19/1/2009

DON MANOLO S.L.

ENVIRONMENTAL ANALYSIS

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INDEX

List of Contents

Introduction

The project aim is to export Spanish high quality products abroad, in order to open restaurants and offer both cooked and uncooked Spanish delicatessen. The goal is to make this business worldwide, beginning with countries where Spanish food is specially known and well accepted. These countries are UK, Russia, US, France and China.

The environmental analysis will be focused in three countries: Spain (where the business headquarters is going to be located and main suppliers will have), UK and Russia (where restaurants/shops will be located). The environmental analysis is extendable to the other countries.

SPAIN

Economic situation

The world is facing a huge economic and financial crisis and, logically, it is affecting Spain. But the Spanish case is really particular, because of its model of economic growth based on the real estate bubble. It was in charge of leading the consumer demand, so the bursting of the housing market is having dramatically consequences on the Spanish economy. Some indicators are:

- Growth of unemployment: 14% official rate
- Less consumer demand: 50% decrease in car sales
- Growth of Public Deficit: forecasted to be more than 6%
- Low consumer confidence on the economy: from 92,5% (July 2007) to 70,9 (January 2009)

Although this scenario of recession, we consider that United Kingdom and Russia can get out of it before.

Political structure and current situation

Spain is a modern democracy since 1978, after almost 40 years of Francisco Franco´s dictatorship.

The official name of the country is Kingdom of Spain, and is a constitutional monarchy based on 1978 Constitution. The Head of State is King Juan Carlos I and Jose Luis Rodríguez Zapatero, from Spanish Socialist Workers´ Party (PSOE), holds the Government as Prime Minister since 2004, being re-elected in 2008.

Taxation

For VAT taxation on goods moving between Member States, the European Commission says what follows:

No frontier controls exist between Member States and therefore VAT on goods traded between EU Member States is not collected at the internal frontier between tax jurisdictions.

Goods supplied between taxable persons (or VAT registered traders) are exempted with a right to deduct the input VAT (zero-rated) on dispatch if they are sent to another Member States to a person who can give his VAT number in another Member State. This is known as an "intra-Community supply". The VAT number can be checked using the VAT Information Exchange System (VIES).

The VAT due on the transaction is payable on acquisition of the goods by the taxable customer in the Member State where the goods arrive. This is known as "intra-Community acquisition". The customer accounts for any VAT due in his normal VAT return at the rate in force in the country of destination.

Having this in mind, we consider that for transactions with United Kingdom VAT is paid there, in order to avoid double taxation. For goods moving to Russia, VAT should be paid at the international frontier between tax jurisdictions.

Other considerations about VAT:

- Deduction: we can deduce the VAT quotas supported in the previous steps of production and commercialization of the goods involved in those transactions.
- Devolution: the exporters can recourse to the special regime of devolution, but is indispensable to be registered in the Exporters Register (Registro de Exportadores)

Technology

We consider that there is not needed any special technology that could be applicable to our business.

Suppliers

In Spain exists sufficient suppliers of the goods we are going to manage with, so a good selection of them is needed.

Employees

Our core employees are going to be Spanish cooks, and we are going to recruit them from prestigious high cooking schools of Spain.

Conclusions

We consider that there are not any unfavorable reasons in order to start with our project.

United Kingdom. London Market Overview

United Kingdom (UK) is an island country located off the northwestern coast of continental Europe surrounded by the Atlantic Ocean, the North Sea. The total area of the UK is approximately 245,000 square kilometers in a temperate climate, with plentiful rainfall all year round.

UK is a unitary state consisting of four countries: England, Northern Ireland, Scotland and Wales. It is governed by a parliamentary system with its seat of government in London, the capital, but with three devolved national administrations in Belfast, Edinburgh and Cardiff.

The UK remains a major power with strong economic, cultural, military and political influence. It is a Member State of the European Union, holds a permanent seat on the United Nations Security Council, and is a member of the G8, NATO, Organization for Economic Co-operation and Development and World Trade Organization.

Political situation

The United Kingdom is a constitutional monarchy where the monarch is the head of the state: Queen Elizabeth II. Executive power is exercised by the UK government , where the head is the Prime Minister, Mr Gordon Brown.

The UK's three major political parties are the Labour Party, the Conservative Party, and the Liberal Democrats, who won the 95% of the seats available in the House of Commons at the 2005 general election.

From the democratization of Spain up to now, the relations between Spain and UK have been excellent, apart from minor disputes (Gibraltar issue and fishing rights). Since the aim of the project is to open restaurants in a friend European country, political obstacles for the business are not perceived.

Economic situation

The UK is a developed country, with the fifth (nominal GDP of 1,447.77 billion €) or sixth (PPP, purchasing power parity) largest economy in the world. It was the world's first industrialized country and the world's foremost power during the 19th and early 20th centuries, but the economic cost of two world wars and the decline of its empire in the latter half of the 20th century diminished its leading role in global affairs.

From 1973 is member of the European Union, but it is not member of the monetary union.

Manufacturing remains a significant part of the economy, but accounted for only one-sixth of national output. The British motor industry, the chemical and pharmaceutical industry are a significant part of this sector in the UK.

The labor force in UK is about 31 million citizens, distributed as follows: 81% services, 18% industry and 1% agriculture. The unemployment rate is around 5.4% of the labor force, and the inflation has followed the European trend: 3.78%

Economic forecast

- Public borrowing and debt will raise sharply to dangerously high levels in the coming years, as economic activity contracts and the government has to take additional steps to support the economy. The full impact of the bank bail-out package is unclear. In theory, the effect on public borrowing should only be temporary, but there are no guarantees.
- Inflation will fall sharply in 2009, heightening deflationary concerns. It is expected that the Bank of England (the central bank) to cut its main policy rate to 0.5% in early 2009. Quantitative easing is likely to follow, as is direct state lending to the real economy. The previously overvalued currency is likely to depreciate further in the near term, before recovering ground.
- The wide fallout from the financial crisis, falling house prices, sharply rising unemployment and weak foreign demand will all contribute to GDP contracting in 2009-10. Weaker price

pressures, lower interest rates, a more competitive currency and a gradual improvement in external demand should support some recovery in activity from 2011

Key indicators	2008	2009	2010	2011	2012	2013
Real GDP growth (%)	0.7	-2.5	-0.9	0.9	1.9	2.1
Consumer price inflation (av, %; EU harmonised measure)	3.6	1.2	1.4	2.6	2.8	3.0
Budget balance (% of GDP)	-5.3	-11.0	-12.3	-10.6	-9.3	-7.8
Current-account balance (% of GDP)	-2.7	-2.5	-1.9	-1.0	0.4	-0.4
3-month Treasury rate (av; %)	5.6	1.6	1.4	3.0	4.1	5.0
Exchange rate US$:£(av)	1.84	1.46	1.56	1.70	1.76	1.78
Exchange rate£:€(av)	0.79	0.88	0.83	0.78	0.77	0.77
Exchange rate US$:€(av)	1.46	1.29	1.30	1.33	1.35	1.37

(Source: The economist)

Socio-cultural and demographic situation

In year 2008, the total population of the United Kingdom was 58,789,194, the third largest in the European Union and the twenty-first largest in the world. Current population growth is mainly due to net immigration but a rising birth rate and increasing life expectancy have also contributed. The 83.4% of British population is in England, that’s why is one of the most densely populated countries in the world (383 people resident per square kilometer).

