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1. Introduction

Mallorca is the Balearic Island that exports the largest amount of goods and services worldwide, while the set of islands exported more than a billion of euros in 2017 (see Exhibit 1). Thanks to its exceptional geographic location and its sensational transportation links, they have become an ideal launch pad for business. The current economic crisis has led many companies to look for alternative sources of income beyond its frontiers, so today internationalization is seen as the core activity of the company for many enterprises rather than just as an opportunity. By 2017, Balearic Islands headed the Spanish increase in exports by a growth of 59%. In that year, the average stay of Russian visitors on this island was 8.43 days, while the number of visitors have grown again after a couple years of tourist shortage– 6.120 travellers (see Exhibit 2). The purchasing power of the wealthiest segment of the population grows day by day, whose consume habits are favourable to gourmet products. The Spanish food sector enjoys an appreciable international recognition, which is an opportunity for companies in the sector to start selling abroad.

This project arises from the personal motivation and passion for export and Russian culture, developed after four years of studying this language, its country, traditions and history. Through this project I will be able to carry out a real export plan from a Majorcan company to Russia, applying the knowledge acquired during the course of the university’s degree. Russia is a very attractive country for the gourmet market with a large population and a positive trend in the consumption of high quality products. In this case, the Majorcan company aims to export sobrassada of black pig meat, native to the region as a delicatessen product.

2. Background

In 2014, the Spanish meat sector exported 1.71 million tons of meat and processed products to foreign markets valued at 4.467 million euros. Then, Russia broke the commercial relationship with the European Union, restricting imports because of the sanctions imposed by the EU as a result of the Crimean conflict. This restriction lasted one more year, until the end of 2017, and the same happened again until the end of 2018.

Spain is already the fourth exporter of pig meat in the world for its foreign sales of almost 1.4 million tons (8% of share), only behind Germany (18%), the United States (15%) and Denmark (10%). Currently, pork accounts for 33% of total meat consumption in Russia, compared to 49% for chicken meat and 16% for beef.

*Embutidos Munar* is the Majorcan company under study for this project. It is a family business founded in 1942 in Felanitx (Mallorca), where the first factory was located. Fifty years later, due to the urbanization process, it became harder for trucks to get to the city centre and they
decided to move all the facilities to the outskirts of the village next to Felanitx: Porreres. The industrial unit used to belong to another company, so they redesigned the inside of the building, placed the new machinery and started to produce in a more efficient way (See Exhibit 3 for the completed interview with the General Manager of the company).

This company produces sobrassada and pâté. This sausage is a typical alimentary product of the island made with the best black pig meat native to the region, although this organization also produces sobrassada from pink pig. Nowadays, it is still a microenterprise with only six employees and the General Manager. The positioning of these products varies depending on the market. In Mallorca, sobrassada is commercialized as a convenience good, whereas in the rest of Spain and international markets, it is sold in specialized stores as a premium product. In 2012, they started to sell abroad exporting 1.113 kg, while in 2017 they sold 3.452kg: it is growing every year in terms of sales and results (see Exhibit 4). In five years, it is expected to maintain its share in the peninsular market. In the Balearic Islands, competition will probably lose market share and Embutidos Munar will intensely enter into large distribution chains such as Mercadona. As for the export market, it will continue to grow and will definitely represent a much more significant percentage than it currently represents.

Although the company has limited export experience and resources, it is selling sobrassada and pâté in The Netherlands, Belgium, Germany, Denmark, France and United Kingdom (See Exhibit 5).

3. Aim of the project

The main objective of the project is to develop an export plan for a Majorcan alimentary product to the Russian market. The starting point is an initial budget of 3.000€, which is equivalent to approximately 221.000 rubbles1.

It is necessary to know and study deeply the country of destination in order to understand the history that has led the market to its current situation, as well as the economic and political aspects which condition the existing foreign trade policy.

A SWOT analysis2 will be realized so as to determine the strengths and weaknesses of both internal and external environments and a PEST analysis3 will be accomplished in order to be aware of the global situation of Russia. The strategy is the main point to be developed and finally the viability plan will determine the feasibility of the project.

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1 Exchange rate: 1 EURO = 73.66 RUBBLES, on 11.05.2018
2 SWOT = Strengths, Weaknesses, Opportunities, Threats
3 PEST = Political, Economic, Socio-cultural, Technological
In order to define the market segment we want to target, we need to divide the population of the country by social classes according to the level of income (psychographic variable). Although the product might be consumed by people under or over the target audience, the actual buyer will be reasonably in that age range: 25-69 years old (see Exhibit 6). Thus, the market positioning would be premium food product for the highest classes of the Russian society and those who like to spend a little more on quality food.

Defining the qualitative and quantitative objectives, we need to keep in mind that Embutidos Munar is a small company which has limited resources to achieve an influential position in the Russian gourmet food market. Export objectives should align with national objectives.

- **Qualitative objectives:**
  - Give the product exposure, highlighting the fact that it is completely artisanal and that comes from the black pig, native to the region
  - To gain brand awareness and recognition
  - To be perceived as a premium brand of Spanish meat delicatessen
  - In the long term, building customer loyalty

- **Quantitative objectives:**
  - To reach 1.250kg of sobrassada exported at the end of the third year.
  - To sell at least 3.000 units of sobrassada at the end of the third year.
  - Increase sales by 15% each year during the next three years.

It is not planned to implement this internalization plan in the short term due to the severe restrictions of Russian Government and the lack of budget of the company at this time. During the next few years, European sales are expected to grow significantly, so more resources would be available to reinvest in export projects. By then, the restrictions on trade imposed by the Kremlin government should have been withdrawn, since President Vladimir Putin signed decree Nº 293 extending Russia’s ban on the import of food products until the end of 2018.

**4. Election of the country of destination**

The choice of Russia as the most attractive country for this type of business is the lack of quality food products in a huge country with more than 144 million inhabitants. Within this amount of people, there is a population segment with higher acquisition power that is more and more willing to buy international gourmet products. Besides, another reason why Russia should be the country of destination taking into account the Russian patterns of behavior is the elevated consumption of dense and fatty food regarding the low temperatures that require a stronger calorie-rich diet. That is why, although it is not possible to implement this export plan right now
due to the Russian ban on EU food products, it is still the best market to take this new product to and give it exposure.

5. Theoretical framework

At the moment, there is no Majorcan sobrassada in Russia. None of the Majorcan brands are selling their products in the Russian market. That is, therefore, a great opportunity to become the first mover, which means to be the first player who enters a market and to gain a competitive advantage through control of resources. Indeed, there are other types of deli meat and sausages that are very similar and could be substitutive. However, the origin would not be the same and neither would quality and the production process. Blue Ocean Strategy is referred to a market for a product where there is no competition or very little competition, where the challenge is to create uncontested market space and capture new demand. In this case, it would be possible to adapt this strategy since Russian people do not know this product and there is no other company who is able to offer it.

6. Market analysis of Russia

6.1 PEST Analysis

An analysis of the political, economic, social and technological conditions of Russia has been carried out (see Exhibit 7 for the completed analysis). Regarding the political situation, the authority today is absolutely centralized in Kremlin and it presents a low change rate of political power. The opposition is broken and all those who protest against the regime are repressed, being Vladimir Putin the undisputed leader of the whole system despite the high corruption index. Internationally, Russia is living under an unstable political environment as a consequence of the problematic relations with the European Union and Ukraine and also the recent connections with the government of the United States. Russia is a member of the Commonwealth of Independent States and the World Trade Organization.

On the other hand, the economy of this country is still recovering from the financial crisis that occurred during the period 2014-2017, which caused a significant depreciation of the rubble. Compared to the dollar-ruble exchange rate of mid-2014, the devaluation is at around 80%. Russia is one of the world's leading producers of oil and natural gas. The GDP\(^4\) in 2017 was $1.469 trillion, where the agriculture sector stood for the 4,7%, the industry sector – 32,4% and the services sector included the 62,3% of the total GDP (see Exhibit 8 for a comparison between the GDP’s evolution of Russia and Spain). Exports represent $281,9 billion in 2017, and the main markets are: The Netherlands (10,5%), China (10,3%), Germany (7,8%), Turkey (5%),

\(^4\) GDP = Gross Domestic Product
Italy (4.4%) and Belarus (4.3%), etc. In terms of imports, those represent $191.6 billion, and they are from China (21.6%), Germany (11%), US (6.3%), France (4.8%), Italy (4.4%), Belarus (4.3%), among others (see Exhibit 9 for the diagram regarding the countries from which Russia imports food products).

Regarding social environment, the population of Russia is around 142,257,519 inhabitants scattered in a huge area of 17 million square kilometers, although it is expected to reduce due to the high number of deaths, the low birth rate and the increase of depopulated and remote areas in the country. The major urban areas are located in the biggest cities of the country: Moscow, Saint Petersburg and Novosibirsk, which entails an urban population of the 74.2% of the whole. The official language is Russian (84.7%) and the most widely recognized religion is Orthodox Christianity. Russia is strongly affected by VIH and alcohol poisoning. Nowadays, the income inequality between the poor and upper-class is immensely wide.

Focusing on the technological environment, Russia has been historically known for its excellence in space technologies, mathematics, chemistry, aerospace engineering, earth science and structural engineering. There is a very low level of competing technology development and a weak intellectual property legislation, which has a direct impact on the current technological situation in this country. Unlike the European countries, the governmental support of scientific and technological development is almost inexistent.

### 6.2 Potential size of the market

In order to find out the potential size of the Russian gourmet food market, it is required to know some necessary information:

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<td>Average wage in Moscow &amp; St. Petersburg</td>
<td>34,000 $/person per year</td>
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<tr>
<td>30% household expenditure</td>
<td>10,200 $/person per year</td>
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<td>Inhabitants in Moscow &amp; St. Petersburg</td>
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<td>Target (25-69): 60.7%</td>
<td>10,319,000 inhabitants</td>
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Knowing the percentage of vegetarian people living in those cities, it has been made an assumption of a penetration rate of the 5%: the potential size of this market in terms of volume would be approximately of 50,000 inhabitants. By multiplying the household expenditure per person by the inhabitants buying gourmet food, the monetary value exceeds 5 billion dollars\(^5\) (see Exhibit 10). If all the urban areas around Moscow are considered as well, the population of the capital would be increased by 36%. However, since it is a prudent scheme, the population of the city itself will remain as the commercial area.

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\(^5\) Since the dollar is the reference international currency, it has been used to do the calculations. The exchange rate is: 1 EUR = 1.19 USD, on 11.05.2018.
Vegetarianism in Moscow & St. Petersburg: 3% 10,009,430 inhabitants

ASSUMPTION: 5% of people buying Gourmet food 50,471.5 inhabitants

Household expenditure per person*inhabitants buying Gourmet food 5,104,809,300 $

6.3 Meat Industry: trends of the Russian meat market and perception of the Spanish products

The Russian meat market is dynamically developing and has very stable growth trends. The meat industry has always been one of the most important sectors in this country. The indicators of its development constitute very relevant information for the government, since they act as a kind of indicator of the purchasing power of the population: as the living standards grow, the demand for meat products grows and the consumption of milling products decreases.

Nowadays, pork accounts for 33% of total meat consumption in this country, compared to 49% for poultry, which still leads the category, and only 16% for beef. Since the offer of pork keeps growing, its price is declining at the same time, boosting the demand from domestic consumers. The price drop is most probably related to the bad economic situation in Russia, resulting in a reduced purchasing power in combination with a larger meat supply. The lower meat price does, however, stimulate consumption. Domestic demand for pork has grown by 8.4% in 2016, which equals to 195,370 tons of meat. Russia’s per capita pork consumption was 32 kg, nearly three times as much as at the moment of the change of millennium.

