014, Eduardo Santini Fuertes, one of the partners of Santini, a well-known Portuguese ice cream brand, got enthusiastic about the idea of opening a new store in the North of the country. Santini's recently built plant produced 2500 liters a day at the peak of the year, and had the capacity to produce even more. With the expansion in mind Eduardo was wondering whether the company would be able to maintain the positioning that turned it into a successful company.

1. Company's background:

Eduardo Santini Fuertes came from a family of traditional ice-cream makers. His grand-father, the Italian Attilio Santini, learned how to produce it at a very early age but the world war made his family quit the store in Vienna and come back to their country of origin.

Atilio Santini was known for being a very nice person with a noble character. His smile, his simplicity and the way he interacted with the public contributed to the success of one of the most well known ice cream stores in Portugal (see exhibit 1).

Atilio decided to leave Italy due to the world war, moving to San Sebastian in 1938 where he opened his own store. Two years later, he opened Gellataria Capri Barcelona but this venture failed due to the strong local competition.

In 1944, after opening an ice-cream store, Santpol Café, in Valencia, he was challenged by the Portuguese consul, João Maraes, to start a new project in Portugal. The first location was in the most well known beach in Estoril, Tamariz (see exhibit 2), followed by the second one in the town center, on the movie theatre building. Both stores, closed in 1966 due to some private problems in Atilio's life, were to re-open in 1971 on the present location, also in Cascais center.

Several European royal families were admirers of traditional ice cream and frequent consumers when they visited Portugal, such as the king of Spain, as it can be seen in exhibit 3.

Santini know-how has been kept by several generations of the family and the company managed to always transmit the traditional image and the quality of the artisanal ice cream. At the entrance of the store there used to be long lines of customers waiting to buy a premium ice cream.

After the death of Atilio Santini in 1995, his daughter Isabel and her husband, also called Eduardo, took the responsibility of running the family business. The store continued to operate in Cascais opening only during the summer since ice cream sales sharply declined in the winter season. It was not profitable to keep the store open and the decision had a huge impact on staff hiring since they could not offer a permanent job during the year.

Isabel Santini was the cashier, and so the first one to get contact with the clients since the stores operated on a pre-payment basis. And Eduardo, when not producing the ice cream, was most of the time serving the clients, as the first owner of the store used to do. The direct contact with the consumers became a tradition, creating real bonds and enabling him to understand the preferences of consumers and their opinion regarding the products.

A second store opened in São João do Estoril in 2005 with the main purpose of serving as a factory due to the need to increase production. This store was smaller than the Cascais' one.

In 2009 Botton family, owners of the Portuguese packaging company, Logoplaste, bought 50% of the ice cream brand. The reason told by Eduardo Fuertes was the need to professionalize the company, which was always managed on a family basis. The opportunity emerged and knowing the Botton family as regular clients and friends and their expertise and connections in the business world, made it a simpler decision. With this acquisition the governance of the firm was divided: Eduardo Santini became the responsible for the production part, maintaining the quality and the secret of the “gelati piú fini del mondo” and Martim Botton was in charge of the management of the brand and of the expansion strategy.

The secret recipe remained only in the Santini family hands. Not even their partners were told.

But both agreed to try the Lisboa market in 2010, by opening a new space in Chiado, one of the most busy and touristic places of the Portuguese capital. This store proved to be the most profitable one, attracting the travellers and the locals.

More recently the need for a bigger place to produce the goods to respond to the increasing demand made the company build a 1,2 million euros plant in 2013 in Carcavelos. It was located near the train station and the town market, with free car parking and it also had a store. Parking was one of the problems of the other stores for people that just wanted to grab an ice cream.

The ice cream was also available in selected places like the premium supermarkets El Corte Ingles in Lisboa and Porto, where the results of sales had been proving to be really good. However the variety was not the same as in their own shops. Therefore, Santini came up with the idea of offering two or three more flavors according to the season products.

The brand also sold for some specific high quality restaurants in the Lisboa and Cascais area, like Porto Santa Maria and Solar dos Presuntos. The ice cream was sold in boxes, being then served to clients in individual doses.

After the entry of the new partners, the Vantini was created. A Volkswagen Kombi was transformed into a small ice cream shop to sell in special events (see exhibit 4).

The last opening was the shop inside the Mercado da Ribeira¹, inaugurated in May of 2014. It only served 12 flavor alternatives given the reduced dimension of the space.

The company's vision was to create a product to meet the consumer exigencies, always preserving the brand image.

Santini's main goals were the increase of the market share and the volume of sales, by retaining a larger amount of consumers.

¹ Mercado da Ribeira was the main food Market in Lisboa since 1892. Time Out magazine created the food court project inside the market in 2014, where people could find around 30 restaurants from different specialties.

2. The ice-cream market

In Europe, the ice cream market in 2012 had a sales volume of €18.4 billion, with a 3,5% compound annual growth rate from 2008 to 2012 (see exhibit 5).

This market had been growing at a constant rate (CAGR) of more than 3% on an annual basis, although the growth rate was expected to decrease in the near future (exhibit 6).

The annual consumption reached about 4,5 billion liters in 2012, with a CAGR of 2,6%. The volume was anticipated to increase to 5 billion liters by 2017 (see exhibit 7 and 8).

The annual consumption per capita in Europe was 65,7 liters in 2012.

In the United Kingdom, for instance, it was estimated that in 2013, 26% of the population consumed an ice-cream two or three times a month.

The ice cream market could be divided into four categories: artisanal ice cream, impulse ice cream, take-home ice cream and frozen yogurt.

The artisanal was the traditionally manufactured ice cream with fresh products and without preservatives, colorants and emulsifiers. This kind of ice cream was normally found in local street stores.

The impulse ice cream was the industrial one, which was produced at a huge scale and with less quality than the artisanal one. It had to include some additives to preserve the product for a longer time. This product used to be sold at Horeca channels (hotels, restaurants and coffee shops).

Take-home ice cream was usually sold in boxes for home consumption. As it was mainly available in supermarkets it also included the preservatives and other additives.

The frozen yogurt had the same consistency of the ice cream and could also be included in the ice cream market.

The larger segment in 2012 in Europe was the take-home ice cream with \$8,23 billion, which represented 34,8% of the total market value. On the second place was the impulse ice cream segment with almost the same value, accounting for 34,5% (see exhibit 9).

In Portugal the volume of ice cream sold in 2011 was 11.387 thousand liters, being the value of sold ice cream around 44.340 thousand euros. The per capita consumption of ice cream in Portugal was from three to four liters per year.

Production started to have a meaningful value in March or April depending on the temperatures, to refill the retail and foodservice channels. The highest peak of the year was in June, but manufacturing remained meaningful during the whole summer months. After August production started to decrease until the end of the year.

Trends:

Due to the tough economic crisis the country was going through, the Portuguese population felt the pressure on their available income and this affected the purchasing habits for ice cream. The take-home segment gained a major importance mainly because of the lower price when compared to impulse purchases. This reinforced the trend for the consumer to search for promotions and discount prices in supermarkets.

Another trend was that ice cream, besides being a summer product, was starting to be bought during the entire year. Portuguese consumers were adopting Western European habits.

In Portugal, this seasonality problem has been changing since the ice cream started to be seen not only as something to refresh during hot summer days but also as a desert, which would increase the product consumption.

The tendency for healthier habits was also increasing worldwide, Portugal included, which could be translated in a better diet and a bigger concern about well-being. Traditional ice cream was a good alternative since all the ingredients were natural and fresh, without the addition of colorants or flavor.

3. Product:

As the years went by Santini increased the variety of products, which it divided in two main parts, the ice cream and the pastry.

In the ice cream section, the first flavors to be created were the traditional chocolate, strawberry, vanilla and hazelnut. The product makers have been developing the ice cream from the most common flavors to the most strange but delicious combinations, like pineapple with mint, the Amazonian fruit açaí with strawberry, an Italian Amaretto biscuit, among others.

The ice cream was traditionally made and the recipe had its origins on the Italian grandfather of Eduardo Fuertes.

The ice cream was divided into four lines:

- Cream based containing: milk, cream, sugar and the main ingredient;
- Vanilla based containing: milk and/or cream, sugar, eggs, vanilla and the main ingredient;
- Sorbet containing: sugar and fresh fruit;
- Other ice cream containing: milk, sugar and ingredients like yogurt, cheese, wine, cookies, dried fruits, jams and liquors.

The ice cream didn't include colorants, emulsifiers or preservatives.

Santini decided to prepare brochures to indicate what kind of allergens the ice cream had, preventing potential health problems (see exhibit 10). The sorbets were the only category that didn't contain any allergen.

The raw materials were preferably bought from small Portuguese producers in order to support the economy of the country.

Only two high quality brands were used for the production process: Vigor milk and Coimbra creams.

The ice creams were served on a cup or cone depending on the clients' preference. The number of spoons could be chosen among three.

The pastry section included products that independently of having or not the ice-cream, could be consumed during the winter months when hot goods were more demanded.

The options were as follows:

- Hot chocolate
- Waffle
- The well-known "Piriquita travesseiros"
- Santini pie
- Suspirini

- Almond pie
- Hot & Cold
- Ice cream bowl
- Milkshake
- The famous “The Best Chocolate Cake in the World”
- Crepes

The products can be seen in exhibit 11.

Santini always bet on the quality of the products and it chose only high quality external goods that had a good reputation on the market.

Throughout the years it had produced more than 100 flavors, which showed the capability of innovating and creating new things according to consumers’ tastes and needs.

Each store, excluding the one from Mercado da Ribeira, had an average of twenty-four different flavors, which are mostly the same for all the stores, with a similar relative weight. The traditional flavors such as chocolate, vanilla, strawberry represent 60% of the sales and the season ice creams the remaining part.

The ice cream is the most significant share of the products sold, accounting for 85% of sales. The company believed that the effort to introduce different products was bearing fruits.

In recent years Santini developed an important and differentiated service, the home delivery. Currently in the Lisboa region anyone could benefit from this service that was created to make clients’ life easier. It was really useful when wishing to eat a “Santini” but in no mood to go to one of the stores. This service had been showing an increasing adhesion since the beginning. The order had to be done through the website, and it could take one or two hours to deliver.

Given that there is only one cashier, Santini also developed something to boost loyalty and to encourage the consumer to face the long lines, the loyalty card (see exhibit 12). This card could be bought in any of the four stores starting with the price of 27€. It included ten ice creams and an extra one offered by the company. In the possession of the card, customers didn’t need to wait in line to pay. They

could go directly to the order line where they only had to present the card and choose the flavors.

Santini Lovers was a program that allowed the consumers to accumulate points at every purchase. At the paying moment with the invoice came another ticket with a QR code that could be read by an app on the mobile phone. After collecting enough points it was possible to exchange them for ice creams and merchandise specially designed for Santini.

4. Price

As a high quality brand, Santini had a substantially high price, in the same range of the competitors with a similar product. Year by year the brand had been increasing the price in 5 or 10 cents, maintaining always the same price in the different stores (see exhibit 13). The only price that was higher for the same product was the home delivery ice cream, due to the cost of transportation. The price charged for the home delivery could vary from 5 to 10 euros depending on the location.

The price could influence the consumers when deciding among the brands, specially in a period of crisis that Portugal was facing. But the quality of the ice cream and the service made up for the amount and the time lost in line.

The most popular product, a single spoon with two flavors cost €2,70. Compared with some competitors the price was significantly higher than Olá industrial ice creams whose most expensive product cost €2. Artinasi correspondent product cost was €2,9 and Amorino's price was 3,5€, the most expensive one (see exhibit 14).

Given the price, Santini's ice creams could not be seen as a product to eat every single day by everybody. It was a more sporadic temptation.