85.67% of the Island citizens are white British, while other white Europeans contribute a 6.47%. The rest are with a lower rate, are composed by Asians (Mainly Pakistan and India), Africans and Latin-Americans (see annex).

The traditional religion in the United Kingdom is Christianity. In England the established church is the Church of England (Anglican). In Northern Ireland and similarly in parts of Scotland, there is a sectarian divide between Roman Catholic and Protestant communities. The second most belief religion is Muslim, with 2.7 % of the citizens. Other religions like Hindu, Sikh and Jewish have a lower rate. A high percentage (15.5%) of British are considered themselves as non religious.

In 2001 60,000 Spanish born people were living in the UK, and 160,000 British people were of Spanish descent, in total estimates state 960,000 UK citizens as having full or partial Spanish blood (with the remaining 800,000 being South Americans of Spanish descent). 71.22% of recent Spanish immigrants to the UK of working age are employed.

Although there are no real Spanish districts as such, it is estimated that around 25,000 Spanish people live in North Kensington (London), focused around the Spanish School in Notting Hill and around Victoria.

Nevertheless, Spain is a well known country for British citizens. Most of them have ever travelled, and a lot of them have properties in Spain.

At this chapter it can be concluded that the socio-cultural and demographic situation in this country favors the idea of Spanish product business.

Influence of other sectors

Raw materials

Raw materials are going to be imported from Spain, so at this point no influence in British raw materials has to take in consideration.

Equipment

The basic equipment for the business, mainly kitchen and decoration of the restaurant/shop, will be acquired from suppliers in London. Nevertheless, the contracted designer have Spanish decoration experience, so the restaurant/shop will be a mix between Spanish environment and high level cuisine.

The restaurant will be located in one of the most characteristic districts of London, where the acquisition of the habitants is medium-high.

Conclusions

According to the political, economical, socio-cultural, demographic situation and influence of other sectors, there are no barriers perceived for doing this kind of business in the United Kingdom.

ANNEXES: Demographic situation in United Kingdom

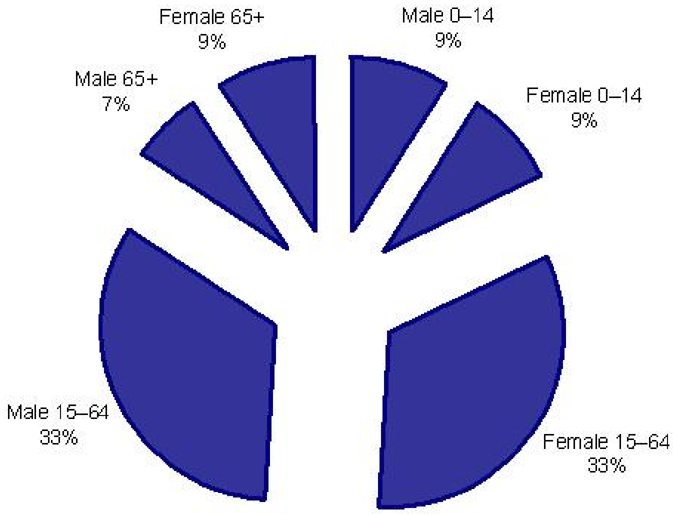


Figure 1: UK Demography distribution (Source: Spanish Embassy in London)

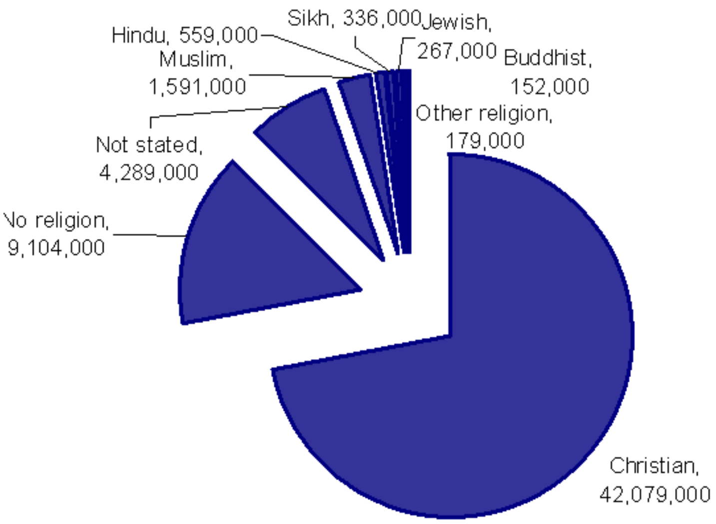


Figure 2: UK Religion distribution (Source: Spanish Embassy in London)

Russia. Moscow Market Overview

Political situation

Form of state

Russia is federal state, with republican form of government. Official name is Russian Federation. A new constitution was adopted after a national vote on December 12th 1993.

National legislature

Two-chamber legislature: the lower house, the State Duma, has 450 deputies; and the upper house, the Federation Council has 178 deputies, two from each of Russia's 89 republics and regions

Head of state

President, elected for a four-year term; Dmitry Medvedev, elected March 2nd 2008

National government

The government is appointed by the prime minister, who is appointed by the president

Main political parties

The most important parties are: United Russia; the Communist Party of the Russian Federation (CPRF); Just Russia and the Liberal Democratic Party of Russia (LDPR)

Prominent Figures

President: Dmitry Medvedev (March 2nd, 2008-2012).
Prime Minister: Vladimir Putin
Central Bank governor: Sergei Ignatiev

Key political issues

General internal and external policy continuity is expected with election of a relatively liberal president to succeed Vladimir Putin. Liberalization in some areas, such as the extensive reforms of the electricity sector, will coexist with tight government control elsewhere. Dealing with the financial turbulence is the main near-term policy challenge. Diversifying the economy away from commodity dependence remains a crucial policy goal.

Taxation:

Reforms since 2000 have aimed to rationalize the tax system, reducing the number of taxes and the corporate tax burden. The basic rate of value-added tax (VAT) is 18% at the start of 2004. Further cuts are likely in the coming years.