Russia has undergone an inverted tendency these last years: from importation to production (see Exhibit 11 for pig meat production evolution). In 2015, the Russian imports from Spain experienced a significant fall, which will continue decreasing by the end of, at least, 2018. This is due to the restrictions of the EU imports which have led to a favorable situation for the local producers who have notably increased their sales. In fact, pork has been the most affected good to be imported from the EU (see Exhibit 12). In addition, some of them like RusAgro (Russia’s second largest pig meat producer) are even planning to expand production in some countries in Pacific region such as China, where the demand for pork has significantly increased in recent years. One of the positive aspects about exporting sobrassada from Mallorca is that it is a totally new type of sausage meat which Russians are not familiar with, and it is not a direct substitute for pork. In fact, in 2016 only 274kg of sausages and similar products of meat were exported from Spain to Russia, representing a value of 1,772,000 USD.

Regarding the premium food industry in this country, it is almost inexistent. In the recent years, international companies have exported their delicatessen products to Russia in order to meet a new need of Russia's upper class: higher quality food products for those willing to try new kinds
of food with an international origin. Extra virgin olive oil is imported from Italy; exquisite assortments of cheese from France; different kinds of biscuits from Denmark and the United Kingdom; ecologic products from Germany; and the best chocolate and confectionery from Austria, Belgium and Switzerland. Indeed, the popularity of gourmet products in Russia is booming, and so are the companies who aim starting to do business there. Generally, there exists a good perception of Spanish gourmet products in Russian culture.

6.4 Competition in the sector

The competition of Embutidos Munar in Mallorca in terms of export is mainly based in two companies: El Zagal and Can Soler Mallorca. The first one is exporting to France, Portugal, United Kingdom, The Netherlands, Germany, Austria, Croatia, Italy and Dominican Republic; while the second one is selling in France and Germany. However, both quality and price are lower and sobrassada is packaged in a vacuum-sealed tub. In terms of quality, La Luna and Can Ferrerico are the most competitive in the island, but their production is considerably limited because of their ecological production lines and they do not export sobrassada to Russia either.

Due to the noteworthy lack of good quality sausages, Russia imports these goods from countries such as Belarus or Brazil, although they are not exquisite either. Instead, international brands offer higher quality meat sausages to this segment of the population, but nowadays the offer is scarce.

On an international level, there are lots of companies (both Russian and foreign) who offer similar products such as chorizo, fuet and different types of meat sausages. The main competitors who sell delicatessen products in Russia are: Cherkizovo, Rublevskiy, Casaponsa, Alto Concetto, Miratorg, Velcom, Casademont, Myasnaya Gubernia and Embutidos y Jamones Martínez Somalo. Those are the retailers or producers that provide gourmet products which may act as substitute goods, since they are satisfying the same need through different forms of distribution (see Exhibit 13). After analysing them and their key success factors carefully, it has been easier to establish Embutidos Munar’s competitive advantage: the production of this good with black pig meat.

6.5 Market entry mode: distributor

The selection of the distributor is one of the most important decisions is needed to take in this project. The required conditions should be:

- The distributor sells gourmet food products
- Exclusive agreement
- No commercialization of substitute products (but complementary ones)
- Working with other international brands
- Alignment with the culture and values of *Embutidos Munar*
- Reliable distribution network all over the country, especially in Moscow where the 80% of the total potential customers are concentrated.

Within the wide range of Russian food distributors, the five companies that best fit the description have been analyzed (see Exhibit 14). Some of them distribute gourmet products of other well-known Spanish brands, while others will participate in international fairs such as *WorldFood Moscow and Prodexpo* (see Exhibit 15).

They all align with the culture and values of the Majorcan company and do not commercialize sobrassada. The rest of the distributors did not fit in the description, so they were discarded as they did not meet the requirements.

The alternative of joining an export consortium has been declined as well since it is not permitted at the moment to export food products to the Russian territory due to the government’s ban. SMEs only represent about 22% from the general employment over the whole country; while in Spain it covers more than 70%, so probably this market entry mode is not so usual in Russia. If the ban were to be removed, this option could be reconsidered provided a group of 4-5 SMEs who want to export gourmet food as well to the Russian market. The Russian Agency for Support of Small and Medium Business is an initiative of the Enterprise Europe Network which helps these companies to cooperate and offers support with international operations.

After reconsidering those possible distributors, the one that seemed to be the best option is La Marée Ltd. Although it is specialized in fish and seafood, it is not selling any type of meat sausage in any of its restaurants or boutiques. Also, they have been diversifying their portfolio and they are trying not to depend solely on fish and seafood sales anymore, by incorporating other categories such as meat. This company has a very large market coverage without losing its high-class status through HoReCa\(^6\) sector and premium supermarket chains, since it is at the same time an important supplier of Globus Gourmet and Azbuka Vkusa. Being included in the menu of a company like La Marée would help the Majorcan brand to become well-known and increase their sales in stores.

The other distributors are working with a huge number of suppliers which would make it very difficult to highlight from the rest of the brands in the portfolio. Besides, most of them commercialize lots of different brands in a concentrated space located in a single or very few points of sales.

\(^6\) HoReCa = Hotel/Restaurant/Café. It is the abbreviation used in Europe for the food service industry.
6.6 Conditions of the access to the Russian meat market

After analysing the access conditions to the meat market in Russia, it can be concluded that it is complex and very bureaucratic. The Russian government requests several certificates and documentation to foreign companies for entering goods in the country, especially for food sector. Today, transport infrastructures still needs reforms and modernization (see Exhibit 16 for the complete analysis of the legal environment and conditions).

7. SWOT Analysis

Strengths:

- High quality product with several prestigious rewards and a history of accomplishments.
- Although being a very small company, Embutidos Munar is a flexible organization, open to changes with a great production capacity.
- Capacity to produce in very short deadlines and ability to adapt to foreign clients.
- General Manager is committed to export.
- Being a micro-enterprise allows all employees to cooperate efficiently and have a good communication within the company.

Weaknesses:

- Lack of workforce experienced in exportation and international procedures.
- Limited presence in social networks and lack of marketing campaigns making it very difficult to maintain the contact with customers, to increase brand awareness, be in the mind of the customers, etc.
- The company has no contact in the Russian market, which is considered very important in this country mainly within the field of business.
- Risk of the emergence of Gray Markets in case of the authorized importer unfulfilled the agreement of distribution, or one of its buyers resells the product outside the Russian borders.

Opportunities:

- Growing trend of pork consumption in Russia.
- Increase of interest in Spanish alimentary products.
- The existence of a population segment with high purchasing power.
- Gourmet food is gaining popularity in Russia since they have become more concerned about the products they consume. Indeed, according to “RBC Market Research”, over
2016, 7% of Russians stopped visiting fast food establishments completely, preferring to consume gourmet products in restaurants or at home.

- Russian food and drink industry represents the 60% of the direct foreign investment in the economy. The market capacity and thus, the food production are growing at a steady rate.

- Sales in food and drink market are increasing because the disposable income of people is rising in the cities and so are employment and urbanization.

- Current quality crisis in Russia’s sausage market: Russian sausage manufacturers are gradually decreasing the quality of their products in an attempt to constrain production costs.

- Regarding Russian patterns of behavior, they traditionally consume dense and fatty food products due to the extremely low temperatures which demand a stronger calorie-rich diet.

- Exporting through a distributor allows Embutidos Munar to enter a market in which the import company has an expertise and a large customer network.

**Threats:**

- Changes in the value of the Russian currency which may lead to a mismatch in prices and poor business stability.

- Other companies from European countries could become direct competitors if they start exporting meat sausage too, as soon as the Russian import ban on EU products is removed.

- Russia is becoming more and more a meat exporting country: at some point this situation could result in a permanent prohibition of European importations, in other words, no more meat products from European countries will be accepted so local products will be prioritized.

- The Russian financial crisis (2014 – 2017) caused a significant devaluation of the rubble which has decreased the demand for expensive goods.

- Per capita spending in the regions outside Moscow and Saint Petersburg remains quite low.

8. **Business model and operations**

8.1 **Key drivers, vision, mission**

**Key drivers:** Today, internalization has become the core area of most companies. Risk diversification, increase sales and expand customer portfolio are some of the main reasons why a company may decide to go abroad. In this case, in order to export Majorcan sobrassada to
Russia it would be necessary to carry out an export diagnosis to analyze the company, where the first analysis is conducted internally: product, production, people, finance, management. An export culture management strategy must be developed, starting by identifying the key drivers of the business (see Exhibit 17). First of all, the uniqueness elaboration of this product with black pig meat, native to Mallorca, is one of the key elements that must be shown and perceived. Also, gourmet food is gaining popularity in Russia since they have become more concerned about the products they consume, especially international products which are perceived as higher quality. In addition, the current growing trend of pork consumption in Russia in a society where a segment of the population has a very high purchasing power may determine the success of this business. Finally, the last key driver is the elevated consumption of dense and fatty food products regarding the low temperatures which demand a stronger calorie-rich diet.

**Vision:** Create a new concept of meat sausage and become a well-known gourmet food Spanish brand in the Russian market.

**Mission:** Embutidos Munar is a producer of artisanal pork sausage which aims to reach as many consumers as possible in the main cities of Russia offering a delicatessen international product.

### 8.2 Strategy

The key factor of success of this project is establishing a clear positioning as a premium food brand selling the best quality Spanish meat product.

Direct export takes place when a company sells its products directly to the country of destination, regardless of who will be the recipient. The company deals with the buyer, the wholesales, the importer or other intermediaries in the host market and is responsible for logistics, finance and documentation involved in the export process. In this case, we are selling directly to Russia, so it would be an example of direct exporting.

First of all, it is essential to understand the market; study the number of potential customers, the volume of their orders and their location. Direct exporting with intermediaries would allow the company to be aware of the image it is transmitting in the foreign market, receive feedback from their partners and provide after-sales service if it’s necessary. Since Russia is a market located far away from the island and the company has limited experience in non-domestic countries, the distributor would manage the transactions taking advantage of the know-how of the market. Also, it is easier in terms of logistics and people (single order replaces multiple small orders), all the structure is free (warehouse, staff), and there is less risk of non-payment because we are working only with one company (see Exhibit 18).
The strategy is based on exporting Majorcan sobrassada to the Russian market through a distributor company that understands and shares the values and culture of the company. Being an artisanal process, the production capacity is not too high, but with four direct labor workers, about 50,000 kg of sobrassada could be produced (considering that they also have to make 50,000 kg of pâté). If they were dedicated exclusively to the production of sobrassada, with the same number of workers, they would produce about 150,000 kg of this type of meat sausage.

Therefore, a **margin strategy** would be the answer in order to be aligned with the image of the company and its positioning strategy. Instead of offering an intensive distribution of Munar’s sobrassada for middle-class families throughout the country in the cheapest supermarkets, the target audience would be upper-class families who are concerned about their diet and are willing to taste and acquire international products. It would make no sense to focus on volume strategy since we cannot reach economies of scale nor afford mass advertising. In this case, it is better to focus on a smaller segment of the market offering some unique characteristics rather than becoming just one more brand in a saturated market of low-cost and low-quality meat products, where Russian and Belarussian items would take over the whole market.

### 8.2.1 Organization Chart

*Embutidos Munar* is a microenterprise (see Exhibit 19 for the organization chart), with only six employees and the General Manager. The company is located in Mallorca and it is aimed to sell sobrassada in Russia through a distributor who will be a local authorized importer. Exclusive distribution (through own stores) has not been considered due to the excessive investment required.

### 8.2.2 Alliances

#### 8.2.2.1 Suppliers

*Embutidos Munar* counts on a small but reliable network of suppliers: a farmer takes care of all the pigs in his own farm, in exchange for an economic reward. The species for the meat’s mixture are bought to a company from Banyoles, paprika is from Mallorca and also Murcia, and a minor part of the meat is imported from Teruel as well.

#### 8.2.2.2 Logistics

For international sales, cargo is usually sent to Barcelona where importers carry out different batches with other Spanish exporters and then they expedite all goods together to the final
destination (LCL\textsuperscript{7}). In order to ship the product to Spain without charging an additional cost for transportation, there is a minimum order of 54 kg of sobrassada.