5. Promotion

Advertisement did not represent a significant amount on Santini's total costs. The two main channels the brand used to communicate with its potential clients

were the website and the Facebook page. On the website it was possible to understand a part of the ice cream maker history, the main products along with some of the more creative flavors of ice cream and even the possibility to order home delivery.

In the Facebook page there was a closer contact with the regular clients. The important information like the events where Santini would be present, the new flavors, the weekly flavor and other funny facts that intended to boost the proximity and trust in the brand were shared in its social network page.

The only budget allocated to marketing was to an outsourcing company that developed and managed the website and the Facebook page.

The presence in special events was also an opportunity to introduce the brand, to communicate and give a chance to try the products to potential frequent buyers.

But according to Eduardo Fuertes, the word-of-mouth was the most effective and cheapest way to spread the brand and the quality of the products. By being mentioned on travelling websites, magazines, blogs and even on the news, the number of people that got to know the company increased a lot. The vast majority of the tourists that arrived to Cascais wanted to visit Santini and taste, from what they have heard, the best ice cream in the world. Meaning that at the slightest mistake, the word would also be spread.

On the anniversary of the opening of the first store, Santini used to prepare something different every year. In 2013, a 50% discount on the ice cream boxes was offered.

6. Place

Attilio Santini was the one that opened the store in the center of the village of Cascais where it was located in 2014. In 2005 there was a need for a bigger production center, so the owners decided to open a shop attached to the new factory in São João do Estoril. This store was much smaller than the original one, with no space to sit and appreciate the ice cream inside. Those characteristics and the fact that the location was not the most appropriate, since it was not easy

to park and the visibility was low, didn't turn it into a success case like the previous store.

With the entry of the Botton family on Santini's capital, a new point of sale was created, but this time in Chiado, one of the most touristic areas of Lisboa. The store achieved the expected results, given the large influx of travelers and also Portuguese clients that didn't have to travel anymore about 30 km to get delighted with the famous ice cream. The brand image and once again the word of mouth helped a lot to the accomplishment.

To fulfill the needs of those that didn't have access to the stores, Santini introduced the ice cream boxes in the El Corte Ingles supermarkets, at a higher price compared to the one offered in the official stores. The consumers adopted this way of buying the products with the monthly or weekly shopping list since it was more practical to purchase.

During the year of 2013, with the increase in the operations, Santini felt the need to enlarge the production plant. The opportunity of opening a different factory in Carcavelos came up and they decided to take the advantage and open also a commercial area, but this time with a significant space to accommodate the clients. The fact that Santini bet on tables with comfortable couches made the difference on the type of service offered. It was an important factor during the winter season, when it was cold outside in order to still appreciate the ice cream. With the opening of the new plant, the ice-cream production was stopped in the old one in São João do Estoril, but the owners decided to take advantage of the space to produce the ice-cream cones.

Santini also opened the store in Mercado da Ribeira where the products were bought more as a desert after the meal rather than just as a snack.

All the stores had a uniform decoration, with the same colors, red and white, the same logo and furniture to maintain the brand image in each store (see exhibit 15).

For the special events the company bought and adapted one van that they used to call, Vantini, to sell the ice cream wherever they had permission to park. Some of the events were surf competitions, during the summer night parties in Cascais and other specific events.

Santini was planning to open a new store in Porto city center in 2015 to follow its expansion objectives. According to Eduardo Fuertes this move would help to decrease the costs given the excess production capacity, although it would require a huge investment.

7. Operational Resources:

Santini had 80 employees, twenty-one of those in the production process. The ice creams were all produced in the Carcavelos factory and then distributed to the stores on specific vans with a controlled temperature to preserve the quality of the goods. Until October 2014, the transportation was made by an outsourced company. From then on it started to be delivered with internal resources.

The number of workers in the stores varied with the store and the time of the year. In Chiado there were seven or eight employees per shift during the entire year. In Cascais there were the same number during the summer but they were reduced to four in the winter.

Starting in 2014 during the winter period the Cascais store would only be open from Friday to Sunday, because on weekdays sales were not high enough to keep the store open and sustain the associated costs.

Santini decided to contract some professionalized staff, mainly for three specific areas: accounting and finance, human resources and quality. The quality department was the responsible for the new staff training. For marketing purposes, the company used outsourced services.

8. Financial data:

In 2013, Santini had revenues of 3.275 thousand euros, with a 14% increase compared to the previous year.

Despite the revenues growth, the net profit decreased 35% year-on-year to 128 thousand euros. The factor that mostly influenced this result was the increase on personnel costs, that reached 1.210 thousand euros in 2013 (941 thousand in

2012), given that 10 new employees were hired. Cost of the goods sold was 635 thousand euros and supplies and services 813 thousand euros.

70% of sales were made during summer, the ice-cream high season. Cascais and Chiado stores were responsible for 50% of the total revenues.

9. Competitors:

The competitors of Santini could be divided into two categories, the direct and the indirect rivals.

On the indirect competition it was possible to identify some brands like Olá, Nestlé, Carte D'or, Llao Llao and private labels.

Olá belonged to Unilever international group, but was managed by Jerónimo Martins in Portugal. The brand was the leader in 2014 with many points of sale, mainly kiosks, restaurants and coffee shops. It had a large variety of ice creams, and it was known not only by the classic products that everyone was used to since their childhood but also by the constant innovation. Olá used to try to launch a different ice cream flavor each summer and big campaigns were made to promote it.

Unilever also owned Carte D'or, but like Nestlé it was sold only in some restaurants and supermarkets. This brand could be included in the industrial ice cream segment.

Nestlé started in Portugal in 1988 with a brand called Camy. The big turning point was when it was merged with two other ice cream brands, Gelatti Mota and Avides, in 1994 and 1997 respectively. With this merger the Nestlé brand was created. Its main points of sale were restaurants and coffee shops.

On the Take Home segment, several brands like the previously mentioned as well as private labels from Continente, Auchan, Pingo Doce among others could be found. Retail private labels had a lower price and their quality had been increasing, but still it was not as good as the more established brands. The purpose of this segment was for home consumption, so the majority had large

box formats or a significant quantity of individual ice cream as was the case of Olá.

The Yogurt part of the market had been increasing its importance in Portugal, but it was still not yet considered as a direct competitor to the traditional ice creams. The most recognized brand was Llao Llao that offered the possibility to choose which ingredients each consumer wanted for the perfect mix. As a quality and healthy product the price was higher than the usual and the stores were only available in shopping malls.

The direct competitors of Santini were the artisanal brands. Eduardo Fuertes considered Artisani, Amorino and Häagen-Dazs as its main rivals.

Artisani was inaugurated in 2009. The owner also had a familiar tradition on the ice cream production. The brand had a huge growth, becoming very well-known on the Portuguese market. The quality of the ice cream could be compared to Santini, since both were artisanal products, manufactured on a daily basis to preserve the characteristics of the ice cream and always with fresh raw materials. The variety of flavors was visible on the stores, where there were the more traditional ones and the more exotic on a constant rotation. The brand decided to invest on the gourmet trend, creating new ice cream formats and flavors. Like Santini, the quality of the products was always on the owner's mind not only on the choice of milk and water but also on the fruits.

Artisani was the pioneer to inform the composition of its ice creams to the consumers to prevent them of an allergic reaction and on the creation of light flavors with no sugar.

Amorino was an Italian ice cream brand created by two friends, with stores on several points of the world. In Portugal, two stores could be found in Lisboa, quite near Santini's store in Chiado. Besides the ice cream, Amorino also offered different products like crepes, hot drinks and milk shakes, among others.

Häagen-Dazs was recognized by the superior quality of the ice creams, to justify the higher price. The New York origin of the brand, the possibility to personalize the product with different toppings also contributed to the brand image. The ice creams were sold on their own stores, mostly located in shopping malls, and in supermarkets in boxes format. To complement the simple cup or cone of ice cream, they also sold waffles and crepes.

Fragoleto, Veneziana, Nosolo Itália and Emanha were also competitors. But they didn't worry Santini's owners.

10. Future expansion:

The main goal of Eduardo Fuertes and Martim Botton was to transform Santini from a local brand to a national one. The process of expansion started in 2005, at a slow pace that had been increasing throughout the years. For the Santini owners a major concern was to make sure that any move would be profitable.

With the new production center, Santini had a huge capacity that was not being completely used. This plant was built with the future expansion in mind, with approximately the triple of the capacity of the previous one.

The choice of Carcavelos was a strategic decision since it was in a place where the land was cheaper, it was half way from the remaining stores and the possibility to park at the entrance turned the transportation and logistics easier.

Santini was thinking of opening the first shop in Porto city center. The ice cream brand was nationally and internationally known, but the 5 stores were only located in the Lisboa area.

After the opening of Chiado store, the owners understood that a location in a touristic place could bring much more revenues than in any other place. The visitors were attracted by the long lines and the curiosity to try the best artisanal ice cream. This kind of location pulled a large number of people no matter the time of the year, and this factor could be good to increase Santini's volume of sales during the winter months.

But opening a new store at a three hours distance from Santini's current operations also had negative impacts such as the cost of transportation, the high price for the rent of the new place in the city center and the possibility to damage its brand image. The decision of expansion could affect the exclusivity characteristic of the brand that was valued by the consumers.

Regarding the ice cream supply, Santini could do it by two different ways. The option of transporting from the Carcavelos factory would be the cheaper one, at least in the short term even with the associated transportation cost. Building a new factory in the north of the country would be very expensive, because of space and all the machinery necessary to produce the ice cream with the same quality. On the other hand, this could be a plausible option since the company's goal was to become a national brand, and probably other stores would be opened in that area and it would facilitate the transportation process. Given that the recipe of the Santini's product was a secret, the production always had to pass through Eduardo's hands, meaning that no one else could produce it without him. This would be a constraint for the opening of a second plant because he couldn't be at both places at the same time.

Now on his drive to Porto, Eduardo Santini was also considering the possibility to develop the brand by franchising the concept.

Exhibit 1: Atilio Santini



Source: Santini Official website

Exhibit 2: The first Santini store in Tamariz



Source: Santini Official website

Exhibit 3: Spanish royal family in Santini



Source: Santini Official website

Exhibit 4: The mobile store: Vantini



Exhibit 5: European ice cream market value

Year	Million €	Growth %
2008	16,041.2	-
2009	16,569.4	3,3%
2010	17,113.1	3,3%
2011	17,763.8	3,8%
2012	18,389.4	3,5%

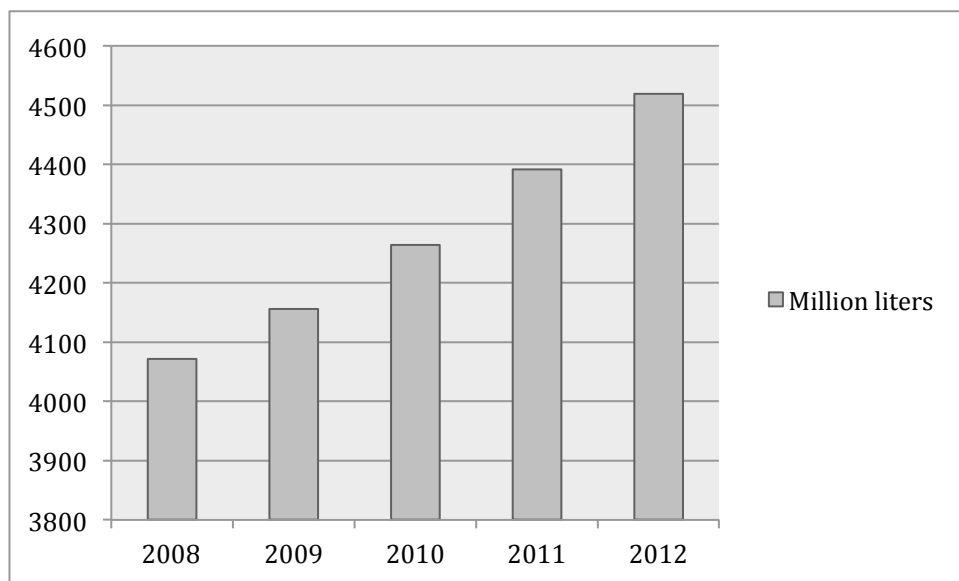
Source: Marketline

Exhibit 6: Forecast of Europe's ice cream market value

Year	Million €	Growth %
2012	18,389.4	3,5%
2013	18,831.9	2,4%
2014	19,300.2	2,5%
2015	19,851.6	2,9%
2016	20,392.4	2,7%
2017	20,887.2	2,4%