Spanish-Russian relations

The main bilateral law of trade and economic cooperation between Russia and Spain is an agreement on economic and industrial cooperation, signed in Madrid on April 12, 1994. In addition, the regulatory framework of bilateral trade and economic relations includes the Convention for the

Avoidance of Double taxation and prevent tax evasion, which was signed in Madrid on 16 December 1998 and entered into force on 13 June 2000 and the Agreement on Tourism, signed in Madrid on 9 February 2006.

Still in force the Agreement on Promotion and Protection of Investment, signed in 1990 between the Soviet Union and Spain. Each side has been working on the harmonization and signing of the new agreement for a long time (since 1999).

There are also other agreements, which affect the trade and economic cooperation, including the Agreement on Cooperation and Mutual Assistance in Customs Matters and others.

Economic Situation

Russia is suffering “excellent economic point” and offers “excellent prospects” for European investments, according to the Spanish Ambassador in Russia, Juan Antonio Mark Puzhol, November 2008.

Annual data	**2008**	**Historical averages (%)**	**2003-07**
Population (m)	141.9	Population growth	-0.4
GDP (US$ bn; market exchange rate)	1,779	Real GDP growth	7.3
GDP (US$ bn; purchasing power parity)	2,285	Real domestic demand growth	10.3
GDP per head (US$; market exchange rate)	12,579	Inflation	11.2
GDP per head (US$; purchasing power parity)	16,161	Current-account balance (% of GDP)	8.9
Exchange rate (av) Rb:US$	25.6	FDI inflows (% of GDP)	2.7
(a) Actual.			

(Source: economist.com)

The industrial production index gives comprehensive data for Russian industrial activity for the whole industry or broken down across sectors. Consistent increases in Russia's industrial activity affects investor's feelings towards debts and will create interest in Russia as rising market economy.

Graph 1. Industral Production Index *(Source: Moscow Federation of Trade Unions)*

Forecast 2009

- The "tandem" governing arrangement between the president, Dmitry Medvedev, and the prime minister, Vladimir Putin, will face a serious test in attempting to prevent financial turbulence from developing into an economic crisis. This would present a threat to Russia's hither to stable political scene.
- The trend of increasing statism in economic policy is likely to continue, but limited liberalization in some areas can also be expected. Following Russian military intervention in Georgia, Russian prospects for joining the World Trade Organisation (WTO) have been damaged.
- The economy will be badly affected by the spread of the global financial market crisis in late 2008. The state retains huge reserves to help to stabilize the situation, but macroeconomic stability will be threatened if oil prices keep falling while access to external financing is restricted. The possibility of sharp rouble devaluation is the greatest risk to macroeconomic stability in the short term.
- The impact of the global financial market turmoil, a global slowdown and falling commodity prices will lead to a sharp deceleration in economic growth in 2009, to just 3%. Growth will pick up thereafter, but will continue to be constrained by the slow pace of institutional change. The Economist Intelligence Unit forecasts that real GDP growth will average around 4.7% per year in 2010-13.
- Despite problems in the business environment, ample market opportunities have led to large inflows of foreign direct investment (FDI). However, we expect growth of FDI inflows to slow in the first half of the forecast period, and even by 2013 the stock of inward FDI will still be equal to just 19% of GDP.

Key indicators	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**

Real GDP growth (%)	6.7	3.0	4.5	5.0	4.7	4.6
Consumer price inflation (av; %)	14.1	11.7	9.4	8.0	7.2	7.0
Budget balance (% of GDP)	5.7	0.3	0.8	0.3	0.0	-0.3
Current-account balance (% of GDP)	6.7	1.0	0.0	-0.1	-0.9	-2.7
Central bank refinancing rate (end-period; %)	13.0	12.0	11.0	9.0	8.5	8.0
Exchange rate Rb:US$ (av)	25.0	29.5	30.2	30.4	30.4	30.5
Exchange rate Rb:€(av)	36.6	37.9	39.3	40.3	41.1	41.8

(Source: economist.com)

Opportunities

In the Russian Federation, the following product areas offer significant opportunities for exporters in the food and beverage sector *(Source: "Food and Beverage to Russia", Australian Government)*:

- meat
- dairy products and cheese
- seafood
- counter-seasonal and exotic fruits
- vegetables and nuts
- organic and health foods (especially healthy snacks)
- convenience foods
- wine

The fast-growing food and wine market demonstrates the extent of Russia's economic boom. The Russian food industry consists of more than 25,000 enterprises employing 1.5 million people. Food sales amount to approximately US$70 billion and this value is growing rapidly, reflecting burgeoning household incomes. Contributing 11-12 per cent of gross national product, the food sector is Russia's fourth largest industry.

Return on investment in the food industry is much faster than other sectors, with strong dividends available in as little as one to two years. Food production and catering is an important area of foreign investment in Russia. Numerous multinational food companies such as Nestle, Hochland, Lactalis, Danone, Mars and others now have plant and production facilities in Russia.

Imported foodstuffs make up a large proportion of Russia's food market – up to 80% in some categories.