La Marée Logistics LLC is an authorized economic operator (certificate No. 10000 / 0141Z) which is responsible for the transport of imported goods. It is one of the largest suppliers of foreign products to the Russian market and it is insured by Atradius, Coface and Hermes Insurance companies.

Incoterm EXW\textsuperscript{8} by road will be used from the warehouse in Spain to the huge multi-warehouse of the Russian company located in Moscow. Thus, La Marée Logistics’ specialists will take care of all export customs formalities and procedures thanks to their experience and their abundant monetary and personnel resources.

\textbf{8.2.3 4P’s}

\textbf{8.2.3.1 Product}

The product that will be offered is the artisan sausage meat called sobrassada: Russia, being a totally different culinary culture, this will suppose a big challenge because a new concept will be taken to its diet. Pâté would not be taken into consideration since it is not an original product from Mallorca and several countries in Europe are already exporting it with low prices, making it very difficult to highlight within the others. The key driver of the business is the elaboration of this sausage with the meat of black pigs (which provides an even higher quality product), so it would be essential to show it very clearly in the vacuum packaging, as well as the logo of the company.

\textbf{8.2.3.2 Price}

The sale price established for the distributor of a unit of 400 grams of sobrassada is 6,72€/ unit. However, in order to cover the expenses of new and more expensive packaging, it would be necessary to increment the price. Assuming a mark-up of the 65%, one unit would be sold to the distributor for 10,31€. Besides, a discount of the 5% would be applied from 200kg of sobrassada purchased.

The distributor will be able to offer a high price without affecting the number of sales since Russia understands expensive goods as very high quality products. The method of payment is by bank transfer in advance. The cost of currency exchange must be taken into account, since the transactions in Spain are completed in euros while in Russia in rubbles.

\textsuperscript{7} LCL = Less than Container Load. This means transporting a shipment with other goods in the container which implies different Bills of Lading and different owners loaded in a single container.

\textsuperscript{8} Incoterm EXW = Incoterm Ex Works. It is an International trade term under which the seller makes the product available at a designed location (Barcelona in this case), and the buyer incurs transport costs.
8.2.3.3 Placement

Basically, sales in Moscow and Saint Petersburg will be the main goal (see the Exhibit 20). La Marée, being a distributor in specialized stores and premium supermarket chains such as Globus Gourmet and Azbuka Vkusa, Munar’s sobrassada will be available in all those points of sales. Regarding specialized stores, they are located in high streets in large luxury shopping malls in the centre of the cities of Moscow and Saint Petersburg. Furthermore, with many top quality restaurants in Moscow, Saint Petersburg, Orenburg, Novosibirsk, Ekaterinburg, Sochi and other big cities in Russia, the Majorcan sobrassada could be consumed practically throughout the country, giving the opportunity to consumers who have tasted it in restaurants (and those who haven’t) to buy it in stores (see Exhibit 21). In any case, it is less likely to reach a high income from HoReCa distribution channel because consumers do not know the product and it would require time (and money) to change that.

8.2.3.4 Promotion

Attendance at local fairs would not be necessary at least during the early years because the company already has a distributor, but regular visits to La Marée will take place in order to keep in touch and strengthen commercial relations. Social networks will play an important role as well: special raffles will be held through Vkontakte⁹, Facebook, Instagram and Twitter. Besides, updated graphic material will be sent to the distributors in order to ensure good marketing campaigns. Specific promotions could be offered as well in supermarkets during Christmas and the first week of March celebrating the Balearic Island’s Day.

All the marketing actions for 2019 are defined in detail at the marketing plan (see Exhibit 22).

Regarding social media campaigns, it would be essential to increase brand notoriety through determined actions with Russian influencers in this field: Anatoly Komm, a prestigious Russian chef who might promote the Majorcan sobrassada; and Victoria Dim, a Russian foodie who could boost the consumption of the product. On the other hand, a collaboration with a famous delicatessen food magazine could be a powerful way to publicise the brand and explain some possible recipes which can be elaborated with sobrassada.

In addition, it has been realized a presentation in Russian language which would be used to introduce the Majorcan company and the product to La Marée (see Exhibit 23).

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⁹ VKontakte is the most popular social network in Russia. It is similar to Facebook but simpler.
Social Media

- Chef

Anatoly Komm is a prestigious Russian chef, who usually collaborates with distinguished restaurants. He has dedicated his entire life to premium cuisine, studying at the best universities in the country and learning from the best specialists. Thus, Munar’s sobrassada would perfectly fit with him due to the largest international brand’s portfolio he works with and their premium category. It would be suitable to carry out a special campaign cooperating with La Marée in order to obtain Komm’s recommendation and increase brand’s equity in the Russian market. Since he is also an active user in social networks, it could be reached an agreement of a post about the company in exchange of a fee.

- Influencer

Victoria Dim is a Russian foodie influencer who publishes cute pictures of delicatessen meals. She has more than 11,100 followers in Instagram at that moment and she posts between four and five photos per week. Victoria writes long explanations of each product or brand, describing in detail all the features. A little bit of sobrassada spread in a slice of bread would be a perfect combination to show on her social network.

Source: Victoria’s Instagram account (@frautori)
Yulia Vysotskaya is a famous presenter of the leading food program in Russia, and she also runs a renowned magazine where she publishes her recipes and writes reports about the delicatessen products she incorporates in her recipes. This magazine is called Хлеб Соль, which means bread-salt in Russian.

Source: Own elaboration

9. Viability analysis

A viability plan has been developed to determine the performance of this project (see Exhibit 24).

Since Embutidos Munar provided all the necessary information to do the calculations, it has been possible to contemplate one unique and more accurate scenario. Thus, it all has been done with reliable and truthful data from the company.

Sales growth forecast during the first three years of activity in Russia has estimated a positive trend of the 15%, reaching 1.250 kg of sobrassada sold by 2021. After considering this project with the company, it has been concluded that it does not require a very high investment since we will not have extraordinary expenses of human resources nor any other staff cost: the General Manager and his administrative assistant will take charge of Russia’s operations and procedures.

First of all, it might be necessary to invest in the creation of the web page translated into Russian and also on a business trip to this country in order to officially meet the distributor face to face and finalize details of the negotiations.
The variable cost per unit is calculated by adding the cost of purchases of raw materials, purchases of other provisions and packaging cost. In this manner, aiming to achieve an ambitious margin of the 65%, the sale price to the distributor will be 10,31€/unit.10

As for the cost of transport, the Majorcan company will only take responsibility until Barcelona (EXW Incoterm), where goods will be reorganized in batches with other Spanish products that will be exported to Russia as well, just like Embutidos Munar are currently used to. The cost of transport from the island to Barcelona is 0,14€/unit, bearing in mind that the minimum shipment that is made to Barcelona is 54kg (9 boxes of 15 units each).

The profit and loss statement for the period 2019-2021 has been calculated. In the first year, losses are valued around 1.000 euros because of the prominent need to invest in advertising in a country where neither the brand nor the product is known. In 2020, Embutidos Munar would begin to obtain profits due to the increase in sales and the reduction of advertising and registration expenses. So, Embutidos Munar expects to reach break-even point11 by the second year. From 2021, net income might keep rising despite of the efforts put in marketing actions, business trips to Russia and rappels. The initial capital budget of 3.000€ would be the main source of financing to begin the negotiations and afterwards, the benefits would be reinvested.

The organization has treasury enough to afford this amount of money without having to request any loan. In fact, it has never been indebted.

Embutidos Munar feels confident about this project and considers that the established goals are realistic, coherent and attainable, based on its prior experience exporting to other European countries. Probably the turnover would be higher but in this case is proposed a prudent situation because Russia is a very different market from those that the company has sold so far. Therefore, the viability study confirms that exporting sobrassada to Russia is viable and therefore attractive to invest in it.

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10 At the time of viability’s plan realization, the exchange rate is 10,31EUR = 762,48 RUB (11.05.2018)
11 In the break-even point, total cost and total revenue are equal.
10. Conclusions

Russia has become an eminent world power in the recent years. Its authoritarian government has returned pride to the country after USSR’s dissolution and now Russia has a more influential international presence. With more than 144 million residents, it is a huge country with an attractive scenario for this company: the lack of quality food products and the growing trend of pork consumption in Russia. High-quality food is gaining popularity since they have become more concerned about the products they consume, and international gourmet food is welcomed to the country these days. In other words, Russia is an attractive market for international premium brands but not for low quality ones due to large local brands that today saturate this market. However, current Russian restrictions on trade do not allow importing this kind of products into its barriers: it would have to wait, at least, until December 31st 2018, when the ban is expected to be revoked. By then, it would be necessary to establish good relationships with some partners in the country who know the market and speak the Russian language. In Russia, this could be crucial for the success of the export plan. In particular, it would be decisive to negotiate the conditions with the distributor (in this case La Maree Ltd.) in order to find out if it would be convenient. The productive capacity to cope with the volume of Russian exports would be sufficient. However, if total sales continue to grow, more employees would be needed to increase the production rate.
11. References

Reports

- ICEX. “Productos gourmet en Rusia”, 2015.
- ICEX. “De la importación a la producción de cerdo: Rusia invierte la tendencia”, 2016
- ICEX. “Efectos de las sanciones rusas en la exportación de productos de alimentación Rusia”, 2016.

Articles


Statistics


Books

12. Appendices

Exhibit 1: Balearic Islands. Total exports and imports per year (2007 – 2017)

![Graph showing exports and imports from 2007 to 2017]

Source: Own elaboration based on data extracted from Institut d’Estadística de les Illes Balears (IBESTAT).

Exhibit 2: Number of Russian tourists in Mallorca and average of stay per year during the period 2008 – 2017

![Graph showing number of Russian tourists and average stay per year from 2008 to 2017]

Source: Own elaboration based on data extracted from Institut d’Estadística de les Illes Balears (IBESTAT).

Exhibit 3: Interview with the general manager of Embutidos Munar: Jaume Munar

- Com s’organitza l’empresa?

Bàsicament, es tracta del gerent, jo en aquest cas; el responsable de qualitat/fabricació amb 4 persones al seu càrrec; i responsable d’administració.
- Parli’ns una mica de vostè. Com va començar tot?

Embutídos Munar té els seus inicis 75 anys enrere amb el meu avi, el qual va ser el creador i fundador de l’empresa. Ell era professor d’educació física tot i que mai va arribar a exercir. Jo sóc llicenciat en filosofia i era professor fins que vaig heretar l’empresa. M’encantava la meva feina. Ara trobo a faltar donar classe però cada cop em vaig adaptant més al món dels negocios; ja porto 9 anys al capdavant.

- Quanta gent treballa al departament de vendes? Quins idiomes parlen?

Nosaltres no tenim departament de vendes com a tal; des d’administració, entre la responsable i jo ens fem càrrec de les gestions d’exportació. Parlar no puc dir que parli idiomes. Em defenso, però res més. Normalment tots els importadors que tenim a Europa parlen bé el castellà, però tenim un agent que sol fer d’intermediari amb els mercats propers i és qui es relaciona directament amb el client. Ell i el seu soci parlen anglès, francès i alemany.

- A quins països esteu venent actualment?

Actualment venem al Regne Unit, França, Alemanya, la península Ibèrica, Suècia, Dinamarca i Bèlgica. També hi ha una empresa alemana de venta per catàleg que ven a Àustria.

- A nivell internacional, treballeu amb un distribuïdor/agent independent o feu venta directa als establiments?

Principalment tenim els dos tipus de clients; distribuïdors que, o bé fan comandes grans que enviem directament al destí o bé fan agrupatges, i petits clients que fan només agrupatges.

- Per què sobrassada?

A l’illa de Mallorca, a causa de la seva elevada humitat (80-90%), no es pot fer pernil, però sí que és el clima més adient per la producció de sobrassada, ja que s’ha de curar lentament. Aquest any hi ha hagut un increment de vendes de porc negre del 40%, cosa que ha resultat en una mancança de stock, ja que ara no es podrà disposar de la seva carn fins d’aquí un parell de mesos.

- Quin càrrec en fan dels porcs negres, autòctons de la zona?