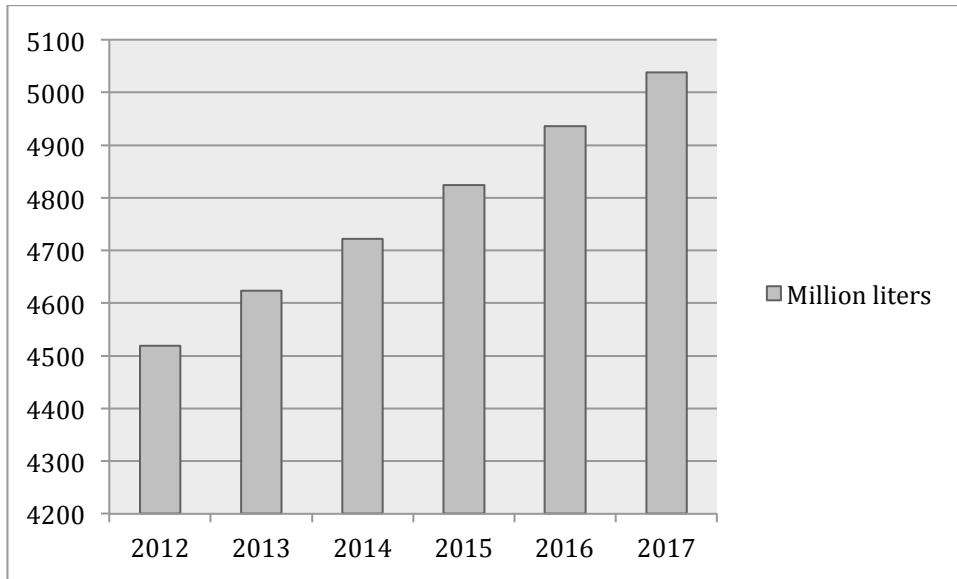
Source: Marketline

Exhibit 7: European ice cream market volume



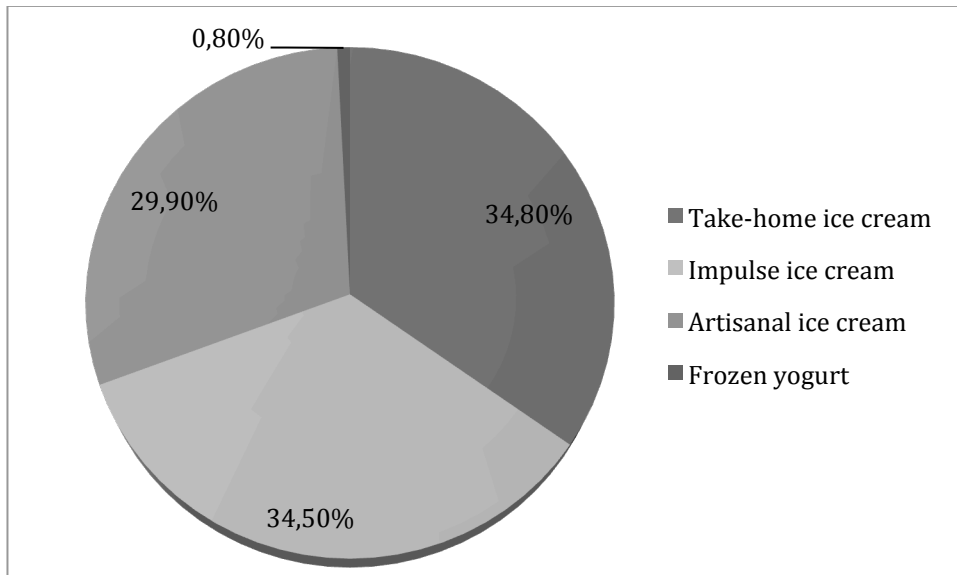
Source: Marketline

Exhibit 8: Forecast of Europe's ice cream market volume



Source: Marketline

Exhibit 9: European ice cream market category segmentation



Source: Marketline

Exhibit 10: Allergens list of flavors

	Lactose	Eggs	Gluten	Dried Fruits	Soya
Cream Base					
Cream	X				
Marabunta	X				X
Coconut	X				
Nougat	X			X	
Vanilla Base					
Vanilla	X	X			
Hazelnut	X	X		X	
Chocolat	X	X			X
Pistachio	X	X		X	
Nut	X	X		X	
Almond	X	X		X	
Pasticeriy					
Cone	X	X	X		X
Hot chocolat	X				X
Chantilly	X				
Torrone almond				X	
Chocolat topping	X	X	X	X	X
Semi-frio	X	X		X	X
Cassata w/chocolat & hazelnut	X	X		X	X
Cassata w/pistachio & hazelnut	X	X		X	
Almond pie	X	X	X	X	
Suspirini	X	X	X	X	
Waffles	X	X	X		
Crepe	X	X	X		
Areias			X		

Exhibit 11: Santini's products



Ice Cream



Milkshake



Almond Pie



The best chocolate cake in the world



Hot Chocolate



"Piriquita Travesseiros"



Cassata



Ice Cream Bowl



Waffle



Suspirini



Crepe

Exhibit 12: Loyalty card

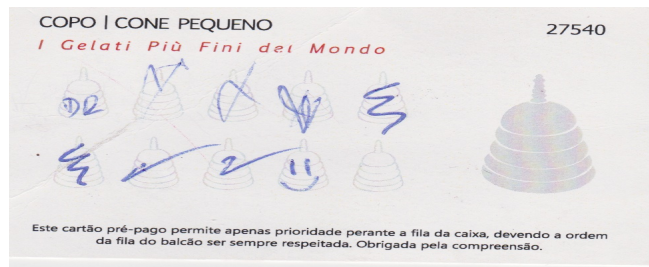


Exhibit 13: Santini's prices (November 2014)

Products	Price
1 spoon	2,7 €
2 spoons	4,7 €
3 spoons	6,0 €
0,5 liter box	12,3 €
1 liter box	22,7 €
1,5 liter box	33,6 €
2 liters box	44,0 €
Milkshake	5,5 €
Ice cream bowl	7,0 €
Crepe and Waffle	2,1 €

Exhibit 14: Competitors' prices

Company	1 spoon	2 spoons	3 spoons	Crepes/ Waffles	0,5lt box	1lt box	1,5lt box
Santini	2,70 €	4,70 €	6 €	2,10 €	12,30 €	22,70 €	33,60 €
Artisani	2,90 €	4,50 €	6,10 €	5,10€	12,60 €	22,90 €	32,60 €
Häagen-Dazs	2,95 €	4,85 €	6,25 €	2,20 €	N/A	N/A	N/A
Amorino	3,50€	4,50€	5,5€	3,00€	11,50€	22€	N/A

Source: Author's observation in November 2014

Exhibit 15: Stores design



Source: Santini Official website

III- Literature Review

The literature review is divided into two parts, the first one regarding the possible growth strategies that the company has available to develop its business and the second is focused on the brand and its relationship with the customers to try to understand which are the factors that can influence consumer's opinions and their purchasing habits. These information and frameworks will lay the ground for the case study analysis.

1. Growth Strategies:

1.1 Product/Market expansion grid

A company can grow through internal development, with their own resources and competences or through external development, by acquiring the resources needed to complement the existing ones. When the organization opts for the internal growth the decision between remaining in the same sector (concentration) or entering a new one (diversification) arises. According to Ansoff (1957) there are four possibilities to increase the product sales, which depend on two factors, the product and the market.

The **market penetration** consists on the concentration of the resources in the current market segments with the same products. This strategy is similar to the stability one but it has the advantage to concentrate on the clients' needs and build a consistent brand image to sell higher quantities. To fulfill the objective, the company can use one of the next 6 tactics:

- Price penetration: decrease of the price of the products to increase the attractiveness regarding the competitors. This action must be analyzed in depth, since lowering the prices can decrease the margin of profitability if nothing were changed in the production process. But by modifying the

products, the quality, the brand perception and brand image can be affected.

- To increase promotions: by increasing the product promotions it increases the probability that customers will notice the brand, specially if the advertising was able to draw the public's attention and spark their interest. Promotions and discounts are also a good idea to promote the first experience with the brand.
- To increase the reach: another way is to increase the number of distribution channels, this way the customer won't have problems finding the products compared to the competition.
- To increase usage: if the company markets its product as a good of frequent consumption, the market penetration will increase as well.
- To attract the rival's consumers and distributors: the company can try to make a better deal with dealers to place its product on a better location than its competitors' products to increase the quantity of sold goods.
- To convert non-users into users: this is a hard task that can be surpassed with product placement strategies and by increasing the awareness of the products.

Product development is the introduction of new products in the existing market. This option is based on the modification of the product or on the new feature adding to penetrate on the market creating new clients' exigencies. This new features can be used to make to product better, faster or even more effective when compared to rival's goods. Usually the use of this strategy is linked with the constant changes in consumer's demand, tastes and needs, the increasing international competition and the technological evolution. Regarding the product development can have an impact on the quality and price of the product, on the competitive advantages and on consumer' satisfaction (Clark and Fujimoto, 1991). Despite the potential increase in revenues with the launching of the new product, there may be some high costs in terms of research and development needed to create the good and to keep innovating.

The **market development** consists on entering new markets with the same products. This new market can be a new place such as a region or a country but also another market segment. This option has as main risk not knowing the market players: consumers, suppliers and competitors. Profitability is not guaranteed with this strategy either in the short or long-term, but if the firm is able to achieve economies of scale the probability increases.

The easiest and consistent way to grow is to develop the same business and operations, always adapting to the new market. For the case of a regional expansion or entering a new segment, even the same resources can be used to develop the activity.

The **diversification** is the introduction of new products in a new market. The development through internal process can fail due to the lack of necessary knowledge. According to Proctor (2008) this strategy can be considered as way to grow and revitalize the business. Some of the benefits of diversification are:

- Product variety;
- Larger amount of markets covered;
- Improvement of technological capacities;
- Economies of scale;
- Cross selling;
- Brand equity;
- Reduced risk.

This grid is useful to identify the company's growth opportunities. The three first strategies are indicated by some authors as the "first level growth strategies" and the fourth one as the "second level growth strategy" since it is the most ambitious, it has the highest risks and it is a complete change in the corporate strategy.

		Products	
		Existing	New
Markets	Existing	Market Penetration	Product Development
	New	Market development	Diversification

1.2 External Development

The diversification strategy in the majority of the cases can't be developed only with internal resources. Pellicilli (2010) listed four possibilities that may be taken into consideration, merger and acquisition, strategic alliances, venture capital or franchising.

A merger is the integration of two separate companies into one, the new firm can be renamed or combine the two old names to still make the link in consumers minds. Usually the mergers occur with firms with the same dimensions and with the agreement of both parts.

On the other hand, the acquisition is the incorporation of a smaller firm in the structure of a bigger one. The acquired company can be integrated as an independent entity inside a group or it can be integrated in an existing firm. As an opposite of the mergers, the acquisitions can be hostile.

This strategy has several advantages such as:

- The possibility to overcome barriers such as licenses to produce and the customers' loyalty;
- The acquisition of market share, allowing for a quick increase of clients;
- The sector control, through a consolidated position;
- The know-how acquisition;

- Combined strengths in terms of R&D, marketing, financial resources, negotiation power, among others.