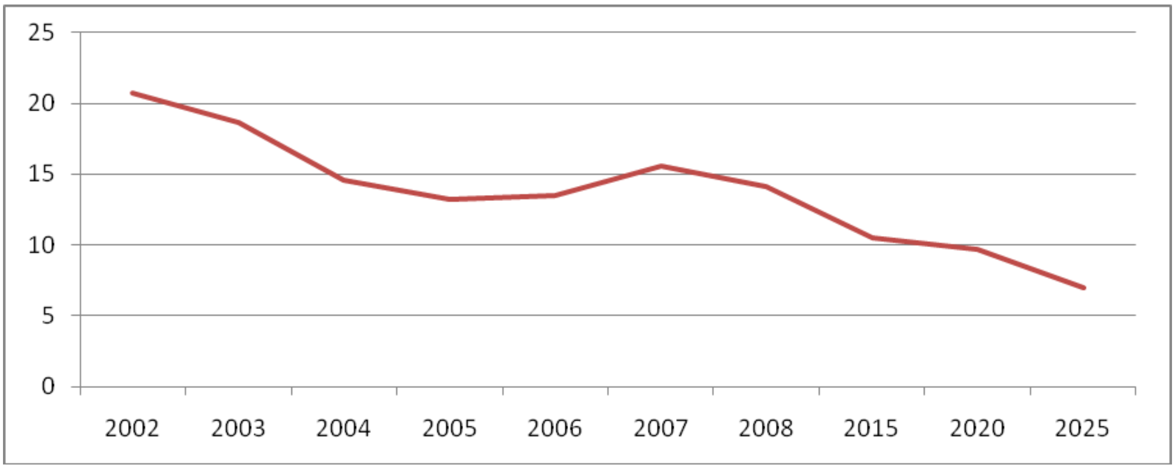
Socioeconomic and Demographic situation

Population

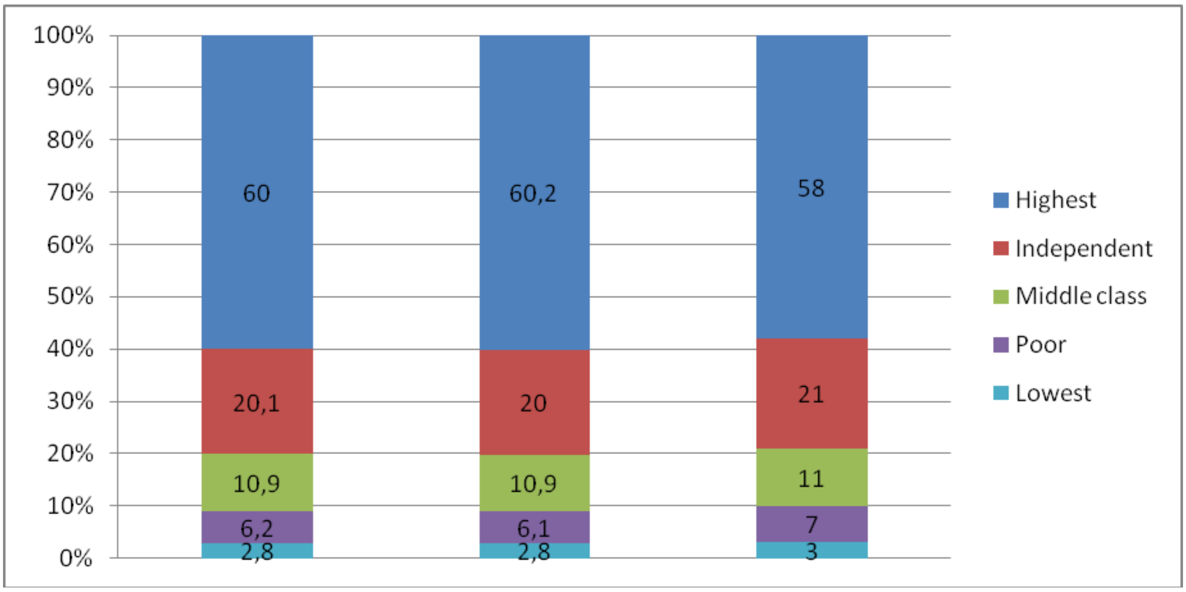
Russia´s population is dominantly urban, with about 73% of its citizens residing in urban areas. The population is most dense in the European part, centering around Moscow and Saint-Petersburg. Total population is 141 900 000, population of Moscow is 10 126 424.

Income distribution, poverty and socio-economic differentiation of the population. (January-September 2008).

Dynamics of poverty in Moscow, %:



Distribution of incomes and socioeconomic differentiation of population (1st, 2nd and 3rd quarter):



In 3rd quarter of 2008, 10% of the most independent population accounted 42,2% of the total incomes, while the 10% of the least independent population accounted 0,1%.

In 2008 average income per capita in Moscow was 1506 $/month. Total urban income is about 16,6 billions USD/month (or about 200 billion USD/year). All the sellers of good and services are fighting for that cash flow. Those incomes are gradually increasing, what reflects an increase in living standards and purchasing power.

(Source: Moscow Federation of Trade Unions)

Technological

Legal requirements

Russia has quite specific industry standards and unique regulatory requirements. These standards and legal requirements are subject to frequent change. However, if food and beverage products meet international quality and safety standards, a local administration can usually ensure the products are valid for entry into Russia.

Distribution

The growth of chain stores is advantageous for food and beverage producers. As such stores broaden both their geographic reach and the range of products carried on their shelves to cater to the increasingly sophisticated tastes of Russia's middle- and upper-income buyers, there is an excellent opportunity to introduce and expand sales of unique Spanish food and beverage products.

Other sectors effect

Raw materials

Raw materials are going to be imported from Spain, so at this point no influence in Russian raw materials has to take in consideration.

Equipment

The basic equipment for the business, mainly decoration of the shop, will be acquired from suppliers in Russia. Nevertheless, the contracted designer has Spanish decoration experience, so the shop will be a Spanish environment shop.

The restaurant will be located in one of the most characteristic districts of Russia, where the acquisition of the habitants is medium-high.

Conclusions

According to the political, economical, socio-cultural, demographic situation and influence of other sectors, there are no barriers perceived for doing this kind of business in Russia.

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DON MANOLO S.L.

SECTOR ANALYSIS

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INDEX

List of Contents

Introduction

The present document speak about the sector analysis of the business proposal of Don Manolo S.L. . The aim of the project is to export Spanish delicatessen products worldwide, in order to build shops and restaurants.

In this section the main products of the company are summarized. For each product offering in Don Manolo, a market analysis about the supply and demand in both countries under review has been collected. These main delicatessen products are beverages (Wine and spirits), Ham and sausages (cold meat), olive oil, olives, preserves and cheese. Also information about Spanish suppliers has been presented.

After that, competition is analyzed. First of all, complete information of retail food sector in Russia and United Kingdom is presented, together with competitors in food service sector, and location of Spanish competitors in London and Moscow. According to distribution channels, retailing competitors for the case of Russia have been defined, since the business in Moscow will cover the distribution of goods.

Finally, before conclusions the analysis of real estate in both cities has been carried out, in order to know the investment to do for the restaurant/shop.

Delicatessen concept

Delicatessen, also known as *gourmet* or *premium*, are selected food products used positively to describe some cuisine meals or ingredients of high quality, special presentation or high sophistication. Sometimes is related to a cultural ideal associated with the culinary arts of fine food and drink.

Often this product denomination has a shade of meaning according to the country. For instance, the British criterion to determine a gourmet product is tradition (linked to geographical regions in UK, and handmade food). In the other hand, the Russian federation considers the product presentation (exclusive design), high price (related to high quality) and exclusivity as the most important features to determine *delicatessen* food products. Nevertheless, in both countries product quality is the most important characteristic that defines *gourmet* food.

In UK, the delicatessen product sector can be considered as a mature market, where a notorious amount of companies are present. Nevertheless, it is an open market, and the worry of taking care of the own diet results in a continuous growth of the sector. Inside the gourmet sector, the cheese is the one with highest market share, followed up by the bakery and cold meat sector.

According to foreign products, innovation and exotic is the main factor that a delicatessen import food may have in order to be successful in the UK, but not forgetting the fundamental defining criteria of traditional and natural. The consumption of delicatessen products is spreading and depends less on acquisition level of the consumer, so the customer profile is wider.

In Russia, delicatessen establishments have increase drastically in last year's. A fast development in restoration sector has contributed to an increase of foreign delicatessen products, like cheese, preserves and cold meats. Foreign gourmet products are 90% of the total gourmet products in Russia, just Caviar and Vodka are considered the Russian food treasures.