Tot són porcs negres criats en llibertat, és a dir, no estan dins una granja, i la seva alimentació és 100% natural. Un pagès propietari d’una finca molt a prop de la nau els cria, cuida i alimenta durant un any ja que han tenir mínim 1 any d’engreix, i la seva qualitat és igual o inclús millor que la que tenia anys enrere (a diferència del porc blanc). El porc negre és originari de Mallorca i té greix infiltrat dins la carn, la qual fa que sigui més tendre i saborosa. Per tot això, és
possible que en alguns moments no tinguem existències del producte ja que la sobrassada es fa de manera tradicional i artesana i necessita més temps perquè s’ha de curar lentament. De patés, per contra, sempre en tenim al magatzem; tenen una data de caducitat molt llarga i la seva producció requereix menys recursos i temps.

- Com es fa la sobrassada? Quin procés s’ha de seguir per obtenir-ne?

La sobrassada té un procés de fabricació més llarg que el paté. Podríem dir que es divideix en 5 passos: quan arriba la carn dels porcs, es triturà i es fa una pasta(1), la qual s’ajunta amb els altres ingredients com el pebre vermell i les espècies en una altra màquina (2), es deixa reposar i es col·loca artesanalment dins dels budells del porc (3), ja que és l’únic teixit que afavoreix el seu procés de curació i evita que es quedi seca o que penetrin olors fortes al producte. A més, aquest es lliga amb un fil de diferent color en funció del tipus de porc i de si és o no picant per tal d’identificar-los ràpidament i poder classificar-los. Finalment, es deixa reposar en una temperatura de 15 graus durant dos mesos (4), i s’empaqueta segons el tipus de sobrassada que sigui (5).

- Què fa que la vostra sobrassada sigui especial? Què n’opina la gent?

L’element clau que fa especial els nostres productes, sobretot la sobrassada, és l’artesania amb la que està feta. Òbviament, pels mercats exteriors, el fet de ser de porc negre és també un element distintiu a tenir en compte ja que la fa encara més típica.

A nivell local, per contra, no es comercialitza ni es ven a tendes especialitzades, ni té un preu elevadíssim tot i ser dels més cars. La percepció de la gent de Mallorca sobre la nostra sobrassada és d’un producte de qualitat, però que no excedeix els límits.

A Catalunya i València, pràcticament tot es ven a petit comerç, on els consumidors poden anar a la xarcuteria i demanar el tros que volen, i és per aquest motiu que pel mercat espanyol es fan sobrassades d’un diàmetre molt més gran. La clau és la seva curació, on la temperatura (15º), la sal i la humitat hi juguen un paper molt important. A Mallorca i per exportació, es venen per unitats senceres individuals de 400 grams.

- Com descriuria el posicionament dels seus productes? (gran consum, discount, premium, gourmet, etc.)

Bé, aquest tema és una mica complex ja que l’estratègia de cobertura de mercat varia segons el país: a nivell local, és a dir, dins de l’illa de Mallorca, els nostres productes es venen a supermercats i grans superfícies, mentre que a Alemanya i Àustria, per exemple, es ven a tendes gourmet i especialitzades, així que es tractaria com un producte premium per la seva qualitat. De la mateixa manera, els canals de distribució també varien en funció del país.
- **Quin percentatge de les vendes totals corresponen a les exportacions?**

A dia d’avui, les exportacions corresponen a un 10% de les vendes totals, essent un 5% per Catalunya i els Països Valencians i un 85% a Mallorca.

- **Quines empreses actuen com a principal competència d’Embutidos Munar a nivell local?**

Pel que fa a la competència, en capacitat d’exportació hi ha dues empreses que estan molt més avançades: El Zagal, que exporten actualment a França, Portugal, Regne Unit, Països Baixos, Alemanya, Àustria, Croàcia, Itàlia i República Dominicana; i Can Soler Mallorca, que també exporten a França i Alemanya, com nosaltres. Aquestes dues empreses són les que més produeixen de Mallorca, però la qualitat del producte és molt inferior a la del nostre i els preus també. Com a handicap tenim que ells fan sobrassada en terrina de plàstic. Aquest producte és, en realitat, una crema de sobrassada. És un format que es ven més fàcilment, però nosaltres no el fem perquè és una prostitució del producte. En termes de qualitat, la nostra competència més directa és Embutidos la Luna i Can Ferrerico, i aquest últim segueix una política de preus elevadíssima ja que només fan producció ecològica, però molt limitada.

- **Quina és la seva capacitat productiva? Quanta sobrassada poden produir?**

Amb 4 treballadors de mà d’obra directa podem produir uns 50.000 kg anuals de sobrassada, tot comptant que n’hem de fer 50.000 més de paté. Si només ens dediquéssim a la producció de sobrassada -depenent del tipus de peça- amb quatre persones podríem produir uns 150.000 kg.

- **Quant de temps necessiten per fer una comanda?**

Fan sortida de comandes dos dies per setmana ja que així també aconseguim millors preus pels transportistes. Si tenim existències, dilluns i dijous surten i arriben als 2 o 3 dies a qualsevol lloc d’Espanya, i 4 a França.

- **Quin packaging fan servir?**

Totalment artesanal, el qual coincideix i va en la mateixa línia que tots els nostres productes i la filosofia de l’empresa.

- **Quina quantitat mínima accepten per comandes d'exportació?**

El transport és car, nosaltres funcionem amb agrupatges. Per enviar el producte fins a Barcelona sense imputar un cost addicional en concepte de transport tenen una comanda mínima de 54 kg.
El més habitual és que els importadors facin un agrupatge a Barcelona amb altres productes espanyols i assumeixin el transport del palet o palets. Així, surt des de Mallorca fins un destí d’Espanya on es fa un agrupatge i surt, des d’allà, cap al destí final. No obstant, el transportista amb el qual treballem habitualment no fa enviaments a Rússia. Hauríem de trobar-ne un que sí en fes.

- **Quants envasos poden posar en un pallet i quines dimensions té el pallet?**

Com a màxim hi podem col·locar 60 caixes (360kg, el qual equival a 900 unitats de sobrassada), i cada caixa pesa 6 kg. Les mides del pallet són de 120 cm d’alçada x 800 cm d’amplada x 1200 cm de llargària.

- **Quins canals de distribució treballeu al mercat nacional? Teniu molts comercials per Espanya?**

A Espanya venem sobretot al petit comerç; petites tendes especialitzades o xarcuteries. Com a excepció, també venem a Caprabo i actualment estem negociant amb Mercadona per començar a vendre els nostres productes a allà també.

- **Com veu l’empresa en 3 o 5 anys? Estaria disposat a invertir en viatges, en material promocional, en participar com a expositor a fires internacionals, etc..?**

Personalment, en 3 o 5 anys, crec que l’empresa no patirà gaires canvis en el mercat peninsular. Pel que fa el mercat de les illes és més previsible; si tot va bé, la nostra competència haurà perdut molta quota de mercat i nosaltres entrarem amb més força dins alguna de les cadenes de distribució (Mercadona principalment). Pel que fa a l’exportació, en 3 o 5 anys hauria de representar un percentatge molt més significatiu del que representa en l’actualitat.

- **De quin pressupost podríem partir, aproximadament, que pogués ser destinat a trobar un distribuïdor rus, i començar a enviar sobrassada a Rússia?**

Bé, el nostre plantejament és més aviat modest. La inversió en fires internacionals és molt difícil de rendibilitzar, per això -almenys fins ara- la nostra estratègia ha estat la d’anar a tocar la porta de distribuïdors especialitzats en productes espanyols, enviar-los mostres i, eventualment, convidar-los a visitar l’empresa. Per començar, el pressupost aproximat podria ser d’uns 3.000€.

- **Sector, competència: com evoluciona el sector càrnic? Afecta que la gent es torni vegana i vegetariana?**
Sí; el mercat està canviant. Durant els darrers anys, sí que hem notat un canvi ja que ara la gent cada cop té més consciència del que menja, i sobretot en quines condicions han viscut els animals i com s’han alimentat durant la seva criança. El mercat ecològic i orgànic, també estan trencant tots els esquemes i cada cop tindran més renom, però no és sostenible a nivell mundial: si tota la producció d’aliments del món fos eco, no es podria subministrar menjar a tota la població, és a dir, no es pot alimentar a tota la humanitat amb aquest tipus d’aliments perquè no donaria l’abast. En un futur, doncs, crec que el veganisme tindrà una influència important en el mercat càrnic, però al cap i a la fi els humans som omnívors per naturalesa, així que no esperem un decreixement de les vendes massa significant per aquest motiu en els pròxims anys.

Source: General Manager of the company.

Exhibit 4: Total export sales (2012 – 2017)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>KG</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>1.113</td>
</tr>
<tr>
<td>2013</td>
<td>2.868</td>
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<td>2014</td>
<td>2.262</td>
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<td>2015</td>
<td>2.608</td>
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<tr>
<td>2016</td>
<td>2.920</td>
</tr>
<tr>
<td>2017</td>
<td>3.452</td>
</tr>
</tbody>
</table>

Source: Company.


<table>
<thead>
<tr>
<th>COUNTRY/REGION</th>
<th>TURNOVER 2015</th>
<th>TURNOVER 2016</th>
<th>TURNOVER 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€</td>
<td>%</td>
<td>€</td>
</tr>
<tr>
<td>THE NETHERLANDS</td>
<td>0</td>
<td>0</td>
<td>661,93</td>
</tr>
<tr>
<td>BELGIUM</td>
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<td>4,7203</td>
<td>1.174,80</td>
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<td>GERMANY</td>
<td>407,44</td>
<td>1,6915</td>
<td>6.387,76</td>
</tr>
<tr>
<td>DENMARK</td>
<td>2.838,48</td>
<td>11,7837</td>
<td>4.171,95</td>
</tr>
<tr>
<td>FRANCE</td>
<td>15.557,17</td>
<td>64,5844</td>
<td>17.121,20</td>
</tr>
<tr>
<td>ENGLAND</td>
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<td>10,1089</td>
<td>2.087,17</td>
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<td>GREECE</td>
<td>572,80</td>
<td>2,3779</td>
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<tr>
<td>SCOTLAND</td>
<td>1.140,15</td>
<td>4,7332</td>
<td>0,00</td>
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<tr>
<td>TOTAL</td>
<td>24.088,13</td>
<td>100</td>
<td>30.942,88</td>
</tr>
</tbody>
</table>

Source: Company.
Exhibit 6: Distribution of the Russian population by age brackets in %

![Distribution of the Russian population by age brackets in %](image)

Source: Own elaboration based on data extracted from Santander Trade.

Exhibit 7: PEST Analysis

- **Political environment**

After USSR’s dissolution in 1991, Russia officially became the Federation of Russia with semi-presidential federation two years later. The president of the Russian Federation is Vladimir Putin since May 2012 and he was the Prime Minister of the country as well, until they had to delegate this position to Dimitri Medvédev. The Corruption Perceptions Index 2016 shows a high perception of the public sector corruption with a 29/100 where the 100 would mean no corrupted system. Current situation can be described as unstable political environment where judicial branch is not considered as independent (verdicts are made according to will of the country leaders), and low change rate of political power. The opposition is broken and all those who protest against the regime are repressed, being Vladimir Putin the undisputed leader. There is a severe control of business through various federal services and they apply the civil law legal system. Internationally, Russia is living under an unstable political environment as a consequence of the problematic relations with the European Union and Ukraine and also the recent connections with the government of the United States. Nonetheless, the European Union has concluded 10 partnership and cooperation agreements (PCAs) with Russia, which is the biggest member of the Commonwealth of Independent States. Since 2012, when Russia joined the WTO, EU-Russia trade relations have also been framed by WTO rules. Nevertheless, in 2014 the Russian Federation responded to sanctions of the EU for the Crimea’s conflict by banning western food imports, so hard import restrictions were introduced on a range of EU agricultural products, notably meats, dairy products, fruit and vegetables. EU pork was banned at the start of the year as the Ukraine crisis escalated, cutting off 25% of all European pig meat exports in a move that European farmers had significant losses. The ultimate goal of Russian government is to reach self-sufficiency for agricultural produce by 2020. Since there are several
remote areas and few big cities, Russia is a very centralized country with a low population density, basing all the political institutions in Moscow. The country is organized in 46 provinces called oblast, 21 republics, 4 autonomous okrugs (counties), 9 krays (regions), 2 federal cities, and 1 autonomous oblast.