The cons are related with higher prices and less choice for consumers given the increased power of the new company, possible job losses, leadership issues and diseconomies of scale due to the increased dimension.

But not all the mergers and acquisitions turn out as expected because of the different reasons such as the objectives are not clear, there are integration difficulties, the evaluation of the situation isn't the correct one, there are changes in the context or even due to the competitors reaction.

Regarding the strategic alliances, the joint venture is a particular kind that can be described as a short-term partnership where each person or organization shares the risks, the costs and profits. This strategy is normally used when one of the partners has the means like the financial resources or the technology but needs the know-how of a certain geographic market or in a new business. It can also occur when both parties invest the same amount of money. So they take advantage of the strengths of each one of the companies.

A joint venture can be beneficial given that the expenses are usually divided between the partners, making it easier to invest in new projects.

The advantages of this option are:

- To achieve the market leader position;
- To surpass competitive disadvantages;
- To reach the main markets;
- To fix product standards;
- To decrease the R&D investment costs.

The downside of this strategy is the possibility of significant loss of control.

Another disadvantage is the possible responsibilities for the firm if something goes wrong with the alliance, as the reputation would be affected.

Venture capital is another way of external development by entering a new business through the acquisition of a small part of a company with a potential to grow, preferably on an early stage of the life cycle. A high percentage of this movement is related with technology companies, with a good business model or

with a new idea of a product or service. With this strategy both parts win, since the new company probably don't have the means to expand its activity due to the lack of loans to startups and the existing company can take advantage of the know-how developed.

Some problems can emerge as the lack of capacity to manage the venture, the different goals, legal problems or a time horizon not adequate to the situation.

The last option to growth is by franchising or licensing. As an alternative to purchase of an organization, the company can obtain the right to use a brand, a patent or the know-how in exchange of a payment in the case of licensing. The rent is calculated taking into consideration the profit or the proportion of sales got by the use of the intellectual property. Licensing can be a way to broader the use of the intellectual property without investing capital and keeping the control, but taking the risk that when the contract ends the licensee can use the knowledge acquired to become a competitor. From the licensor point of view the disadvantages are the loss of contact with the final consumer, the loss of control on part of the production process, the split of profits and the risk of imitation. Franchising is similar to licensing with the difference that the franchisor provides the business idea, the brand and the product or service to the franchisee.

According to Lafontaine (1992) the contract usually implies a payment of a fee and a proportion of the sales as royalties for the right to sell franchisors products or to use his business model for a certain amount of time.

Some of the advantages of this strategy are:

- The small amount of investment needed;
- A certain control over the distribution activity;
- The franchisee is the one that takes the risks.

But the lower contact with the customers, the lack of control over the franchisee activity and the sharing profits are the disadvantages of this development strategy.

1.3 New markets: Entry strategies:

Porter's 5 Forces could be used for the analysis underlying the choice of the new market as the attractiveness of the market depends on several factors related to the industry structure.

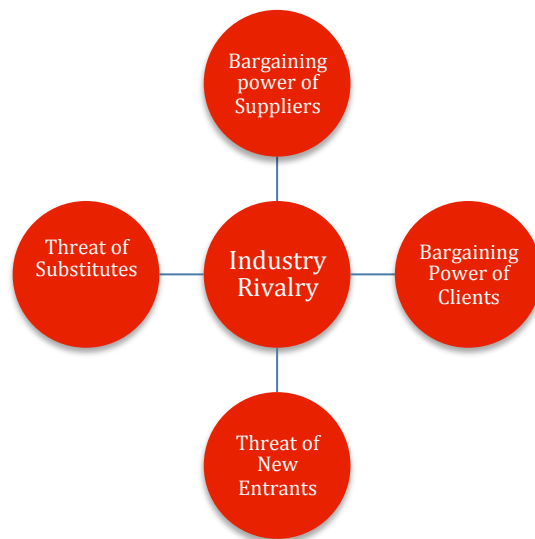
Research has shown that there is a connection between the sector' structure, the strategy of the companies operating in it and the obtained results.

Michael Porter in the beginning of the 1980's integrated the several thoughts of previous researchers into a model that studies the sector in which organizations operate, the Porter's 5 Forces.

The forces are:

- Bargaining power of suppliers that can be related with the degree of input differentiation, the distribution channel and the switching costs.
- Bargaining power of clients can be influenced by the clients' concentration ratio, firm's degree of dependency, availability of substitute products and customer price sensitivity.
- Threat of new entrants can be associated with the opportunity of scale economies, access to technology necessary to operate in that business, product differentiation, switching costs and access to the distribution channel.
- Threat of substitutes regards the ease of substitution, the quality/price relationship of the substitute product and perceived product differentiation.
- Industry rivalry can be related with the number of competitors and their dimension, their level of development, product characteristics, cost structure exit barriers among others.

The more intense the five forces are, the smaller the capacity of the company to increase its prices, and therefore its profitability.



There are four elements to guide through the market choice, Pellicelli (2010):

The company, meaning the management attitude can influence the decision. A more cautious and risk averse orientation will avoid markets with very good opportunities but with some instability and uncertainty. The availability of resources has a positive effect on the choice.

The market characteristics can have an impact through the demand potential, income level, population details, propensity to consume, level of integration with the other markets, dimension of the market, distance from market where the company is present, among others.

The sector structure is also important for the decision, if there are a few firms dominating the sector the managers will prefer to avoid the competition and will choose the market where the leader is not present. But if the sector is a fragmented one the risk perception about the competition will be smaller.

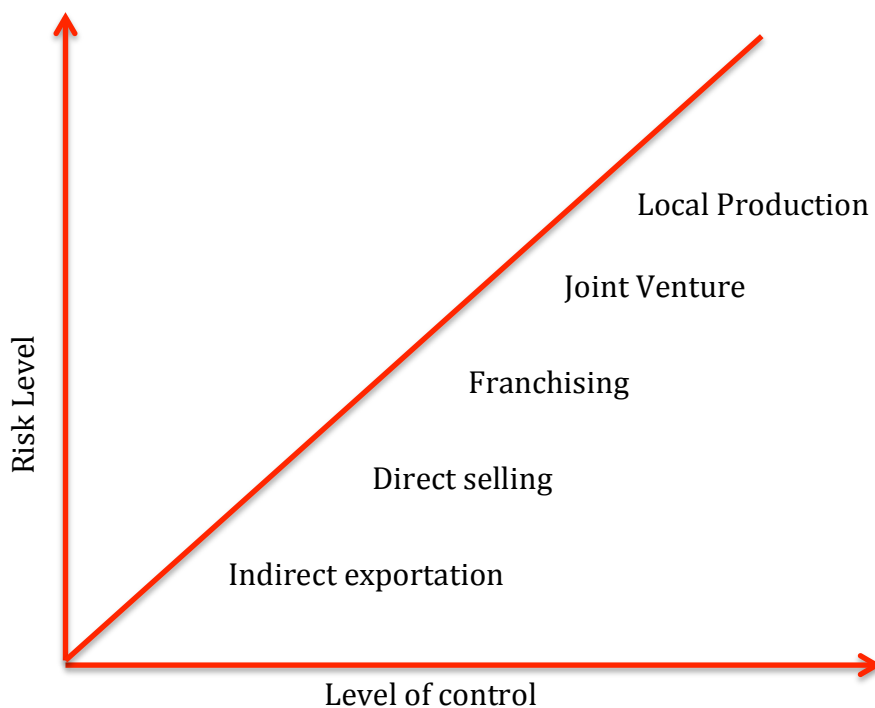
And the competitors' strategy, the price, the service, the innovation factor can also have an impact on the market decision, as well as their reaction to the entry of a new company.

Pellicelli (2010) also stated that the choice of the way to enter a new market requires the joint evaluation of the three factors: the cost, the level of control and the degree of risk of the investment dimension.

The company will face a lot of trade-offs, if the management decides to sell exclusively through intermediaries, the cost and the risk will be low but it won't have much control.

According to Carter (1997), the three entry strategies in an external market are:

- Indirect exportation through export companies or trading companies;
- Direct selling through distributors, agents or sales channels;
- Market integration through local production, contract manufacturing, licensing, franchising, joint venture among others.



2. The Brand:

2.1 Targeting and Positioning:

The companies must try to fulfill the needs of those customers that the firm's products or services characteristics match the best. Consumers have different needs, tastes, behaviors that must be addressed with distinctive and specific strategies. So the companies should understand which group of customers (segment) and their characteristics they want to target. (Kotler, Armstrong, Wong and Saunder, 2008)

The segmentation can be:

- Geographic
- Demographic
 - Age
 - Gender
 - Income
 - Occupation
 - Education
 - Religion
 - Nationality
- Psychographic
 - Social class
 - Lifestyle
 - Personality characteristics
- Behavioral
 - Consumer Knowledge
 - Attitude, use or response towards a product

The company after deciding the targeting in which it will focus its business, must choose the value proposition, how the product will be placed on consumers'

minds in comparison to competitors, the positioning. This concept was first mentioned by Jack Trout ("Industrial Marketing" Magazine, 1969).

The positioning of a product takes into consideration several aspects such as the impressions, feelings and perceptions of customers regarding the firm's products. Those aspects influence the decision making process of a purchase, because unconsciously the consumers categorize the products.

The organization should differentiate its offer by creating a distinctive roll of benefits to generate interest for a particular group of customers within the segment. The differences offered to the consumer should be based on sustainable competitive advantages to prevent the competitors to copy the positioning.

There are three kinds of positioning concepts, the functional, the symbolic and the experimental position, Banerjee (2013).

The first one is designed to solve consumer's problems and needs as well as providing them the benefits they are looking with the purchase.

The second is related with the feeling of belonging to a specific segment, the emotional and affective part of the purchase.

The experimental position is able to deliver different sensory and cognitive stimulations to attract the customers.

The development of a unique selling proposition (USP) is defended by Rosser Reeves (1961), where each company should choose only one different attribute and focus on being the best at it.

"Differentiation represents an imaginative response to the existence of potential customers in such a way as to give them compelling reasons to want to do business with the originating supplier." (Theodore Levitt, 1983)

On another hand, there are other marketers that believe that a company can't develop only one attribute, but several to try to reach more segments.

The differences must be important, distinctive, superior, communicable, pre-emptive, affordable and profitable.

The strongest brands don't rely only on the benefits and attributes but on values and beliefs. There is a heavy emotional part related to the brand engagement.

After its definition, the firm must do an effort to correctly communicate and provide that position to the potential consumers.

IV- Teaching Note:

1. Case Overview

The case study is about Santini, a traditional company that has been in the same family hands for three generations and which main activity is the production and sale of artisanal ice cream.

Atilio Santini, the first owner of the brand and grandfather of one of the present partners, Eduardo Fuertes, opened his first store in Tamariz beach, one of the most popular and well attended at that time. Five years later he closed the beach store and the second one in Cascais, finally being able to open another shop at the center of the town.

Mr. Santini was always known by his sympathy and for caring about his customers, so he was able to develop a special connection with everyone that came to try his ice cream.

Eduardo Fuertes worked his whole life on the family store helping his parents but he always had the wish to expand the brand. So in 2009 Santini family decided to open their capital to the Botton family, this way they could become a more professionalized company since Eduardo had no experience in business rather than making ice cream.

After the merger, the one in Mercado da Ribeira, which is a smaller store with the fewer ice-cream flavors, the factory store in Carcavelos and the most valuable one, in Chiado, where the amazing location allows to reach not only the Portuguese customers that recognize the brand but tourists as well. The ice cream can also be found in selected restaurants and in the gourmet supermarket, El Corte Inglés. The owners tried to maintain the exclusivity of the brand.