This product consumption is concentrated mainly in Moscow (80%) and in San Petersburg (10-15%). Although the sales of these products are not so high, the growth speed is really fast. This is a direct consequence of the good economic situation of the country and the consolidation of a middle class with a certain gastronomic culture and enough acquisition power to buy these delicatessen products.

France is the main supplier of delicatessen products (Cheese, cold meats, foie) to Russia, followed up by Italy (Olive oil, Cheese, Parmesan Ham, and Modena Vinegar). Spanish delicatessen products are not so known, but Jamón, Olive oil and Wine are the most known delicatessen products.

Beverages

Product description

Our aim is to export to our respective branches in London and Moscow the worldwide known Spanish wine together with typical spirits. Spain has a long history of producing fine wines, particularly the red wines of Rioja. However, this famous name is just one small region among many, some of which produce equally good wines. Some of these regions are huge, and account for the fact that Spain has the largest area of land dedicated to viticulture of any country in the world. In the annex it can be find wide information about the denomination of origin of the wine in Spain, together with technical notes about the winery that can help the reader to understand the wine variety projected to present in our restaurant/shops.

Taking into account that we will educate our customers in the Spanish gastronomy culture, we have decided to include in our menu the most typical spirits to drink after having lunch or dinner:

Herbs Liquor:

- Aguardiente Hierbas Martín Codax 38º

Pacharán:

- Pacharán Etiqueta Oro Bainés 33º

Coffe Liquor:

-Licor Café Porta do Miño 30º

Market Analysis

Russia:

Russia is one of the countries with higher levels of alcohol consumption. The most consumed spiritual drink is vodka.

Referring to the wine, its consumption is about 5-7 liters per person a year and it is maintains the increasing trend.

Russian wine production is not able to cover the current demand; reason why the wine consumed in the country is mainly imported (between 55-60% over the total supply).

In 2007, the wine importation (which includes in bulk-wine and in bottle-wine) increased in a 31.2%. France with a 21.7 percentage and Spain with a 17.2 are the two most important suppliers.

Spain is ranked as the first bulk-wine exporter and the fourth in bottle-wine exporter with a quota of 10.5%.

COMPETITORS

The main competitors of high quality Spanish wine are Italy and the New World. Concerning to the French wines, they have the image of elegance and glamour. Prices of French wines are generally higher and its placement as a high quality product is more solid than Italian and Spanish wines.

DISTRIBUTION

Wine distribution in Russia is featured by a relatively short chain in which importation and distribution are overlap. In some cases, as it is ours, importers have their own shops, and so they can control the whole chain of the process.

BARRIERS

Foreign wines introduction in Russia is entitled to different importer taxes and to the presentation of different certificates which form authentic technical and commercial barriers. If the Spanish exporter takes care of the whole paper procedure, this doesn´t mean necessarily a problem.

a) LOCAL DEMAND:

- Consumer behavior:

The most current investigations show an important increase in the wine consumption.

And analysis made by the consultant company VTsIOM about consumers preferences among the different kinds of alcohol in these country shows the following info:

The 41% of people between 20 and 44 years old drinks wine. From this age, ahead the number of individuals which drink wine decrease significantly.

Women drink wine more often than men (30.7% compared to 25.8%).

- Buying habits:

Wine is consumed by people of each social class. Customers with a high purchasing power consume products of high level, generally imported from Western Europe. In the annex there is a graph about the most common places for the purchase of wine in Russia.

- Perception:

Spanish wine doesn´t have a bad placement in Russia: is known and associated as a high quality product in general. Nevertheless, the consumption of Origin Domination wine is still small due to the fact that in most of the cases, the estimated quality is not correspondent to the sale price. That´s why we adduce that the future demand of our wines in this country will depend on the adaptation of the price with the quality estimated, which will be obtain focusing in the improvement of its image of quality and potentiating the bran of the Spanish wine. (Source: Icex)

UNITED KINGDOM

With near of 900 millions of imported litters per year, UK is one of the main markets of wine in the world and, which is more important, is the main destination of Spanish exportations. This market receives 17.6% of said exportations. Following figures of the Federación Española de Vino, during the 2007, exportations to this country rose in a 5.5%.

National production is almost inexistent, that's why importers represent a huge competence in the sector. Margins of distribution, like the high levels related to the alcohol, have as a consequence a considerable increase on sale prices.

Here is also important the fact that, due to the increase in health conscious, government have increased considerably taxes over wine (in a 10% from 2007 to 2008).

In spite of the decrease in its quota, the white wine is the most sold in the UK, with a 46.1% of the market. An interesting point to consider from a marketing point of view is that women consume more wine than men and, furthermore, they are responsible for more than a half of the wine purchasing, showing a clear preference for the white one.

Red wine represents 42.7% of British wine sales.

Rosé wine has increase its sales in a 22% volume of its sales during the period of 2007-2008. Nevertheless, Spanish exportation enclose mostly red wine, being worthy to point out that the sales as well as the image of the white wine has increased a lot among the British population.

As a conclusion, mention that the British wine market is very crowed, but, however, Spain is considered as one of the countries with a major power. To develop it, we should intensify the efforts in the introduction of new brands, new white and rosé wines and the promotion of the less known Dominations of Origin. In the wine annex there is a table about the sales of different type of wines in the UK.

Ham and sausages

Product description

In the following table there are products selected by two denomination origins, and three suppliers. Basically, five products have been selected. Ham is the most well known product at this point, but also as delicatessen products loin, chorizo, Spiced sausage and cecina are included.

PRODUCT	ORIGIN	SUPPLIER
HAM	D.O. GUIJUELO	JOSELITO
	D.O. GUIJUELO	SANTIAGO GARCÍA
	JABUGO	5 JOTAS
LOIN	D.O. GUIJUELO	JOSELITO
	D.O. GUIJUELO	SANTIAGO GARCÍA
	JABUGO	5 JOTAS
CHORIZO	D.O. GUIJUELO	JOSELITO
	D.O. GUIJUELO	SANTIAGO GARCÍA
	JABUGO	5 JOTAS
SPICED SAUSAGE	D.O. GUIJUELO	JOSELITO
	D.O. GUIJUELO	SANTIAGO GARCÍA
	JABUGO	5 JOTAS
CECINA	D.O. GUIJUELO	JOSELITO
	D.O. GUIJUELO	SANTIAGO GARCÍA
	JABUGO	5 JOTAS

Market Analysis

UNITED KINGDOM

How is the supply in England

Although in England exists an important industry of producing bacon, sausages and many products that come from the pork, there doesn´t exist any industry about cured products from this animal. The weather doesn´t allows this products cure, so that's the reason why in the UK there is not tradition of elaborating cured pig products (Source: ICEX).