- Economic environment

Russia has undergone significant changes since the collapse of the Soviet Union, moving from a centrally planned economy towards a more market-based system. Currently Russia is one of the world's leading producers of oil and natural gas, and is also a top exporter of metals such as steel and primary aluminum. The GDP in 2017 was $1.469 trillion, and its composition was based on household consumption (52.4%), government consumption (17.8%), investment in fixed capital (21.1%), investment in inventories (2.5%), exports of goods and services (25.6%), imports of goods and services (-19.4%). The GDP per capita in that year was $27,900, while the real growth rate has been 1.8%. The unemployment rate is 5.5% and the inflation rate has decreased to 4.2%. Russia nowadays has a deficit of the -2.3% of the GDP and the public debt is 11.8%. Russia belonged to The Group of Eight from 1998 through 2014, when it was suspended after its annexation of Crimea in March of that year. At the beginning of the year 2017, Russia announces plan to permanently leave G8, becoming The Group of Seven, which has increased even more the tension within both blocs. Russia is still recovering from the financial crisis during the period 2014-2017, which caused a significant depreciation of the ruble.

Sectors of the economy

The main industries are oil and gas, mining, processing precious stones and metals, aircraft building, aerospace production, weapons and military machinery manufacture, electric engineering, pulp-and-paper production, automotive industry, transport, road and agriculture machinery production, light and foodstuffs industries. The Russian economy is primarily directed by both the private sector and the state. As of the 1990s, a large amount of the country’s industrial and agricultural sectors were privatized, however energy and military production remained with the state for the most part. Nowadays, the agriculture sector stands for the 4.7% of the Russian GDP, the industry sector – 32.4% and the services sector represents the majority of the total indicator with a percentage of 62.3%. The 15% of Russia’s population works in the submerged economy, which has a notable impact on the GDP of the country.

Prices

The Russian ruble depends a lot on the prices of oil and its changes. The instability caused by this dependence, the slowdown in the Russian economy and the sanctions imposed by the European Union caused a strong fall of the ruble in 2014, after having remained stable for a
long time. The food industry is divided in two groups regarding the quality of their products: low price food market and the gourmet market. A large part of the Russian middle class daily buys in low-price supermarkets such as Magnit and X-5 Retail Holding, because it's all they can afford with their low salary. Meat consumption is related to living standards, diet, livestock production and consumer prices. Compared to other commodities, meat is characterized by high production costs and high output prices. Meat demand is associated with higher incomes and a shift - due to urbanization - to food consumption changes.

Monetary policy

Monetary policy constitutes an integral part of the state policy and is aimed at enhancing wellbeing of Russian citizens. The Bank of Russia implements monetary policy in the framework of inflation targeting regime and sees price stability. The objective was to reduce the inflation to 4% by 2016 and maintain it within that range in the medium run, but the year finished to the 7%, out of the target. However, 2017 finished with an inflation rate of the 4.2%, so they are now reaching this goal. Monetary policy affects the economy through interest rates; being the Bank of Russia key rates its main parameter.

Foreign trade

Exports represent $281.9 billion in 2017, being the followings the most important commodities: petroleum products, natural gas, metals, wood and wood products, chemicals, and a wide variety of civilian and military manufactures. Those products were destined to The Netherlands (10.5%), China (10.3%), Germany (7.8%), Turkey (5%), Italy (4.4%) and Belarus (4.3%), etc. In terms of imports, those represent $191.6 billion, and they are from China (21.6%), Germany (11%), US (6.3%), France (4.8%), Italy (4.4%), Belarus (4.3%), etc. The imported commodities use to be machinery, vehicles, pharmaceutical products, plastic, semi-finished metal products, meat, fruits and nuts, optical and medical instruments, iron, steel.

Social Environment

The population of Russia is around 142,257,519 inhabitants scattered in a huge area of 17 million square kilometers. However, being the biggest country in the world, the population density is only 8'6 people per square meter, since there are many depopulated and remote areas. The low birth rate (11 / 1.000) together with a high number of deaths, have caused a significant decrease in population during the last two decades. Furthermore, it is estimated that by 2050 the population of Russia will have declined to 116 million inhabitants, 26 million less than today. The female population represents 53’5% of the total, while the male population represents the remaining 46’5%, and the immigration represents less than de 8% of the inhabitants. The major urban areas are located in the biggest cities of the country: Moscow, Saint Petersburg and
Novosibirsk, which entails an urban population of the 74.2% of the whole. The official language is Russian (84.7%), followed by others like Tatar or Chechen with small percentages. It officially recognizes Orthodox Christianity, Islam, Judaism and Buddhism as traditional religions, although it has large populations of non-practicing believers and non-believers. Russia is strongly affected by VIH and alcohol poisoning, where tuberculosis, diabetes and infectious diseases are ones of the most common sicknesses within its citizens, responsible for numerous deaths. Nowadays, the income inequality between the poor and middle class is very wide. The population below poverty line was to 13.3% in 2015. Literacy rate of the total population is very high (99.7%), while today youth unemployment has to face a rate of 16%. Issues that are comparatively widespread in the country include income poverty (14.6%), a lack of social support (9%), dissatisfaction with water quality (41%) and feeling unsafe walking alone at night (40%). During the Soviet period with Stalin in command, vegetarianism became unpopular reducing the number of sympathizers. To this day, it has increased again and 4% of the population of this country does not eat meat.

- **Technological Environment**

Russia has been historically known for its excellence in space technologies and is one of the most successful countries regarding its implementation of many space programs. The government has allocated more than $11 billion for the Russian Space Agency for the period 2006-2015. It is also a rich country in science tradition, which started to be recognized from the early of 18th century and continue to develop until today. Russian technological development is very advanced in several fields such as mathematics, chemistry, aerospace engineer, earth science and structural engineer. There is very low level of competing technology development and a weak intellectual property legislation (almost no patent, licensing or technology access security), which has a direct impact to the currently technological situation in this country. Unlike the European countries, the governmental support of scientific and technological development is almost inexistent. Only the 43% of Russians use Internet every day.

*Source: Own elaboration with data extracted from CIA, WITS, WorldBank.*

**Exhibit 8: GDP annual growth rate of Russia and Spain.**

*Source: Own elaboration based on data extracted from World Bank.*
Exhibit 9: Top partner countries and regions from which Russian Federation Imports Food Products

Source: Own elaboration based on data extracted from WITS on 03/2018. Russian Federation food products imports by Country and Region, 2016.

Exhibit 10: Potential size of the market. Graphs and information used

Russia’s Population pyramid

Source: CIA Factbook Russia.
Percentage of consumption expenditure by product category

Source: Own elaboration based on data extracted from United Nations, Department of Economic and Social Affairs.


Source: United State Department of Agriculture.

Exhibit 12: Shares of imports from the countries affected by the ban in Russia (2013)

Source: UN Comtrade.
Exhibit 13: Competition analysis: Competition in forms of distribution

<table>
<thead>
<tr>
<th>Description</th>
<th>Competitor 1: Cherkizovo</th>
<th>Competitor 2: Rublevskiy</th>
<th>Competitor 3: Casaponsa</th>
<th>Competitor 4: Alto Concetto</th>
<th>Competitor 5: Miratorg</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>One of the biggest producers of meat products in Russia. It serves chicken, pork and processed meat goods. It is a public company since 2006.</td>
<td>Franchise. It is a large state-of-the-art complex of production meat processing enterprises and a retail chain of stores selling meat delicacies.</td>
<td>Family run business which sells to 25 countries in the world. It is specialized in the manufacture of processed cured sausages. Moncasa gourmet is its current distributor in this country.</td>
<td>Italian company founded in 1998 which uses European technology and combines it with traditional tastes from the South of Europe.</td>
<td>Producer and deliverer of meat products to HoReCa segment. Partnership with 1,500 brands and more than 20,000 clients throughout Russia.</td>
</tr>
<tr>
<td>Foreign or domestic?</td>
<td>Domestic</td>
<td>Domestic</td>
<td>Foreign (Spain)</td>
<td>Foreign (Italy)</td>
<td>Domestic</td>
</tr>
<tr>
<td>Products</td>
<td>Pork: different types of sausages, deli meats, ready-to-cook products, chilled and frozen meats and ham.</td>
<td>Huge portfolio of different types of sausages, ham, chicken and pork tenderloin.</td>
<td>Different types of sausages, fuet and snacks.</td>
<td>Different type of sausages and ham.</td>
<td>Pork, beef and chicken products. It is mainly dedicated to hotel chains and fast-food restaurants.</td>
</tr>
<tr>
<td>Quality</td>
<td>High</td>
<td>Premium</td>
<td>Premium</td>
<td>Premium</td>
<td>High</td>
</tr>
<tr>
<td>Price</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>Medium - high</td>
</tr>
<tr>
<td>After Sales Service</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Key success factors</td>
<td>Huge product line (300 types of locally produced sausages)</td>
<td>Recipe community</td>
<td>Flagship product: Chorizo from la Rioja</td>
<td>Cheese sausages</td>
<td>Reliably high quality</td>
</tr>
<tr>
<td></td>
<td>Prioritize and concern about Corporate Social Responsibility</td>
<td>Online sale</td>
<td>Country of origin</td>
<td>Community of recipes</td>
<td>Excellent delivery</td>
</tr>
</tbody>
</table>

Source: Own elaboration with the information extracted from the official webpage of each company.

12 Compete in the consumer's mind to satisfy a meet, regardless the channel level and the commercial formula.
<table>
<thead>
<tr>
<th>Distributor</th>
<th>Description</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gastronom Nº1</strong></td>
<td>It is the gourmet food store in the shopping mall “GUM” on the Red Square. Wide range of products: champagne, seafood, sushi, sausages, jamon, juice, milk, etc.</td>
<td>- Ideal atmosphere for buying <em>sobrasada</em> (reflexive product)</td>
<td>- Short coverage market (only one store).</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- It is a referent of high-quality products for both residents and tourists.</td>
<td>- Difficult to attract consumers in a shop with so many offers.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Ideal atmosphere for buying <em>sobrasada</em> (reflexive product)</td>
<td>- Sale of similar sausages.</td>
</tr>
<tr>
<td><strong>Atria Russia (OOO Pit-Product)</strong></td>
<td>Finnish food company with industrial operations concentrated in St. Petersburg. It is one of the leading food companies in the Nordic countries, Russia and the Baltic region. Meat raw material is from international meat markets. Animal health is a priority: no medication is given routinely.</td>
<td>- Small portfolio (4 brands)</td>
<td>- The company is already selling a product line of similar items that could act as substitute products.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- It fits with the product and its values.</td>
<td></td>
</tr>
<tr>
<td><strong>La Maree Ltd.</strong></td>
<td>It is specialized in seafood and fish (80%), but it also commercializes meat, cheese, wine, fruits and vegetables, grocery, caviar and porcelain. The main values are: excellence, freshness and unrivalled talent. Export markets: France (50%), Greece, Turkey, Spain, Tunisia, Morocco, The Netherlands, Norway, Russia and the USA.</td>
<td>- Adequate distribution channels: restaurants, food boutiques and high-class supermarkets.</td>
<td>- May prioritize the sale of fish.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- No sale of meat sausages.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Extended market coverage</td>
<td></td>
</tr>
<tr>
<td><strong>Azbuka Vkusa</strong></td>
<td>It is a retail chain premium with more than 60 supermarkets located in Moscow and Saint Petersburg (shopping malls and city centre). It works with more than 900 manufacturers from 70 different countries. It is concerned about quality of life and tries to set high standards for retail and corporate social responsibility.</td>
<td>- The values and culture of both companies are correspondent and coherent.</td>
<td>- Not many private labels since they began producing and selling goods under their own brand in 2011.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Possibility of reaching a large number of potential customers.</td>
<td>- Immense number of international suppliers.</td>
</tr>
<tr>
<td><strong>Stolichnaya Meat Processing enterprise</strong></td>
<td>It operates the «Globus Gourmet» chain of gastronomes. Two stores located in Saint Petersburg and 7 in Moscow. It is a Russian network of premium grocery supermarkets, where the average ticket amounts to 2.500 rubbles. Workers are called “gastronomes”, who are able to provide full information about the products. Pleasant atmosphere.</td>
<td>- Selling Russian products but especially international ones.</td>
<td>- Extended portfolio (500 brands).</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- The unique requirement is offering a high quality product.</td>
<td>- Out of over 12 000 SKUs from more than 500 brands.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Gastronomes can explain in detail the excellent characteristics of the Majorcan product.</td>
<td>- Limited points of sale (only Globus Gourmet establishments)</td>
</tr>
</tbody>
</table>

*Source: Own elaboration with the information extracted from the official webpage of each company.*
Exhibit 15: List of distributors of International Food Fairs in Russia

**Prodexpo.** List of Russian exhibitors within the category: “Meat and meat products, cooked meats, poultry, eggs”, 2017.