The products are manufactured with high standards and with fresh raw materials, nothing is mixed to preserve the ice cream for a longer period or to give it an extra flavor or color. The high quality of the products was always the major concern of the owners together with the constant innovation.

The case study explains the current situation of the company and its position on the market. Its plans to expand to Porto are described in the case; followed by the problems and decisions it would face to pursue this dream.

In the decision making process of the location of the new store the seasonality factor is a constraint.

Santini has still all the possibilities opened regarding the strategy for its new store and the logistic issues but one thing is sure, the quality of the products and the brand positioning can't be damaged.

2. Teaching Note objectives

The case study has two main parts. First the development and growth after the merger with the Botton family resulting on an entire re-branding and reorganization of the company and the decision of the best growth strategy that the firm can adopt to move from a local to a national company.

This issue could be helpful for a marketing course, a brand management course, consumer behavior course or also for strategy classes. The case can be a relevant tool for students to understand the variety of techniques that the managers have available to fulfill the customers' needs and try to create a personal and affection bond. During the in-class discussion, the instructor can analyze the expansion strategy and the marketing mix developed by the firm.

The second issue, concerning the expansion strategy for the ice cream brand, would be interesting to be studied in strategy classes where the instructor could take advantage of the different possibilities for growth and discuss what would be the advantages and disadvantages of each one, considering all the factors and implications. The competitive environment and the internal resources are some of the aspects that can influence the decision, and the case study also provides information that can be useful to understand those concepts.

In both areas of interest the instructor should make the case available for students prior to the class, in order to allow for a challenging in-class discussion.

3. Assignment questions:

The following questions are suggested in order to help students to prepare for the in-class discussion:

- 1) What has been the strategy of Santini?
- 2) What are the main problems of the company?
- 3) If you were Eduardo Fuertes which strategy would you chose for Santini's expansion?

4. Class Plan

This section provides guidelines for instructors to conduct a class discussion:

- A)** How would you describe the ice-cream market in Portugal?
- B)** Describe Santini' strategy since the partnership?
- C)** Characterize the brand consumer and the approaches to achieve their loyalty.
- D)** What are the main problems that Santini is now facing?
- E)** How should the company deal with them? What opportunities are open to Santini?
- F)** Which are the alternatives to the Santini's growth strategy? Reflect on the pros and cons of each option.
- G)** If you were in charge of the growth decision, what would be the strategy you suggest for the company's future?

5. Analysis

A) How would you describe the ice-cream market in Portugal?

The surrounding environment has a huge influence on the company's performance. The consumer behavior, the competitor' strategies, the political factors and so on can affect the firm's future.

The market in which the organization operates has a complex structure and faces constant changes. So it is important that companies are aware of the possible reality shifts.

The Porter's 5 Forces analysis can help us understand the market/industry structure.

Regarding the bargaining power of the consumers we can consider it moderate since there is a large variety of ice-cream stores with different ranges of price but also with significant differences in terms of quality. The loyalty factor that has been influenced by the products quality and exclusiveness, turns it difficult to simply change from a Santini's ice-cream to another even with no switching costs.

The negotiation power of the suppliers can be moderate to high given the quality and the artisanal way of producing the ice-cream. The raw materials and the necessary components to produce the good are highly linked with Santini's success, so changing a single suppliers or product could damage the final result. Santini works with the same suppliers for a long time and as the ice-cream has no preservatives or additives, the products must be always fresh and have an high quality, so in this case, the differentiation of the inputs is significant and harder to substitute.

In the ice-cream market there is a high threat of substitute products that can be translated in the lower probability for the company to achieve high profits. The competition pressure doesn't affect only the price but makes it easier to compare the quality and the performance of the products. The availability of the ice-cream, specially during the summer is also an important factor to choose substitute products or brands. The ice-cream can also be substituted by other kinds of deserts, refreshing drinks or candies.

Even though the ice-cream market is in the maturity phase and there are already a lot of well-established brands operating in Portugal, there is a recent trend of eating healthy and natural products that has been growing. This could represent a threat of new entrants. But there are also a lot of difficulties to enter this kind of market such as the operative capacity, the complex production activity, the access to distribution channels and technology, finding good locations, and the high initial investment needed.

Concerning the rivalry among existing competitors it can be considered to be medium to high depending on the category. The impulse ice-cream and the take-home one have a stronger competition due to the international level of the

companies operating in this segment and the huge scale at which they produce which turns the competitive scenario harder.

On the opposite side, the artisanal ice-cream and the frozen yogurt segment operate at a lower scale and with fewer competitors, making it easier to leave the market.

Despite the economic crisis, the 2,6% growth rate in the ice-cream annual consumption and the moderate risks associated with this market represent a considerable attractiveness of the ice-cream industry where there is enough space to grow and develop. To succeed, the company must bet on differentiating factors and try to fulfill the consumer's needs in order to get a consolidated place in the market.

B) Describe Santini' strategy since the partnership.

Eduardo Santini's dream was always to be able to transform the family company into a national brand, but until 2009 the firm didn't have the means to do it. At that time with the entry of the new partners in the firm's capital, a new chapter was about to start.

With the experience and background in management of Martim Botton, the other partner, the expansion would be easier.

The growth strategy was adopted by the company, starting with the opening of a new store in Chiado, a completely different place from what they were used to, that proved to be a huge success since it is a very busy area with a lot of tourists. Santini's owners also decided that a re-branding was necessary to standardize the stores and give a cleaner and modern aspect to the brand but always keeping in mind the traditional aspects like the slogan – *il gelati piu fini del mondo*.

The stores were redecorated; the uniforms were changed and so were the glasses, napkins, loyalty cards, the transportation van and so on.

Due to the increase of the ice-cream consumption with the Lisboa store, which became the one with higher revenues, Santini felt the need to increase the production with the construction of a new and bigger plant in Carcavelos.

Another two stores were inaugurated, one in the new plant building and another one in Mercado da Ribeira.

The company always tries to place the stores in busy and trendy locations, where they can maximize the brand exposure and number of visitors, with the exception of the plant stores, whose location was selected by accessibility and lower land prices criteria.

For the growth strategy of the company, the partners opted to open their own stores, leading to a higher level of debt but giving them a higher level of control on the operations, service provided and the quality of the products. The firm didn't want to lose its differentiation positioning, so keeping the new stores under the owners control allows them to continue to be recognized as a premium and exclusive brand.

The production was also centralized in Carcavelos, which is in the middle of the other stores locations, and recently the transportation started to be done with internal resources, so it is visible that the company is making an effort not to depend on others.

C) Characterize the brand consumers.

The perception and beliefs that the consumers held about a brand and the product sold can be helpful to understand the type of customers and their needs. To get some outcomes and not base this answer only in my particular opinion, I decided to run a survey via Internet to perceive who are the Santini clients and what is their opinion about the brand and its elements.

The survey outcomes can be found in Appendix 1..

The three expressions that the consumers think that better describe the brand are quality, fresh/natural products and tradition.

The general consumer can be influenced by several factors in order to make a single decision. Some of those factors are related with the brand, meaning the product, price, promotion and place, and some are external like economic, political, technological or cultural issues. However the cultural factors are the ones with a higher and deeper impact on the consumer's decision.

An interesting fact about Santini's clients is that there is a familiar bond with the brand as if they were part of the history of the most famous ice-cream in Portugal. The tradition of choosing this brand has been passing through

generations, as well as the idea of exclusivity related with the high prices that are practiced and are not affordable by everybody.

D) What are the main problems that Santini is now facing?

Santini has some internal and external factors that negatively influence and could limit its performance.

A distress faced by the company is the difficulty to scale given the artisanal production and the fact that the recipe is still a secret that only one of the partners knows, so the ice-cream can't be manufactured in two places at the same time. This means that if they want to expand at a national level they will have to deal with high transportation costs.

Santini is a well-known brand specially in the Lisboa area but recently the number of competitive ice-cream sellers has been growing as well as the number of substitute products. Those rivals can affect the brand's revenues and even the brand image if they are able to provide more benefits to the consumers, mainly in terms of quality.

Seasonality is another problem that the company has to deal with. Its main product, the ice-cream presents different consumption frequencies during the year, given the characteristics of the good and the eating habits. So a solution should be found to standardize the sales in the high and low season.

The constant price increases together with the financial problem that the country is facing contributes in a negative way to the consumption level, because even with the premium products, a 10 cents increase in 2014 can't be justified with the quality increase or the inflation factor (-0,28% in 2013) or the VAT increase since it was kept stable. In my opinion the owners should carefully analyze this matter.

Another weakness of the company are the long lines that the consumers have to face to get an ice-cream at the busiest stores like Chiado and Cascais, specially during the summer months, although the lines also stimulate some curiosity among the tourists that are not familiar with the brand.

The accessibility of the less crowded stores can also jeopardize the firm's objectives. The Carcavelos store, despite being a good location for a plant, isn't a

busy area. In addition, the São João do Estoril store hasn't an easy access, making it more difficult to park the car.

E) How should the company deal with them? What opportunities are open to Santini?

There are some measures and actions that the company can take to overcome the constraints.

Regarding its problems to scale and their intention to become a national brand, at a certain point the original owner will have to share the secret of the recipe. The construction of a new plant in another location would be a good idea and it would help them reducing the transportation costs and maintaining the quality of the ice-cream.

To fight the increasing competition, the company has to make an additional effort to keep going with the innovation and diversification of products to present to its customers without deviating from its main product, the ice-cream and always focusing on the excellence of the products.

The seasonality is not easy to overcome specially with this type of products but the company can play with the flavors and create some hotter products as they have been doing. Transforming the stores in a cozier place where the clients feel warm and comfortable during the winter season can also be a good measure to fight this threat.

The company could improve the long waiting lines by setting a second cashier at the busiest stores during the summer. This measure would help reducing the waiting time, and would avoid that clients quit without buying.

Regarding the two less crowded stores, the owners could think of the possibility of downsizing the working hours of the Carcavelos store given that it is not a busy location. The store in São João do Estoril has been closed during the winter but even in the hotter season it is located at a difficult access place, so it would be probably a good idea to apply the store resources in another place where the investment would bring better results, like a touristic area in Lisboa, for example.

Santini is a really well known company mainly at a local but also at a national level and there are some opportunities that the firm could take advantage. This factor together with its popularity among the tourists allow them to have almost guaranteed success in any store they open. The brand accomplishment is mostly due to the quality of the products. Eduardo Santini makes the effort to always have the fresher and the best ingredients possible, otherwise he would prefer not to sell them.

This permanent concern with the well-being of the customer and the artisanal way of production, where the secret of the recipe has been kept for three generations, generates customer's loyalty.

The proximity and the familiarity that is transmitted to the consumers is another reason that contributes to the high brand value.

Given the know-how of the partners, the company could bet on the production and marketing of healthier products, following this trend that has been adopted by many followers in Portugal. As they already do for the allergens, a map of the calories could be available at the stores. And pursuing their diversification path, some products related with fruits and cereals could be created like the famous acai that could be mixed with a lot of ingredients.

Considering that in Europe the largest ice-cream segment is the take-home, the firm should consider this opportunity to take advantage and improve its delivery service. At the moment this service is not as advertised as it should be, so the clients are not aware and informed of the kind of service provided. So with more customers, the less time the service would have to be booked in advance, making the service better.

F) Which are the alternatives to the Santini's growth strategy? Reflect on the pros and cons of each option.

Santini's main objective is to grow as a brand, increasing the targeting and being able to reach different consumers.

Regarding this goal, the company may opt among some strategies that potentiate the expansion.

According to the Ansoff matrix, there are four possible strategies: market penetration, product development, market development and diversification.

The market penetration would imply focusing on their existing products and on the actual market. This way Santini would be able to increase the sales volume of the actual consumers and probably reach other consumers as well. It could be a good opportunity to consolidate their position on the Lisboa market and concentrate on the quality of the products, the most valued aspect for their consumers.