Distribution channels

In England, big supermarkets chains concentrate almost 80% of total selling amount of transformated meat products. A reduced group of them (Tesco, ASDA, Morrisons, Sainbury´s and Somerfield) bring together the market and encourages an extreme climate of competition. The product is distributed trough importers that supply wholesalers, big supermarket chains and foodservice sector.

The main chains sell the product trough their own brand, and the 60% of the product is being sold by this method.

Independent gourmet shops, like the reason of this project, are oriented to groups with a high purchasing level and have a higher quality variety of products and also more knowledge about the market than the supermarket sector. But these ones are winning market quota to the delicatessen shops.

The Spanish products have high presence in the gourmet sector, especially in “fine foods” departments of the big chains and “Food Halls” of the big stores (like Selfridge´s, Harrod´s, Harvey & Nichols, Fortnum&Mason).

To enter in England, we will have to be ready for investment and having patience in such a mature market, but with really options to grow (Source: ICEX).

DEMAND: Level of consumption & purchasing behavior. Consumer´s preferences

Going from general to particular issues, is important to point out that the average expenditure per household in food and beverage in the United Kingdom increases, more or less, at the same proportion than inflation in the previous years, and so does processed meat products sector. In the period 2003-2007, sales grew 14.4%. Rising sales of premium products including organic, free-range and added-value goods, combined with recovering consumer confidence in meat, have helped to drive the market forward. Animal farming problems, such BSE (bovine spongiform encephalopathy), swine fever and foot-and-mouth disease faded from public perspective (Source: www.researchandmarkets.com)

However, overall consumption is still centralized mainly in products like bacon, boiled ham or sausages. Although cured ham and chorizo are well known products (mainly chorizo), consumed in medium and high market segments, there still exists growth quota for the rest cold meat and cured products sector.

Gourmet and high quality products still have chance to grow despite the fact is a mature market, and the consumer is willing to pay a high price if the product chosen adds value to him/her. Another interesting trend comes by the hand of the ecologic origin products, which can turn into a big opportunity for ham and cured cold meat with ecological certification.

The British market demands, mainly, perfect presented products, vacuum packaged, ready to be consumed.

From a qualitative point of view, ham and cured cold meat are in a market niche in gradual growing. Cured ham is the bestseller in this market sector, specially sliced products. As well, the success of continental meat has caused an increase in prices and this expansion has being driven by the increasingly offer of foreign meat products in “convenience” shops.

As mentioned above, there is a tendency towards pre cooked and packaged products in charcuterie. This can be explained because consumers prefer to buy quickly and in an easy way, and also because they think that packaged food is fresher and with better relation between quality and price. In addition, they consider excessive the time expect at the queue waiting for weighing and packaging.

British consumers have considerable incomes and high purchasing power. Their intense way of life has influenced the snack and takes away food culture. They are becoming more health and environmental conscious, that is why there are demanding fatless products, ecological ones… We can classify British consumers in 4 main categories (Source:Icex) :

-Gourmless: they don´t care about the product: they just search for convenience, fast food, and are not health conscious. 46% of total consumers, 56% are men.

-Locals: they buy in small shops, but 21% of them also do it in supermarkets. They look for fresh products, natural and ecological. They are 16% of the total.

-Inconvenienced: they buy at the supermarket and never in small shops, but they are looking for fresh and quality products. They are 24% of total consumers.

-Purists: they only choose top quality products, fresh and ecological. 14% of total consumers, 66% of them are women.

With 57 million of population, this market is still huge for products like ham. (Source: ICEX)

Perception of Spanish ham and cold meat

The consumer understands the Spanish products as quality products, and perceives the efforts in communication about product, presentation and promotion. But more promotion is needed, because Spain has just star to compete in this market and so the products are less known like Italian, German or Danish ones. (Source: Icex)

RUSSIA

How is the supply in Russia

Pigs sector in Russia has the biggest potential to grow, because is where most investment effort has been made since the running of the federal project APK.

Russian experts explain this potential and competitiveness with the following reasons:

-Main world leaders of this kind of meat are located far away from Russia, increasing its exporting potential to nearby countries.

-The high duties will be maintained, and it's not expected to be reduced.

-Russian meat will be able to compete with the European because the European Union subsidies could authorize Russia to run similar mechanisms in order to protect Russian producers.

-The lack of subsidies to this industry will increase Russian product competitiveness compare to nearby countries, mainly Ukraine and Belarus. (Source: ICEX)

Distribution channels

-Heavy distribution: supermarket, hypermarket. The one with the highest growth. Depending on its positioning (Premium, middle, discounters…) different quality products will be offered.

-Cash & carry: although this channel is conceived for small shops, final consumer makes his/her purchasing in this channel. The main chain is Metro, from Germany.

-Street markets: a hybrid channel, like cash & carry. In this channel, final consumers and SME´s entrepreneurs purchase the products.

-Transformer industry: the channel of the low quality meat and sub products, considered in this category as raw materials and not as final product.

-HORECA: the most important channel for products like cured ham.

The imported and elaborated meat products have to pass, compulsory, and trough trader's enterprises which, at the same time, are distributors in their zone of influence. These companies are mainly located in Moscow and Saint Petersburg. The distribution chains don´t import directly due to the logistic complications of these transactions.

DEMAND

a. Consumer trends

-High class: known as "new Russians". Their main characteristic is an exacerbated consumerism of luxury goods and services. They live in mansions in the main cities outskirts and unusually get out of these ghettos. New Russian elite.

-Medium class: those families with an average income of US$600 per member. Their consuming habits are similar to occidental countries. Really consolidated in Moscow and St Petersburg, and with an neatly education, jobs with decent wages and have the possibility to travel abroad frequently. In Moscow is considered Medium class those families with an average income between US$1000 and US$1500, much more above than average in Russia.

-Low class: more or less half of Russia´s population belongs to this class. They are not in contact with modern trends of new Russia.

b. Consumer´s habits and preferences

Moscow is an interesting market because of the level of consumption of Premium products. In 2005 more than 5000 references were commercialized, and 5500 in 2006, which represents a 10% growth. Delicatessen products represent almost a quarter of the supermarket´s assortment (Source: ICEX)

The most significant changes in the consumer´s preferences, over the last years, were: a decrease in boiled cold meat popularity to smoked one; the decrease in the boiled ham demand.

Perception of Spanish ham and cold meat

Russian consumer has a good image of the Spanish products, especially cold meat, thanks to the effort of the producers to adapt their products to what the consumer demands. Some Premium products have a good acceptance thanks to the fact that the prices are extremely competitive, in some cases lower than those produced in Russia.