- ABI PRODUCT
- AGRO MEAT, INC.
- AGRO-BELGOR’E
- AGROPROMKOMPLEKTATSIY A. THE GROUP OF COMPANIES
- AGROSILA
- ANCIENT TRADITIONS MEAT PROCESSING PLANT
- ANCOM MEAT PROCESSING PLANT
- **Atria Russia**
- ATRUS
- BaltAgroS
- BARS
- BOGORODSKIE DELIKATESY
- CONSTANTA
- DAMATE
- DEKA LLC
- DELIKATES
- DELIKATES GORNOGO ALTAYA
- DUBUA
- EKOL’ (OPTIMUM LLC)
- ELETSKIY MYASOKOMBINAT
- ELMIR LTD
- ES AGRO
- GORNO-ALTAY MEAT PROCESSING PLANT
- ICESPACE
- INDOLINA
- INEY
- IP DORDZHIEVA B.V
- ISPANSKAYA LAVKA
- KNIAZHESKIY MEAT PROCESSING FACTORY
- KORONA PK
- KRISTI
- KRIVETS – PTITSA
- KROL i K
- KUKAREKU
- LIPETSK DELICACIES (TM KUZMINKI)
- LOBANOVSKAYA INDEIKA FARM
- LYSKOVSKYMY ASOKOMBINA T
- MIKOVANOVSKIY MYASOKOMBINAT
- MIRATORG TC LLC
- MYASNAYA TELEZHKA
- MYASOKOMBINAT OCHOKOVO
- MYASOSLAVL
- NORILSKIY MEAT PROCESSING PLANT
- OHOTNO AGRO-INDUSTRIAL HOLDING
- OSTANKINO MEAT PROCESSING PLANT
- PETROVA O.V . IP
- PETROVSKIE DELIKATESY MPK
- PIVNY RADOSti (PRODMARKET)
- POSEIDON
- PRAXIS-OVO
- PRODO
- PRODUKTY BOSKO
- PROGRESS
- PROMAGRO
- PYATACHOK PLUS
- RESOURCE GROUP OF COMPANIES
- ROMANISHIN SMOLENSK MEAT PROCESSING COMPANY
- RUSSKlY KROLIK
- Ruzcom
- SAFA
- SAINT-PETERSBURG MEAT COMPANY
- SELSKlY PROVIANT
- SEVERNlY TRADING HOUSE GROUP OF COMPANIES LLC
- SIBERIAN AGRARIAN GROUP
- SMACHOS – MEAT SNACKS
- **STOLICHNAЯ MEAT PROCESSING ENTERPRISE LLC**
- SYTNY DOM
- TEMPO
- TRINITI
- UGLICHSKAYA PTITSEFABRIKA
- UNITED COOPERATORS
- UTOLINA
- VEGUS
- VELES MEAT-PACKING PLANT
- VELIKONOVGORODSKY MIASNOY DVOR JSC
- VELKOM (MYASOKOMBINAT PAVLOVSKAYA SLOBODA LLC)
- VLADIMIRSKIY STANDART
- Vologodskii AGROHOLDING
- VOSTRYAKOVO-2
- ZALESYE MK
- ZNAMENSKY SGC
- OBYEDINENNYJE MYASOKOMBINATY

- ALFA-TRADING LTD
- DOLGOVGROUP HOLDING COMPANY
- FOOD CITY
- MAGUROS
- RST-TRADING LTD
- SVK AGRO PEASANT ECONOMY

Source: Official sites of the respective food fairs.

Exhibit 16: Analysis of the legal environment and conditions of the access to the Russian meat market

- Transport infrastructures

Road transport is Russia’s key cargo carrier. Due to the huge dimensions of the country, goods must be taken along many kilometers without forgetting the adverse climatic conditions of the territory. Despite the fall of the rubble in 2015 produced a significant increase of the total costs, as of today the Russian transport is finally recovering, although lots of reforms and modernization are still required. In 2016, road transportation accounted for 69.4% of Russia’s total cargo turnover. Roads today are the result of an inappropriate Soviet administrative design for a market economy; where transport models are vertically integrated and control all the aspects. Today, roadways account for 1,283,387 km in the whole country.

- Tariffs

The tariff code of sobressada is 16010091, with the tariff heading: “Uncooked sausages; dry or for spreading, of meat, offal or blood (excl. liver)”. Due to the current sanctions in Russian trade, there is no specific percentage established for the Most Favorable Nation at this time. Nonetheless, it would be applied a tariff of 0.25 €/kg according to the Market Access Database of the European Commission.

Russia is a member of the Eurasian Economic Union, which provides them with an economic space of free movement of goods, services, capital, and labor within five countries: Russia, Armenia, Belarus, Kazakhstan and Kyrgyzstan. Customs Unions agreement aims to eliminate customs duties in bilateral trade and establish a joint customs tariff for foreign importers. Once those goods are inside the border, they are free to circulate in the CU area without any additional customs controls.
- **Taxes**

Russia has recently increased export taxes and the area they cover. Value Added Tax imposed on basic food products is 10%, but delicatessen products are levied at a rate of 18%. The margin of the distributor must also be taken into account to determine the price of the product. Customs clearance fee is levied according to the dutiable value of the goods.

- **Documentation required**

Customs allows the Russian Government to protect its interests at the border, enable and monitor trade, and collect duties, fees and taxes. The documentation required for road transportation is: declaration of the customs value; transport document (Road Bill of lading); commercial invoice or pro-forma invoice; packing list; sanitary certificate; and certificate of origin. In order to avoid delays, it is convenient to present all the documentation in Russian as well, since the customs clearance has the right to demand the translation of the documents provided in English to the local language.

An accreditation or approval from Rosselkhoznadzor is also required (see Figure 1). It is a certificate of the Federal Service for Veterinary and Phytosanitary Surveillance that ensures that companies comply with veterinarian and sanitary rules of the Russian Federation.

The acquisition of the certificate *GOST R ISO 9001 – 2008* implies the existence of a quality management system within the company, which can be very important at commercial level in Russia. However, this is not mandatory.

**Figure 1 Certificate of the Federal Service for Veterinary and Phytosanitary Surveillance.**

*Source: Ministry of Agriculture of the Russian Federation.*
Labelling process

The present Technical Regulations of the Customs Union shall be applied to labelling of food products released in circulation in the unified customs area of the Customs Union. Thus, according to TR CU 005/2011, labels on alimentary products in the Russian Federation must feature the following information in Russian language: type and name of the product; legal address of the producer; weight/volume of the product; food contents; nutritional value; conditions of storage; expiration date; terms and conditions of use and conservation of the item. As for food products exported to other Members States of the European Union, Embutidos Munar complies with the Regulation 1169/2011 on food information provided to the consumer.

Exhibit 17: Recap of the key drivers of the business

Sobrassada is elaborated with black pig meat, native to Mallorca.

Sobrassada aligns with the calorie-rich Russian diet of dense and fatty food products.

Gourmet food is gaining popularity, especially international products which are perceived as higher quality.

Current growing trend of pork consumption.

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Exhibit 18: Advantages and disadvantages of direct and indirect exporting

**DIRECT EXPORTING**

**Advantages:**
- Greater degree of control over all the transactions
- Allow to learn about international markets
- Higher margins
- Business on continuous basis
- Feedback about customers and sales

**Disadvantages:**
- Need to invest in market research
- The difficulties the exporter has when the local currency is very strong against the target market’s currency
- Need to find a very committed partner

**INDIRECT EXPORTING**

**Advantages:**
- Access to a foreign market through a “domestic sale”
- Flexible and cheap entry strategy
- No exporting experience or skills are required
- There are no big initial expenses
- Low risk

**Disadvantages:**
- No control over brand’s image in the foreign market
- No after-sales service
- Low margins for the exporter
- No feedback received
- Not suitable to develop long-term market share (the company isn’t improving its skills nor learning)
- It is not possible to learn from foreign markets
Exhibit 19: Organization Chart of the company

![Organization Chart]

Source: Own elaboration.

Exhibit 20: Distribution channels

Moscow and Saint Petersburg are the biggest cities in Russia in terms of area, and they are the most densely populated cities as well. The local purchasing power is the highest in the country, although the cost of living is the highest too (see Figure 2). A proportional relationship exists between the high level of consumption and the most populated and economically developed regions.

Figure 2. Ranking of the Russian’s cities regarding the cost of living plus rent index

<table>
<thead>
<tr>
<th>Rank</th>
<th>City</th>
<th>Cost of Living Index</th>
<th>Rent Index</th>
<th>Local Purchasing Power Index</th>
<th>Cost of Living Plus Rent Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Moscow</td>
<td>51.82</td>
<td>34.10</td>
<td>59.58</td>
<td>43.27</td>
</tr>
<tr>
<td>2</td>
<td>Saint Petersburg</td>
<td>46.41</td>
<td>20.17</td>
<td>56.75</td>
<td>33.75</td>
</tr>
<tr>
<td>3</td>
<td>Yekaterinburg</td>
<td>42.05</td>
<td>12.40</td>
<td>52.61</td>
<td>27.75</td>
</tr>
<tr>
<td>4</td>
<td>Novosibirsk</td>
<td>39.86</td>
<td>12.16</td>
<td>47.89</td>
<td>26.50</td>
</tr>
<tr>
<td>5</td>
<td>Nizhny Novgorod</td>
<td>39.83</td>
<td>11.38</td>
<td>40.34</td>
<td>26.11</td>
</tr>
<tr>
<td>6</td>
<td>Kazan</td>
<td>39.53</td>
<td>12.81</td>
<td>51.14</td>
<td>26.64</td>
</tr>
<tr>
<td>7</td>
<td>Rostov-na-donu</td>
<td>39.10</td>
<td>12.21</td>
<td>35.31</td>
<td>26.13</td>
</tr>
</tbody>
</table>

Therefore, specialized gourmet stores of local and foreign products of high quality are established there being much more expensive than food bought in supermarkets.

In terms of transport and infrastructures, these two cities are also the most suitable, while in the other cities of Russia (with a significantly smaller population) there are neither good roads nor railways: they are in a poor state of repair.
Other Spanish and international brands in gourmet food industry are located mainly in multi-brand stores in shopping malls. Thus, they share a selective distribution in a high quality space where people can buy the best sausages, fruit, fish, wine, sweets, etc. Currently, online sales in this sector are not very popular, as consumers perceive the purchase as an experience and they prefer to enjoy the atmosphere in those exclusive stores, rather than just buying products online. Over time, it is expected to become omnichannel, integrating the whole customer experience.

Most companies use a distributor as an entry market mode since Russia is a huge and far away country with a large population, what makes almost all the other export methods unfeasible.