Product development can be defined as creating new products for the existing market and Santini has been following this strategy by always trying to innovate with new flavors but also with new products like the crepes and Suspirini. This tactic is quite helpful, specially to fight the seasonality. But during the summer, this could be their bottleneck, not only in terms of time loss to serve this products but also by jeopardizing the ice-cream production and its quality.

The market development strategy consists of entering new markets with the existing products. This could be a good idea to reach a larger number of clients and increase the revenues but there would be some logistical problems with the production of the ice-cream, since only one of the owners knows the recipe, and with the transportation process. It would be very difficult to inculcate the brand image and the same feelings for the brand like the actual market consumers have.

The last alternative, diversification is the introduction of new products in a completely different market. In my opinion it's not the right choice for Santini. Although the market is quite saturated, there are still opportunities to grow and the brand is known by its product qualities. So, shifting to a new project wouldn't be a good strategy, at least in the short-run.

Considering the options Santini has for financing the expansion, internal or external resources can be used.

The external options are: merger and acquisitions, strategic alliance, venture capital and franchising.

Santini was recently 50% acquired by the Botton family but in my opinion the brand has still no means to merge with or acquire another firm even though it would be helpful for them since it would be easier to overcome some operational barriers of expansion and the percentage of market covered would be higher.

The second option is to use strategic alliances where there is a short-term partnership and the possibility of taking advantage of the other company's know-how and strengths. In this case, the entry in a new market would be facilitated by the alliance. At an initial phase this strategy would bring better outcomes, but they would be shared.

Venture capital wouldn't be suitable for Santini given the high investment in a company that is at an early stage of life and still doesn't have the necessary experience to help the brand to grow.

As a final option, there's franchising, a great opportunity for the brand to expand without taking many risks and with a low investment. On the other hand the owners would lose some control on the brand's operations and it could damage the brand image of a family company.

An alternative is to use their available internal resources. That means a higher investment and an increased risk since they have no experience in other markets or products. This strategy would also allow them to keep the control and preserve the brand values.

Santini has a lot of possibilities for the expansion strategy, all of them with advantages and disadvantages.

G) If you were in charge of the growth decision, what would be the strategy you suggest for the company's future?

In my opinion, the two options that are more viable for Santini's expansion are either growing with internal resources or to opt for a franchising strategy. The first one has the benefit to preserve the brand image and the second one allows a quicker expansion with lower risks.

If I was the in charge, I would prefer to invest in fully owned stores, at a slower pace given the high investment needed to finance this project and to give time to each store to consolidate.

It will be really hard to replicate the same feeling of belonging that the actual consumers have in a new market, so the company should pay a special attention to the marketing area. Their technique of trusting the word-of-mouth and just publicize on Facebook and their website won't be enough for a market where there is no tradition to eat Santini's ice-cream.

The owners can take advantage of the "vantini" and place it at busy locations to trigger the experience and the brand recognition.

Regarding the place, the company should choose a touristic location but it has to be a place where the locals go on a regular basis. The new stores should have a good accessibility and available parking lots nearby. Due to the seasonality factor, the store should open right before the summer season since it is the highest revenue generating period, the brand would get more visibility and if the clients enjoy the experience it would be easier to retain them for the rest of the year.

In the beginning I would only make available the ice-cream, because it's the only product they need to become a success and it wouldn't deviate the attentions, neither of the customers nor the sellers. The introduction of the other products should be scheduled to the colder months to avoid the seasonality problem.

The price is another important factor, specially when the company is entering a new market. From my point of view the brand cannot increase the price even if it has to incur in more operational costs to get the products at the store. They already have a premium price and they shouldn't take the risk to increase it in a place their reputation is still unknown.

Last but not least, the firm must carefully analyze the operations management. The new plant has a considerable amount of non-used capacity that is sufficient in the short-term. But if the partners want to keep expanding outside the Lisboa area, only one plant won't be enough and the high transportation costs can compromise their profits and the quality of the products.

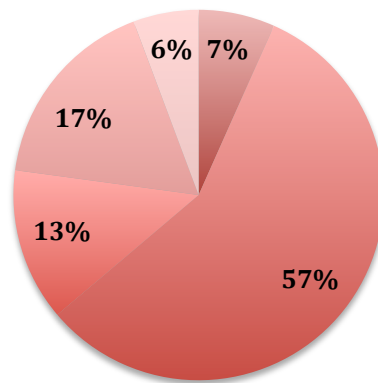
With this strategy, Santini will have the opportunity to expand without damaging the brand image.

6. Appendix 1:

Internet Survey Results

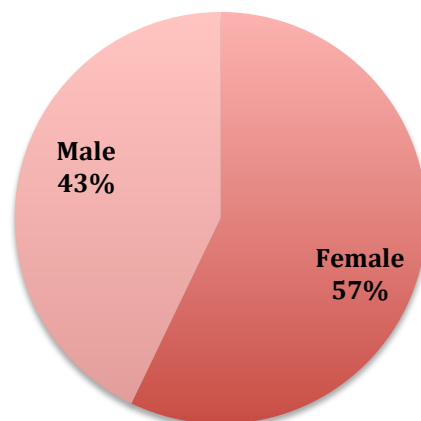
I) Age:

■ <20 ■ 20 - 25 ■ 26 - 35 ■ 36 - 50 ■ >50



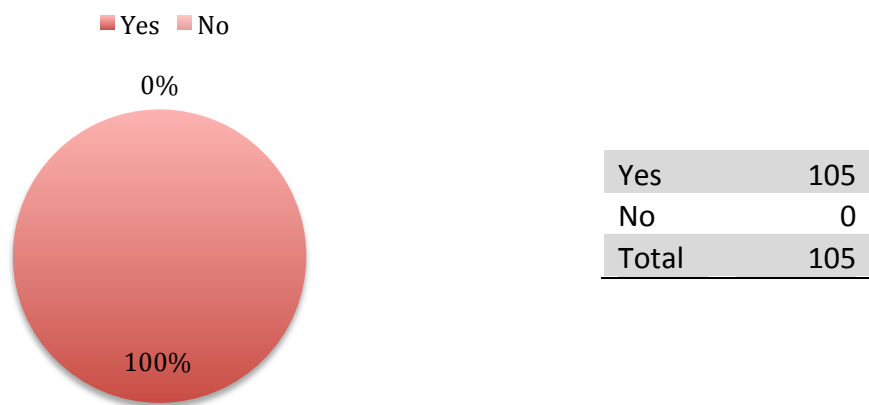
<20	7
20 - 25	60
26 - 35	14
36 - 50	18
>50	6
Total	105

II) Gender:

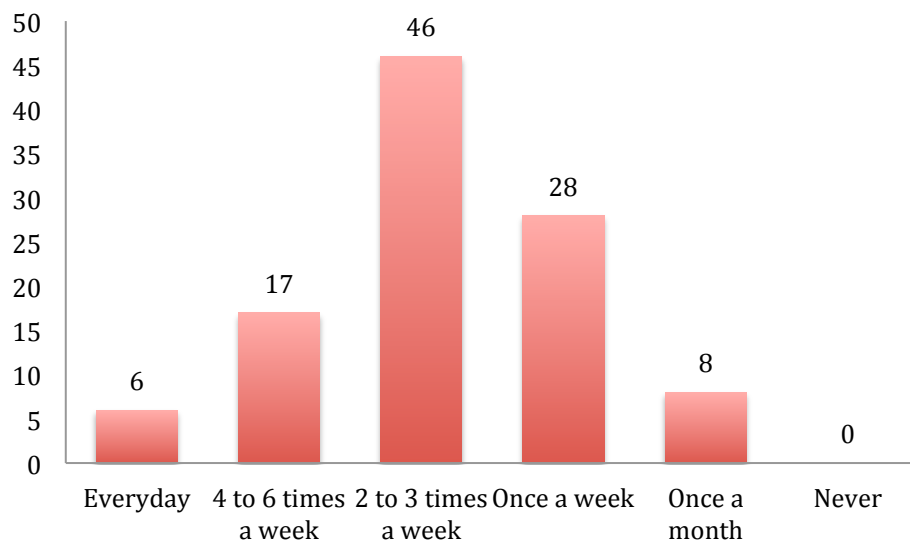


Female	60
Male	45
Total	105

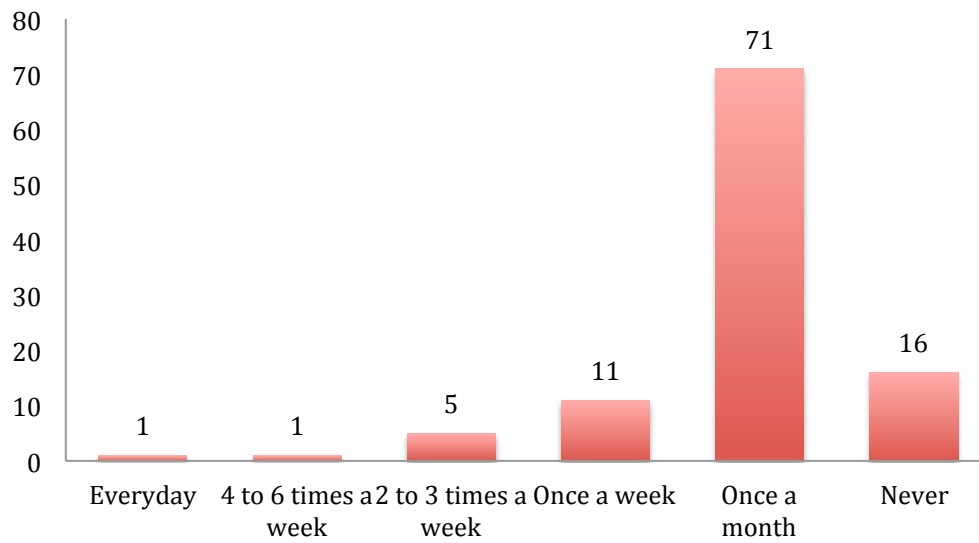
III) Do you like ice-cream?



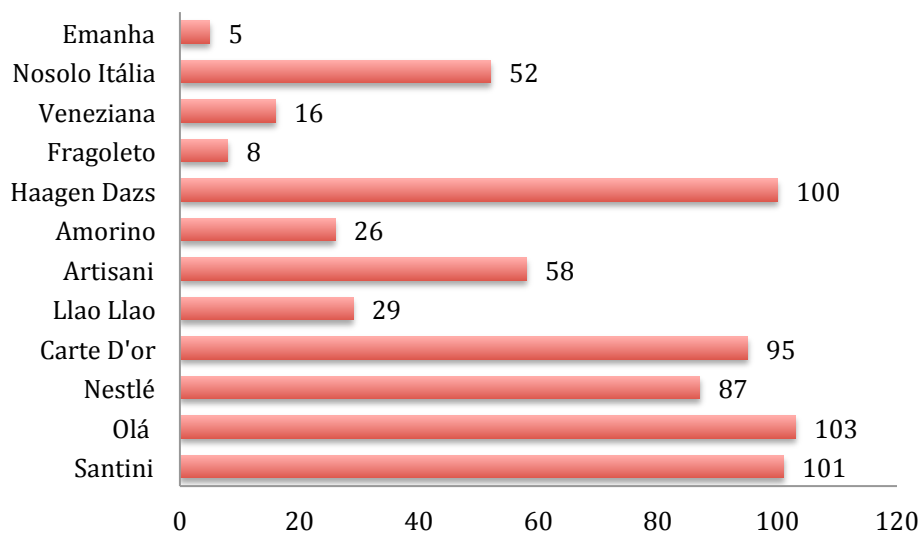
IV) During the summer, how often do you eat ice.cream?