But much more effort is needed in promotion, because for some other products the Russians don´t distinguish clearly those that came from Spain and those that are Italians. (Source: Icex)

Olive oil

Russia

Olive oil has 1% of the market share inside the vegetal oils in Russia. However, the growing trend of this product is positive, because yearly it increases 100%. This is mainly because the diffusion of the beneficial properties of the product, the increase of the welfare of the population. It can be inferred that olive oil consumption is growing at the same time of income and consumption education of Russians, since olive oil consumption is assembled in citizens with middle-high acquisitions.

Spain is the main supplier of Russian market, with a 64% of share (2007). The main competitor is the Italian Olive oil, with a 22% of the share, and using attractive glass bottles to gain clients.

The Spanish company leaders in Russian market are Borges, Olive Line y Torres, Ribelles, together with Italian Monini.

England

This product has become a basic need of British cuisine. British citizen identifies olive oil with Mediterranean lifestyle, unless they are not able to differentiate the origin. The interest of British consumer pursuing healthy and equilibrate diet together with new nutritious trends predict an excellent future to the olive oil sector.

Olive oil represents 50% of the oil sector in UK. There is no local olive oil production; everything is exported, being Spain the biggest country in terms of volume. However, Italy is the first in terms of value (the five most sold brands are Italian), due to strong positioning of their brands. The Italian offers traditional oil using glass bottles standing out handcrafted labors. Carbonell is the Spanish brand with highest appearance in the UK market, mainly with presence in several retail stores.

The perception of Olive oil has been changed in UK. At the beginning, it was considered a delicatessen product, but nowadays it is a first necessity good. The main reasons are the health benefits, the high variety of available products, and the big promotions done by delicatessen stores.

Olives

Russia:

More of the 95% of the olives consumed in Russia are from Spain. Although the national production is inexistent, nowadays the variation of olives in Moscow supermarkets is broader than in a Spanish one.

Spanish olives have been well received by the Russian tastes and costumes and have penetrated properly in its market, where women are the ones with a higher buying decision.

In the most mature markets like San Petersburg and Moscow, the consumption of olives as an appetizer at home or restaurants and as an ingredient on salads too.

The total supply of the products is the total of the importations, and Spain is the leader in the sector with more than the 95% of the market share

We should highlight here the fact that there are an olives promotion plan which is being execute in order to promote the consumption of this Spanish product. We can say, therefore, that we have an opportunity in this market.1

United Kingdom:

Spain is the olives exporter leader worldwide. United Kingdom is the main importer, with more than a 50% of volume. In fact, among the most purchased brands are the Spanish, more concretely the bran “Crespo” (more than a half of the market share), which will be our main competitor.

In spite of the maturity of the British market, olives importations keep increasing as a consequence of the strong demand of the British consumer, who use them as snacks and as a part of the meals.

The problem of this market is that is quite saturated and brands are already known, so we should think in a way to differentiate our product.

COST STRUCTURE:

In order to set up our company and define our operating plan, we must take into account several costs which we will assume. Those are the following:

SALES COSTS:

[1] http://www.portalolivicola.com/2009/01/22/rusia-un-mercado-interesante-para-los-exportadores-espanoles/

This refers to the difference of the supplier cost of our products and our selling price (excluding taxes).

Preserves

Our preserves will be the most high quality canned food such as northern tuna, anchovies, olives, mussels.

Referring to the tuna and anchovies we have selected a company called “Conservas Serrats”[2] as a supplier, because it provides the most high line of these products: Tuna from the North, (Thunnus Alalunga),Yellowfin or “Atún claro” (Thunnus Albacares) and anchovies of the Cantábrico Sea ((Engraulis).

Another advantage of this company which we based our decision is the fact that we can buy the products on-line.

Concerning to the mussels, we have selected one recognize Galician preserve company called” Conservas Antonio Alonso”, it is settled in Vigo, and it has been working for important restaurants such as “El Palacio de Oriente” and some others abroad. We consider they are professionals and that its mussels are great, since they come from Galicia and the Quality of treatment is highly good. We will contact them every time we need to refill our stock, through the transportation company we will contract; the mussels will get to our central warehouse in Madrid, ready to be taken to Moscow and London by track.

Finally, we´re going to sell natural green olives and green olives with anchovies taste in jars of 800 grams. Our supplier will be an olive company called “Aceituneras Jiennenses S.A.L”[3] because of its experience, quality of product and the fact that we can buy on-line.

UNITED KINGDOM:

The consumption analysis of the sector (frozen fish and preserves), reflects that importation are more important than the local production.

Referring to the preserves, the most imported product is tuna.

The main supplier countries are basically Norway, Russia and Iceland.

About the distribution channels, say that the gourmet channel (ours) is quite important and the way to access to it is the same followed to get to the food stores.

It is important to say that the preserves sector has been experimenting changes in order to be adapted to the new market trends.

[2] http://www.serrats.com/materia_prima.htm
[3] http://www.aceitunerajiennense.com/index.php?cPath=11

Traditionally, the main fish consumers have been the richest people but, however, this fact has been changing lately and, nowadays, young people represent the new target market.

Preserves have been always seen as unhealthy and non natural food but nowadays this has changed and the image of this kind of products has considerable increased. Reason why we can consider that there is an opportunity for the introduction of high quality preserves food into the British market.

Cheese

RUSSIA

Dairy products demand and offer are increasing in a constant rate each year, although comparing to western countries consumption is really low. Due to this small consumption and traditional popularity of Russia with cheese, it is a sector with big possibilities to grow and can have great chances to Spanish cheese products. Actually in year 2007 cheese sales increased up to 17%, and will grow up to 50% in next 5 years (Source, “Euromonitor Internacional”).

Russian national production of cheese is generally high, but it has no big variety and not so high quality, due to a lack of raw materials and structural limitations. This satisfies the high rate of cheap cheese importation from Germany, Holland, France or Argentina.

Spanish cheese perception (Source: Icex)

Spanish cheese is absolutely unknown for the Russian consumer, although “Manchego” cheese is the only variety partially known. It is a product that doesn’t create so much feeling in Russian citizens, so the market penetration with so many foreign competitors is difficult. Nevertheless, positioning Spanish cheese with innovative efforts, like selling together with Spanish delicatessen well-known products (olive oil, ham and wine) can help to a certain penetration of Spanish Cheese. Some recognized Spanish Cheese are Zamorano, Roncal, Mahon, Idiazabal and Murcia al Vino. Only delicatessen shops and restaurants commercialize these cheeses.

There is a new trend forecasted about cheese sector in Russia, due to the emergency of healthy food lines, like low fat cheese and probiotics, especially in Moscu and San Petersburg.

Channels of distribution

Normally Cheese distribution in Russia requires a lot of intermediaries to achieve the final customer. Supermarkets don’t import directly foreign products, mainly because the lack of confidence, complexity of foreign transportation, and the regional fragmentation of the cheese market in Russia. Thus, any foreign manufacturer must contact with Russian importers who supply to distribution channels.