Source: Own elaboration with data extracted from World Bank and Numbeo.
Exhibit 21: La Marée. Points of sale and restaurants in the two biggest cities of the country

<table>
<thead>
<tr>
<th>POINT OF SALE</th>
<th>ESTABLISHMENT</th>
<th>LOGO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Azbuka Vkusa</td>
<td><img src="image1" alt="Image" /></td>
<td><img src="image2" alt="Image" /></td>
</tr>
<tr>
<td>Globus Gourmet</td>
<td><img src="image3" alt="Image" /></td>
<td><img src="image4" alt="Image" /></td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>MOSCOW</th>
<th>SAINT PETERSBURG</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1" alt="Image" /></td>
<td><img src="image2" alt="Image" /></td>
</tr>
<tr>
<td><img src="image3" alt="Image" /></td>
<td><img src="image4" alt="Image" /></td>
</tr>
</tbody>
</table>

Source: Own elaboration.
Exhibit 22: Marketing Plan for 2019. *Embutidos Munar in Russia*

**MARKETING PLAN FOR 2019 – EMBUTIDOS MUNAR IN RUSSIA**

One of the biggest challenges about working with a distributor is defining the marketing policy together and developing a marketing plan.

The marketing plan details all the marketing actions which will be done by the distributor in the foreign country, according to the conditions already established with the Majorcan company.

**Objectives:**

- Give the product exposure, highlighting the fact that it is completely artisanal and that comes from the black pig, native to the region.
- To export 940kg of sobrassada (2,350 units).
- Increase total sales by 15%.
- To position *Embutidos Munar* as a premium brand of Spanish meat delicatessen industry and to gain brand awareness and recognition.

**Plan of purchases:**

- Total budget 2019: 24,323.45 EUR\(^{14}\)

**Product mix:**

- Sobrassada de Mallorca de Porc Negre MunaR (60%)
- Sobrassada de Mallorca de Porc Negre MunaR Picante (40%)

**Distribution:**

- 70% Specialized stores in malls and premium supermarket chains
- 30% HoReCa Sector

**Promotions:**

- Balearic Islands’ Day: 1\(^{st}\) March (187,5€)
- Christmas: Winter season (1,000€)

**Marketing actions:**

- Advertising:
  - International gourmet food magazine (2,000€)

\(^{14}\) 24,323,45 euros = 1,791,665.70 rubbles
- In specialized gourmet boutiques (7,000€)
- Product samples ➔ free of charge (374,60€)

- Social Media Campaign: influencer and chef (2,000€)
  - VKontakte
  - Twitter
  - Instagram
  - Facebook

Calendar and expenses:

<table>
<thead>
<tr>
<th>MARKETING ACTIONS 2019</th>
<th>€</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>374,6</td>
</tr>
<tr>
<td>Product samples (free of charge)</td>
<td></td>
</tr>
<tr>
<td>February</td>
<td>187,5</td>
</tr>
<tr>
<td>March</td>
<td></td>
</tr>
<tr>
<td>Special promotion for Balearic Island’s Day</td>
<td></td>
</tr>
<tr>
<td>April</td>
<td>1,000</td>
</tr>
<tr>
<td>May</td>
<td></td>
</tr>
<tr>
<td>Social Media: chef</td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>1,000</td>
</tr>
<tr>
<td>July</td>
<td>2,000</td>
</tr>
<tr>
<td>Russian foodie magazine</td>
<td></td>
</tr>
<tr>
<td>September</td>
<td>1,000</td>
</tr>
<tr>
<td>Social Media: influencer</td>
<td></td>
</tr>
<tr>
<td>October</td>
<td>2,000</td>
</tr>
<tr>
<td>Social Media: chef</td>
<td></td>
</tr>
<tr>
<td>November</td>
<td>1,000</td>
</tr>
<tr>
<td>Christmas promotion in supermarkets</td>
<td></td>
</tr>
<tr>
<td>December</td>
<td>7,000</td>
</tr>
<tr>
<td>+ Advertising in specialized gourmet boutiques and supermarket chains</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>12,187,50</td>
</tr>
</tbody>
</table>

TOTAL COST MARKETING PLAN: 12,187,50 €

Contribution from Embutidos Munar: 6,093,75 €
Contribution from La Marée: 6,093,75 €

Global branding:

- Brand ➔ Munar (Embutidos Munar)
- Logo

![Munar Logo]
- **Brand Equity**
  - Brand loyalty
  - Name awareness
  - Perceived quality
  - Brand associations
  - Brand assets

  The objective is to capture the same values as in the local market of the organization in order to achieve the same recognition by Russian consumers.

**Marketing Mix: 4 P's**

1. **Product Strategy**

*Embutidos Munar* is taking a new food product to Russia. Russian consumers have never tasted sobrassada before, so it is essential to show how to eat it: spread in some toasts or as side dish, with some jam or cheese and only sobrassada to notice its taste. The pillar of this campaign is to effectively communicate this pattern. Key elements must be explicit in the packaging: it will show distinctly the country of origin and in the type of pig meat (black), which is identified as the outstanding competitive advantage of the company in the Russian market. It is classified as a non-durable and specialty good, in other words, its unique characteristics motivate buyers to be more willing to make a special purchase effort to acquire it.

Product levels of sobrassada from *Embutidos Munar*:
- **Core product**: it is a deli meat sausage.
- **Actual product**: it is a high-quality alimentary product elaborated in an artisan way, wrapped in an exclusive and artisan packaging from a Majorcan brand.
- **Augmented product**: it is an international product which offers the uniqueness of production with black pork, which is the best quality pig meat worldwide, native to Mallorca, the region of origin of sobrassada.

Some factors such as government regulatory influences and language differentiation encourage adaptation, although there are neither differing use conditions nor consumer behaviour patterns which forces the company to change the product itself.

2. **Price Strategy**

*Embutidos Munar* is a premium brand which offers an innovative product to a new market, so the strategy will be based on skimming pricing. High prices will be used to attract a market
segment that demands a quality product, uniqueness and status. The target audience is not conditioned by price, who aims to acquire expensive goods because they understand them as top quality products. Therefore, focusing on price calculation, it will be based on cost, and not on competition since there is any Majorcan sobrassada sold in Russia at this moment. However, it is true that there exist substitutive products like pâté which can be consumed instead of sobrassada. The price of a high-quality pâté’s can (400 grams) sold in Russia is around 22 euros, so it should be taken into account when setting the sale price.

The setting of export prices is not standard worldwide. In some countries like France the final price to the consumer is around 20€ while in the United Kingdom, for example is around 15€. In Russia, the price could increase to 20 euros approximately, although that depends mostly on the distributor.

*Embutidos Munar* does not allocate a specific percentage of the turnover to marketing expenses: they change depending on the country and make a concrete monetary contribution according to the life cycle of the product. In this case, the price increases notably because higher marketing expenses are needed. The method of payment is by bank transfer in advance.

### 3. Sales and Distribution Strategy

In Russia, the product will be sold through a selective distribution. In restaurants, *Embutidos Munar*’s sobrassada will be in the menu served with some toasts in order to be clear about how it should be eaten. In specialized stores of delicatessen products, the seller should let taste the product to the visitors with some bread and show a few recipes which could be elaborated with this innovative ingredient. The vendor needs to be able to explain all the properties and features of the Majorcan product. The 70% of the stock will be placed in specialized stores while the remaining 30% will be served in *La Marée* restaurants (Re). According to the report by PMR Research published in 2014, the dominant type of cuisine is European (66%), followed by traditional Russian cuisine (35%). The main competitors of *La Marée* in this sector are: Turandot, Palkin, Puskin, Cipollino, Semifreddo-Mulinazzo, Feodor Dostoevsky, Classica and Kalipso. These are premium restaurants that offer pork’s products and are located in Moscow, Saint Petersburg, Sochi, Yekaterinburg and Novosibirsk.¹⁵

At the moment there are some exhibitions in the HoReCa sphere in Russia, for example: Food Service Moscow and Expo HorReCa. They are international exhibitions through which Munar’s sobrassada could obtain access to the audience all over the country. In the future, it could be reached an agreement with other brands of the distributor to attend to one of these fairs.

¹⁵ *Source: Gain Report /STC Analysis*
4. Promotional Strategy

The approach in Russia will be different than in Mallorca: in the foreign market, the strategy will be focus mainly on product exposure. Attendance at local fairs would not be necessary at least during the early years because the company already has a distributor, but regular visits to La Marée will have to take place in order to keep in touch and strengthen commercial relations. Before that, the sales agents will have to explain the attributes of the product, how to eat it, possible recipes, etc. Social networks will play an important role: special raffles will be held through VKontakte, Facebook, Instagram and Twitter. Besides, a special marketing campaign will be carried out during summer for Russian tourists in Mallorca in order to let them know the product and encourage them to buy it as well in their country. They will be short-term incentives to encourage a major volume of purchases by the users. In any case, the Majorcan company is the one who will carry those costs. Direct marketing (direct mail, catalogues, international telemarketing, etc.) will be utilized between Embutidos Munar and its distributor in Russia as communication tool. Also, La Marée is allowed to sell sobrassada via Internet as long as the website is linked to the overall marketing strategy. It allows the company to increase its presence in the marketplace, empower 24-hour access to customers and prospects and it can improve customer service by permitting customers to choose all the conditions themselves very quickly.

New packaging proposal

The label would be translated into Russian.

Source: Company.
Exhibit 23: Presentation of *Embutidos Munar* in Russian language to introduce the company and the product to the distributor La Marée
Цели

- Представить испанский продукт на российском пищевом рынке.
- Узнаваемость бренда.
- Увеличить потребление качественной пищи в России.
- Увеличение клиентов и продаж.

ПРЕЗЕНТАЦИЯ КОМПАНИИ

- Находится на Поррерасе (Майорка).
- Основана в 1942 году.
- В этой компании работают 6 сотрудников.
- Производят и продают два продукта: собрасаду и паштет.
Макросреда — Российский рынок

- Население: 143 миллиона жителей.
- Россия — самая большая страна в мире.
- Президент: Владимир Путин.
- Другая валюта: Российский рубль.
- Высокие налоги для переговоров.
- Сейчас Россия также начинает производить свинину, и хочет продавать её в восточные страны, такие как Китай.
Стратегия продукта

Мы экспортируем собрасаду

Почему?
Это типичный продукт региона, который является конкурентным преимуществом.

Стратегия цен

Позиционирование в категории «премиум».
- Целевая аудитория: семьи с высоким статусом
- Целевой сегмент: высокий
- Цена включает экспортные расходы: 10,31 €/единство

Стратегия размещения

Работать с дистрибьютором: взаимовыгодные отношения

Мы будем продавать продукцию Mular в крупнейших городах России: Москва и Санкт-Петербург.
- Онлайн: интернет-магазины
- Офлайн:
  - Специализированные магазины
  - Сети супермаркетов премиум-класса
  - Ресторан

Рекламная стратегия

Дистрибьютор сделает раскрутку бренду в двух российских городах.
Он знает российский рынок и предпочтения потребителей.

Проводить маркетинговые кампании в социальных сетях и рекламу в магазинах
Конкуренция

*Беларусь экспортирует колбасы в Россию, но они очень дешевы и низкого качества.

В Майорке

В России

Выводы

- Этот проект реализуемый.
- Embutidos Munar должны подвергнуть продукт воздействию на российском рынке.
- В Испании, продукция этой фирмы пользуется спросом и популярностью, а мы также постараемся добиться этого в России.

Source: Own elaboration
Exhibit 24: Viability plan

Initial investment plan

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Creation of the web page translated into Russian</td>
</tr>
<tr>
<td>2</td>
<td>Travel to Russia to meet the distributor face to face</td>
</tr>
<tr>
<td><strong>TOTAL INVESTMENT</strong></td>
<td><strong>3.000 €</strong></td>
</tr>
</tbody>
</table>

In this case, HHRR\(^{16}\) costs would not be considered because no employee is hired to deal with Russia’s operations and procedures: the General Manager and their administrative assistant will take care of it. However, it is essential to invest in the creation of the company’s webpage in Russian and also a first business trip to the capital in order to officially meet the future distributor. The organization has enough liquid assets to afford the initial investment of 3.000€ in the first year without having to request any loans. In fact, it has never been indebted.