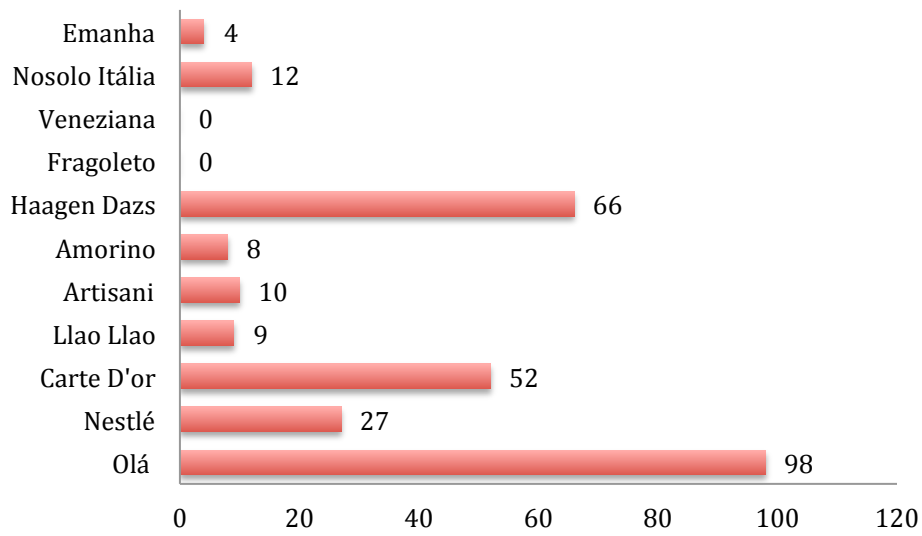
V) During the other seasons, how often do you eat ice-cream?



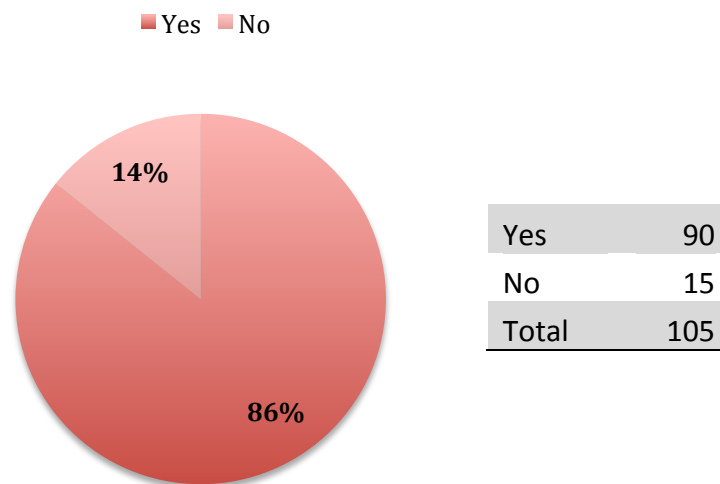
VI) Which of the following brands are you familiar with?



VII) Which of the brands do you use to buy?

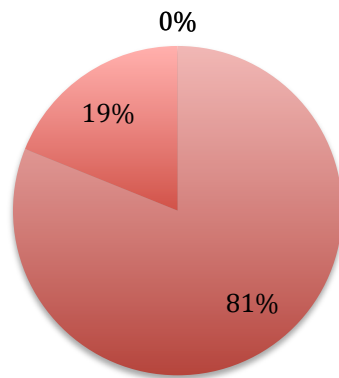


VIII) Do you consume Santini's ice-cream?



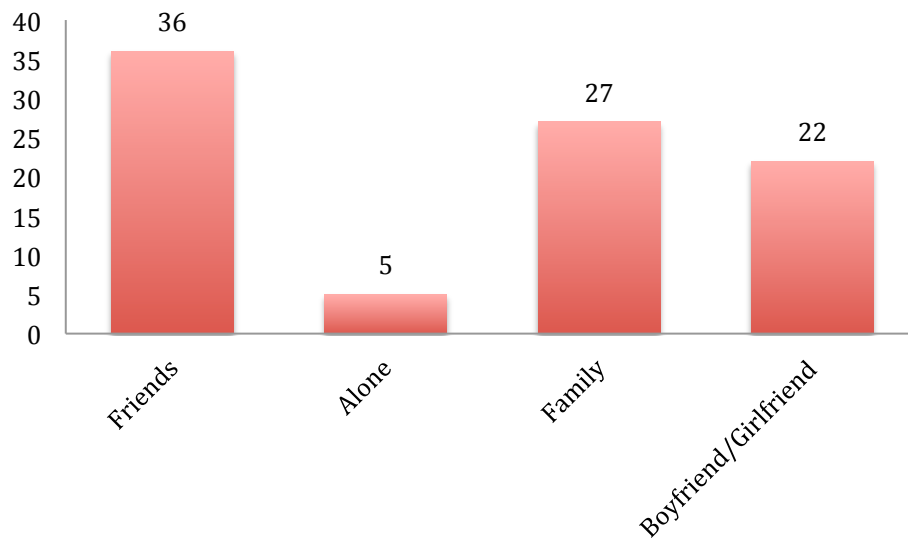
IX) Which one is closer to your purchasing behavior?

- "I go there on purpose" ■ "I'm passing by"
- "I order for home-delivery" ■ Other



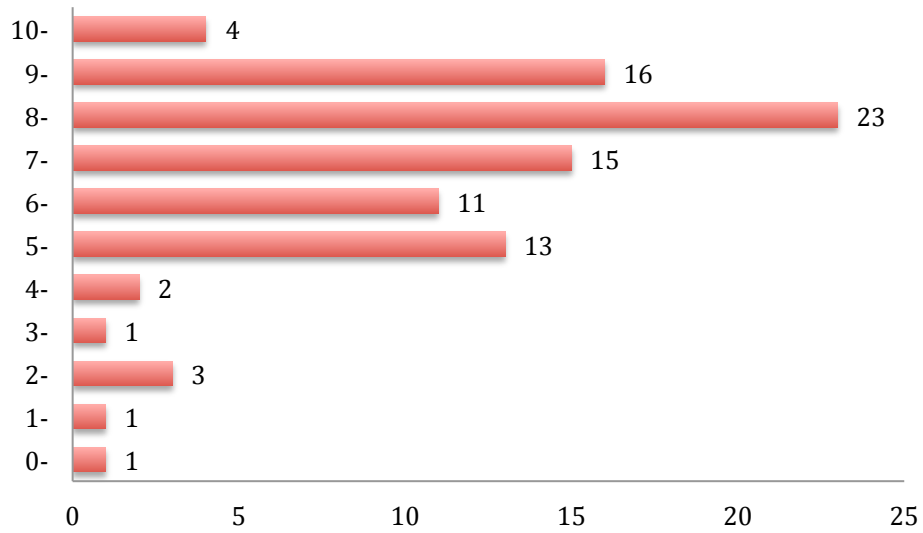
"I go there on purpose"	73
"I'm passing by"	17
"I order for home-delivery"	0
Other	0
Total	90

X) When you go to Santini, you use to go with...

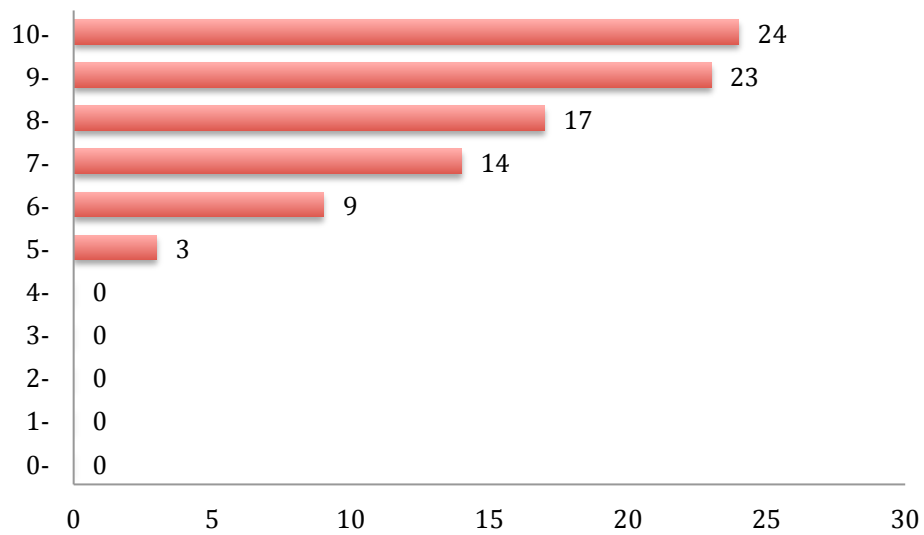


XI) Characterize the following aspects (0- very low and 10- very high):

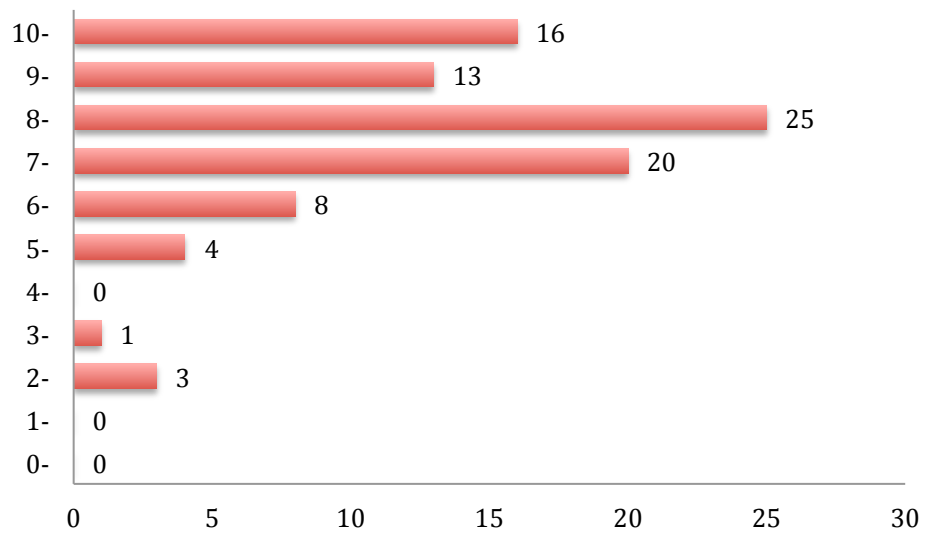
Price:



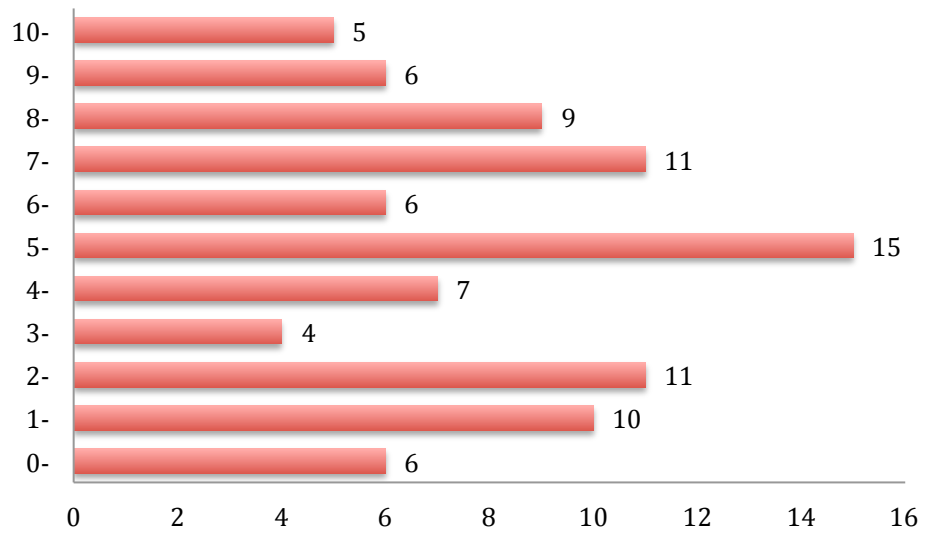
Product Quality:



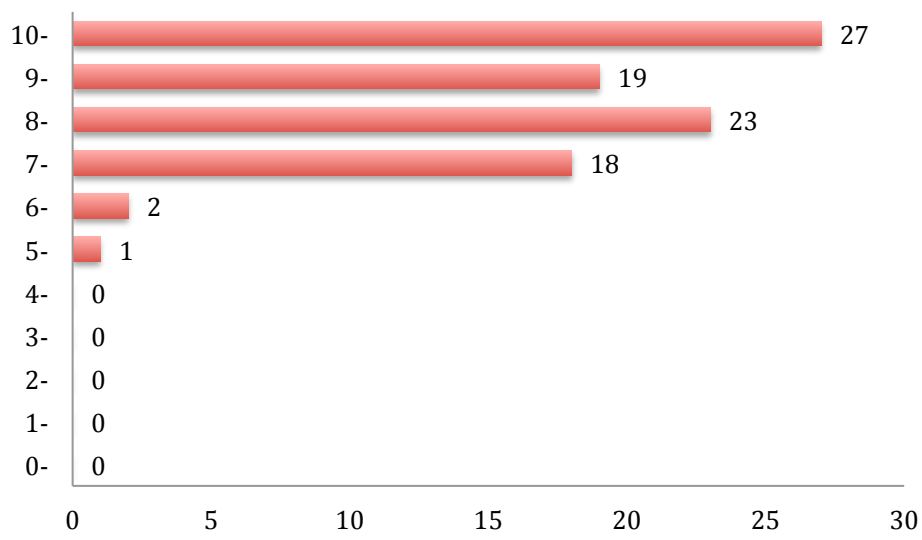
Service Quality:



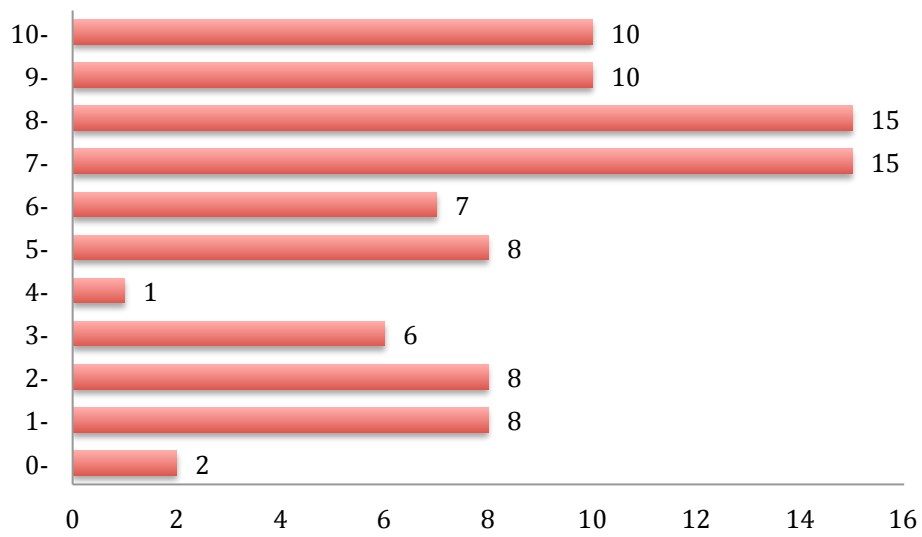
Waiting line:



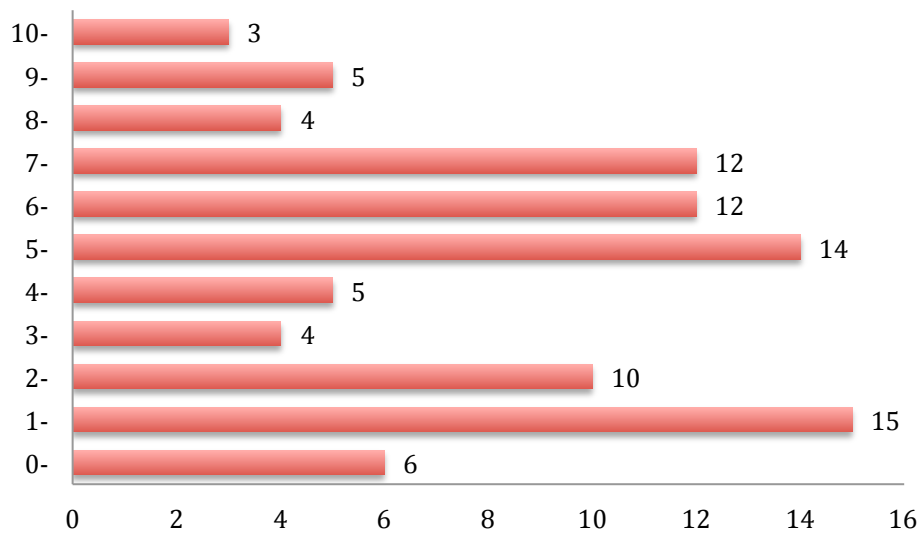
Variety:



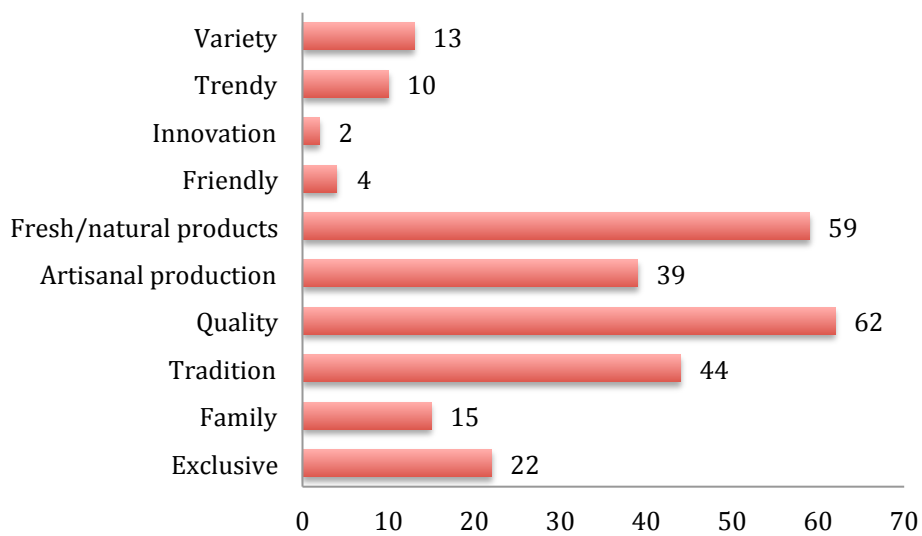
Accessibility:



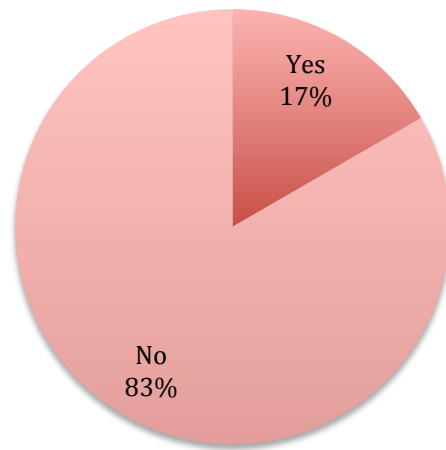
Advertising:



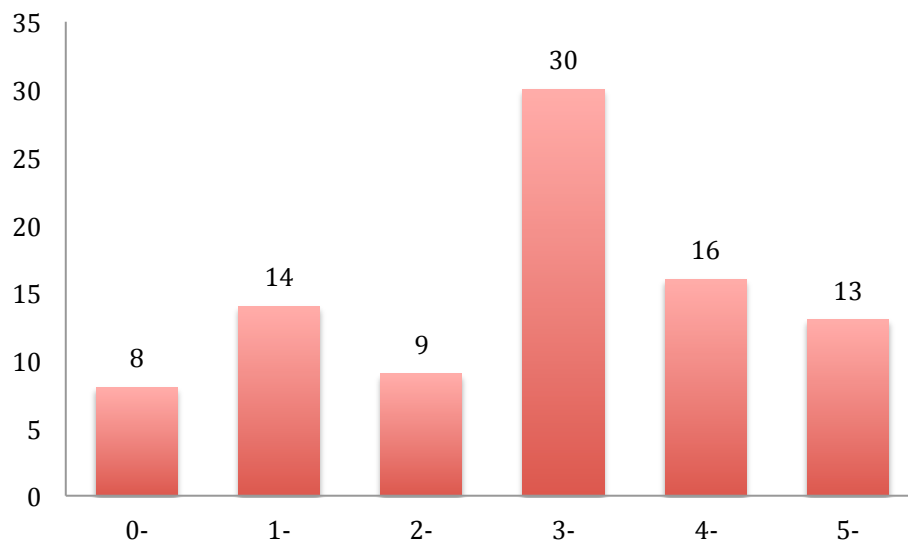
XII) Among the following words choose three that you think better describe Santini's brand.



XIII) Since the expansion (the opening of Chiado store), did you notice any difference in the quality of the ice-cream?



XIV) With the opening of more stores, do you think that the brand could be affected? (0 – low impact and 10- high impact)



Main results:

From the 105 answers, there was no one who didn't like ice-cream. Regarding the frequency of ice-cream consumption I decided to divide it into summer and winter seasons since the product sales are highly related with seasonality. So in the warmer months, 43,8% of the inquired people eat an ice-cream 2 to 3 times a week, while during the low season 67,6% consume only once a month.

With respect to familiarity with some ice-cream brands that are present in the Portuguese market it was possible to verify that none of the mentioned brands were known by the entire population, but Santini, Olá and Haagen Dazs were the ones that scored higher in terms of popularity. Even Artisan, Santini's direct competitor on the artisanal segment was only familiar to 55% of the respondents.

Concerning Santini's consumption, 14,3% of the inquired don't eat the brand's ice-creams and the remaining defined as their purchasing method going to a Santini store on purpose (77,8%). When it comes to the companionship, 40% use to go with friends, 30% with family, 24,4% with girlfriend/boyfriend and 5,6% on their own.

When asked about what is special about Santini, the answers were related to the natural flavor, the quality and variety of the products, the artisanal production, the tradition and familiarity of the brand as well as the exclusivity.

Regarding the classification of specific brand aspects, the respondents considered as significantly high the quality of the products, the variety and the price, and a relatively high quality of the service. The waiting line, advertising and the accessibility are the aspects that were ranked lower and with a higher variance among the population.

V- Conclusion:

The elaboration of this dissertation allowed me to directly contact with a small Portuguese company that is starting to follow an expansion path. This closer relation made me understand the daily problems the firm has to deal with and how the partners organize themselves and make the strategic decisions in order to solve the complications.

I was able to deepen my knowledge about the ice-cream industry and to better understand the four segments in which the market is divided as well as the firm's main competitors.

During the process I had the opportunity to realize the constant concern for the quality of the products and consumer's needs. Santini has a special focus on the positioning of the brand and it is one of the reasons why it succeed in the first place.

The company has different possible strategies to achieve the desired expansion, by growing with internal resources keeping the control of the brand or by franchising the concept and expand at a faster pace. But the company cannot neglect the increasing competition if they want to remain leaders of the artisanal segment.

The most significant problem faced during the elaboration of this Master Thesis was the lack of accessibility to the financial data of the company due to internal policies.

It would be interesting for further research to analyze the results of the company's expansion to Porto and to study the possibility of an international growth.

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