Sales forecast

The maximum production capacity of the company is 50,000kg of sobrassada. Taking into account that export sales correspond to 10% of total sales, it is assumed that production capacity for export is 5,000kg. In this way, if 3,452kg were sold abroad in 2017, at most it would be possible to sell approximately 1,548kg of sobrassada in Russia.\(^{17}\) In case the demand increased a lot and more quantity would need to be produced, the company would hire another worker to increase the production capacity, but in principle it would not be necessary.

The average annual growth rate during in export’s sales is 15%. Therefore, if the company aims to sell 1,250kg at the end of the third year, the sales volume per year in terms of weight and units should be the following:

<table>
<thead>
<tr>
<th>Exports to Russia</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kg</td>
<td>943,68</td>
<td>1,086,10</td>
<td>1,250</td>
</tr>
<tr>
<td>Units</td>
<td>2,359,21</td>
<td>2,715,24</td>
<td>3,125</td>
</tr>
</tbody>
</table>

The cost of production per unit is 3,61€ for black pork’s sobrassada, which is calculated by adding the cost of purchase of raw materials, purchase of other provisions and packaging cost. In this manner, aiming to achieve an ambitious margin of the 65%, the sale price to the distributor will be 10,31€/unit.\(^{18}\) A great advantage is the low cost of transport thanks to La

\(^{16}\) HHRR = Human Resources  
\(^{17}\) 5,000 – 3,452 = 1,548 kg  
\(^{18}\) At the time of viability’s plan realization, the exchange rate is 10,31EUR = 762,48 RUB (11.05.2018)
Marée Logistics, who takes responsibility of all risks and costs from Barcelona to Moscow under the incoterm EXW. Thus, the cost of shipment to Barcelona is 0,14€/unit.

Since the Majorcan company provided all the indispensable information to do the calculations, it has been possible to contemplate one unique scenario. Thus, it all has been done with reliable and truthful data from the company.

Two special promotions will be offered to the distributor per year: the first week of March coinciding with Balearic Islands’ Day, a discount of 1 euro per unit will be applied. In other words, the price of the unit will be 9,31€ instead of 10,31€. Likewise, from the third week of December until the second week of January it will be applied another discount of 2€/unit for Christmas season (see Figure 3). In 2019, if on average 81.97kg are sold per month, it is assumed on promotions a higher quantity will be sold (75kg during the first week of March and 200 during Christmas season). If this were the case, the total cost of both promotions in 2019 would be 1.187,50€. The same formula was applied for the next two years.

Figure 3. Promotion’s costs (2019 – 2021)

The discounts applied for both promotions are:

- Balearic Island's Day → 1€
- Christmas → 2€

<table>
<thead>
<tr>
<th>Promotion</th>
<th>Sales (kg)</th>
<th>Sales (units)</th>
<th>Cost promo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balearic Island's Day</td>
<td>75</td>
<td>187,5</td>
<td>187,50 €</td>
</tr>
<tr>
<td>Christmas</td>
<td>200</td>
<td>500</td>
<td>1.000,00 €</td>
</tr>
<tr>
<td><strong>TOTAL RAPPEL 2019</strong></td>
<td></td>
<td></td>
<td><strong>1.187,50 €</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Promotion</th>
<th>Sales (kg)</th>
<th>Sales (units)</th>
<th>Cost promo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balearic Island's Day</td>
<td>86</td>
<td>215,80</td>
<td>215,80 €</td>
</tr>
<tr>
<td>Christmas</td>
<td>230</td>
<td>575,46</td>
<td>1.150,91 €</td>
</tr>
<tr>
<td><strong>TOTAL RAPPEL 2020</strong></td>
<td></td>
<td></td>
<td><strong>1.366,71 €</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Promotion</th>
<th>Sales (kg)</th>
<th>Sales (units)</th>
<th>Cost Promo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balearic Island's Day</td>
<td>215</td>
<td>539,49</td>
<td>539,49 €</td>
</tr>
<tr>
<td>Christmas</td>
<td>575</td>
<td>1.438,64</td>
<td>2.877,28 €</td>
</tr>
<tr>
<td><strong>TOTAL RAPPEL 2021</strong></td>
<td></td>
<td></td>
<td><strong>3.416,77 €</strong></td>
</tr>
</tbody>
</table>
Sobrassada will be advertised through different channels (see Figure 4). First of all, 100 product samples will be sent to the distributor free of charge, so they can let consumers taste the product in certain stores while explaining what is it and how to eat it. The cost is the sum of the variable cost per unit and the cost of transportation multiplied by the number of samples sent, which will decrease along the years. In addition, the opportunity cost needs to be considered: the company does not collect the payment it would earn if the product samples were sold.

A completed article about the product in a Russian foodie magazine will imply an advertising expense as well. It will allow the company to become well-known and to gain brand awareness, which are some of the initial objectives of the project. Besides, in order to increase the presence of the brand in the points of sales, marketing material will be sent to the premium supermarket chains and the stores so it can be exhibited in the establishments and increase product and brand’s recognition. On the other hand, social media campaigns will be negotiated with an appreciated influencer on this field to upload some pictures of the product and explain it briefly in the caption. VKontakte, Twitter, Facebook and Instagram will be the social networks for the marketing campaign.

Figure 4. Advertising costs

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product samples</td>
<td>100</td>
<td>70</td>
<td>50</td>
</tr>
<tr>
<td>Cost of samples</td>
<td>374,60 €</td>
<td>262,22 €</td>
<td>187,30 €</td>
</tr>
<tr>
<td>Foodie magazine</td>
<td>2,000 €</td>
<td>2,000 €</td>
<td>2,000 €</td>
</tr>
<tr>
<td>Advertising in POS</td>
<td>7,000 €</td>
<td>6,000 €</td>
<td>6,000 €</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9,374,60 €</strong></td>
<td><strong>8,262,22 €</strong></td>
<td><strong>8,187,30 €</strong></td>
</tr>
</tbody>
</table>

Regular visits to the distributor are essential to maintain and improve the relationship with the distributor. During the first years of the agreement, the Majorcan company will spend around 2,000€ in those trips. Once the alliance is consolidated, trips will be less frequent and consequently so will be its expenses.

Despite the creation of the webpage of the company in Russian language corresponds to an initial investment, it will also incur as an annual cost for the next years (although it will be lower) since the webpage must be updated frequently and new content should be added every year, so 500 euros will be paid for maintenance in 2019, and 200 euros in the coming years.

No bonus will be paid to the employees of the company because of the Russian sales, so salaries are not affected on P&L statement. Notary and registration expenses are paid on the first year of activity in the foreign country, which reaches 1,500€.
Once all costs have been accounted for and the sales foreseen, it can be concluded that the first year the Majorcan company will have no benefits for its operations in Russia: losses in 2019 are valued around 1,000 euros because of the prominent need to invest in advertising in a country where neither the brand nor the product is known.

It wouldn’t be necessary to make any additional cost calculations. As can be observed in the profit and loss account (Figure 5), the recovery of the investment and the break-even point would be reached in the second year, that is, by 2020. In 2021, net income of Russian exports might exceed 3,300 euros.

Source: Own elaboration.

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**Figure 5. Profit and Loss Statement**

<table>
<thead>
<tr>
<th>P&amp;L Statement</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>SALES (KG)</td>
<td>0</td>
<td>943,68</td>
<td>1,086,10</td>
<td>1,250,00</td>
</tr>
<tr>
<td>SALES (UNITS)</td>
<td>0</td>
<td>2,359,21</td>
<td>2,715,24</td>
<td>3,125,00</td>
</tr>
<tr>
<td>PRICE/UNIT</td>
<td>10,31 €</td>
<td>10,31 €</td>
<td>10,31 €</td>
<td>10,31 €</td>
</tr>
<tr>
<td>RAPPELS</td>
<td>0,00 €</td>
<td>-1,187,50 €</td>
<td>-1,366,71 €</td>
<td>-3,416,77 €</td>
</tr>
<tr>
<td>TOTAL REVENUE</td>
<td></td>
<td>23,146,03 €</td>
<td>26,639,04 €</td>
<td>28,815,37 €</td>
</tr>
<tr>
<td>RAW MATERIALS</td>
<td>0,00 €</td>
<td>3,255,70 €</td>
<td>3,747,03 €</td>
<td>4,312,50 €</td>
</tr>
<tr>
<td>PURCHASES OF OTHER SUPPLIES</td>
<td>0,00 €</td>
<td>2,901,82 €</td>
<td>3,339,74 €</td>
<td>3,843,75 €</td>
</tr>
<tr>
<td>NEW PACKAGING</td>
<td>0,00 €</td>
<td>2,359,21 €</td>
<td>2,715,24 €</td>
<td>3,125,00 €</td>
</tr>
<tr>
<td>COST OF SALES</td>
<td></td>
<td>8,516,73 €</td>
<td>9,802,01 €</td>
<td>11,281,25 €</td>
</tr>
<tr>
<td>GROSS MARGIN</td>
<td>0,00 €</td>
<td>14,629,29 €</td>
<td>16,837,03 €</td>
<td>17,534,12 €</td>
</tr>
<tr>
<td>TRANSPORTATION</td>
<td>0,00 €</td>
<td>320,85 €</td>
<td>369,27 €</td>
<td>425,00 €</td>
</tr>
<tr>
<td>MARKETING ACTIONS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Social Media</td>
<td>0,00 €</td>
<td>2,000,00 €</td>
<td>2,500,00 €</td>
<td>2,500,00 €</td>
</tr>
<tr>
<td>- Advertising</td>
<td>0,00 €</td>
<td>9,374,60 €</td>
<td>8,262,22 €</td>
<td>8,187,30 €</td>
</tr>
<tr>
<td>- Webpage</td>
<td>1,000,00 €</td>
<td>500,00 €</td>
<td>200,00 €</td>
<td>200,00 €</td>
</tr>
<tr>
<td>TRAVEL EXPENSES</td>
<td>2,000,00 €</td>
<td>2,000,00 €</td>
<td>2,000,00 €</td>
<td>2,000,00 €</td>
</tr>
<tr>
<td>SALARIES</td>
<td>0,00 €</td>
<td>0,00 €</td>
<td>0,00 €</td>
<td>0,00 €</td>
</tr>
<tr>
<td>NOTARY &amp; REGISTRATION EXPENSES</td>
<td>0,00 €</td>
<td>1,500,00 €</td>
<td>0,00 €</td>
<td>0,00 €</td>
</tr>
<tr>
<td>TOTAL EXPENSES</td>
<td>3,000,00 €</td>
<td>15,695,45 €</td>
<td>13,331,49 €</td>
<td>13,312,30 €</td>
</tr>
<tr>
<td>EBIT19</td>
<td>-3,000,00 €</td>
<td>-1,066,16 €</td>
<td>3,505,53 €</td>
<td>4,221,82 €</td>
</tr>
<tr>
<td>FINANCIAL INCOME</td>
<td>0,00 €</td>
<td>0,00 €</td>
<td>0,00 €</td>
<td>0,00 €</td>
</tr>
<tr>
<td>FINANCIAL EXPENSES</td>
<td>0,00 €</td>
<td>0,00 €</td>
<td>0,00 €</td>
<td>0,00 €</td>
</tr>
<tr>
<td>EBT20</td>
<td>-3,000,00 €</td>
<td>-1,066,16 €</td>
<td>3,505,53 €</td>
<td>4,221,82 €</td>
</tr>
<tr>
<td>CORPORATE TAX (20%)</td>
<td>0,00 €</td>
<td>0,00 €</td>
<td>701,11 €</td>
<td>844,36 €</td>
</tr>
<tr>
<td>NET INCOME</td>
<td>-3,000,00 €</td>
<td>-1,066,16 €</td>
<td>2,804,43 €</td>
<td>3,377,46 €</td>
</tr>
</tbody>
</table>

19 EBIT = Earnings Before Interest and Taxes
20 EBT = Earnings Before Taxes