Three are the main establishments in charge of sell cheese, western style supermarkets, restoration establishments, and street markets. Margins for cheese vary from 20% to 100%, depending on the cheese type. In 2007 the 25% of the sales were carried out in supermarkets, and the remainder in independent groceries.

Demand

Russia has a low per capita consumption: 4.2 kg/year. Although cheese is a daily product, it doesn't achieve other country levels (France, 20kg/year per capita). Nevertheless, the consumption increase is pretty high; in year 2007 sales have increase dramatically up to 17%, achieving 2.5 billion $.

According to the type of cheese, the hard cheese the most consumed one.

The growth is forecasted to be 9% annually, achieving in 2012 a turnover of 3.8 billion $.

Attached in the annex the reader can find graphs related to consumption evolution in the cheese sector, type of cheese consumed and invoicing forecasted for next year in the Russian federation.

Competition

United Kingdom Food service sector

In the United Kingdom, the food service sector is the 4th largest segment of the consumer driven market following food retail, motoring and clothing and footwear with over 263,000 outlets. In 2006, the UK eating out of home market was worth £38 billion ($76.38 billion). The major players within the UK catering business include the following: Aramark, Brakes, 3663 First For Foodservice and Whitbread. Best prospects for the foodservice industry include: snack foods, seafood, fruit, cooking sauces, frozen foods and many other products sought by cash rich UK consumers.

Market Summary:

· The £38 billion ($76.38 billion) foodservice market accounts for one third of all consumer food purchasing.

· A national ban on smoking was introduced in all eating establishments within the UK on July 1, 2007. The overall impact of this has so far been: increases in sales of food and slight falls in sales of alcohol.

· In 2005, 8.3% of every consumer's pound was spent on eating out.

· In 2005, 478 million meals were consumed in the workplace; this was the top outlet out of home. 434 million meals were consumed in restaurants and 410 million in pubs/bars.

· 30% of shoppers eat out once a week or more compared to 13% in 2003.

· Sandwich bars currently have the highest growth rate with 10% annual growth.

· British consumers are exposed to many different cuisines from around the world, with non-European foods being very popular, as many as 7 out of 10 (68%) Britons stating they like and eat non-European foods.

· The UK foodservice sector serves 8.6 billion meals a year – 39,000 a minute.

(Source: USDA Foreign Agricultural Service)

Opportunities & Challenges to Spanish Products in the Food service Sector:

Opportunities	Challenges
UK #1 export market for wine in the world.	London catering market represents a tough competition for newcomers. All varieties of different cuisines are held here. Every 10th best restaurant of the world is held in London.
There are no restaurants, offering “high level” service and quality in Spanish cuisine	Strict EU import regulations and labeling/ingredient requirements.
The UK is a popular destination for tourists from around the world	Need to change image of Spanish food, which is almost not associated with “high level” food.
Not good trends for currency exchange rates with Euro	
UK importers don’t pay duty on EU origin goods.	

Main competitors in food service sector:

Restaurants

Key players include: Conran, Café Rouge, City Centre Restaurants, Out of Town Restaurants

The restaurants referred to in this sector, cover establishments where one would sit down to a meal. Forty four percent of consumers eat in a restaurant once a month or more. Eating in a restaurant is more likely to be a planned event for a specific purpose.

Quick service restaurants

Key players include: McDonald’s, Burger King, Wimpy, KFC, Pizza Hut, Pret a Manger 38 percent of consumers eat in a fast food outlet once a month or more. In common with cafés they offer a quick meal on the go, but lack the social element of a café. One of four consumers eats in a quick service restaurant because their children or grandchildren want to eat there. Fast food chains will continue to develop healthier alternatives to their standard offerings as consumers demand healthier options.

Hotels & Resorts

Key players include: Hilton, Holiday Inn, Marriott, Intercontinental, and The Savoy Group

Each site is counted as one outlet, even though there might be several foodservice components within it e.g. Restaurant, bar, room service, leisure.

Cafeterias & Cafes

Key players include: Starbucks, Costa, Eat, Pret A Manager, Café Nero, Coffee Republic.

The UK branded café market has grown hugely in recent years. In 1997, there were just 778 branded outlets in the UK, however, by 2005 this number had grown to 2,428. Now 30% of all cafés in the UK are owned by branded chains. It is expected that by 2009, the market will be worth more than £1 billion. (Source: USDA Foreign Agricultural Service)

Thirty eight percent of consumers eat in a café once a month or more. Cafés are seen to offer quick meals for time pressured consumers and are also a good place to meet friends. Cafés are associated more with daytime dining. Forty eight percent of consumers choose cafés as a place to eat while out shopping. Forty three percent of consumers will drink specialty coffees such as lattés or cappuccinos when visiting cafés, compared to 1% of consumers who drink specialty coffees in the home.

In the annex there are attached two graphs about foreign restaurants and consumption of imported food and beverages in UK.

COMPANY PROFILES

The following companies are some of the biggest players in the UK foodservice industry: Aramark, Brakes, Compass, 3663 First For Foodservice, Mitchells and Butlers, Sodexho and Whitbread.

Aramark

Aramark is a leader in professional services providing award winning food services and facilities management. They work with healthcare institutions, universities and schools, stadiums and arenas and businesses around the world.

Brakes

Brakes is a market leader of delivered wholesale in the UK supplying frozen, chilled and grocery products to sectors across the foodservice industry.

3663 First for Foodservice

3663 First For Foodservice is the UK's leading foodservice company with sales of over £1 billion a year. They deliver quality ingredients, finished products and equipment to the catering industry including restaurants, pubs, cafes and clubs across the UK, schools, hospitals and Government departments. They have a fleet of 1,100 vehicles and deliver to over 50,000 customers.

Clients include: Compass Plc, Pret A Manager and Burger King.

Mitchells & Butlers

Mitchells & Butlers is the leading operator of managed pubs and pub restaurants in the UK. They have around 2,000 businesses offering food, drink, entertainment and accommodation in prime locations across the country.

Clients include: Alex Gastro, All Bar One, Brown's Restaurants, Express by Holiday Inn, Flares Bars, Harvester Restaurants, Hollywood Bowl, Inn Keepers Lodge, Nicholson Pubs, O' Neills Pubs, Sizzling Pub Co and Toby's Carvery.

Whitbread PLC

Whitbread PLC is one of the UK's leading hospitality companies, managing top brands in hotels, restaurants and health and fitness clubs. They employ 45,000 people and have over 1,400 outlets across the UK. Clients include: Premier Travel Inn, Brewers Fayre, Beefeater, Costa Coffee and David Lloyd Leisure.

Spanish Restaurants in London:

This illustration gives information about "high level" Spanish restaurants held in London.

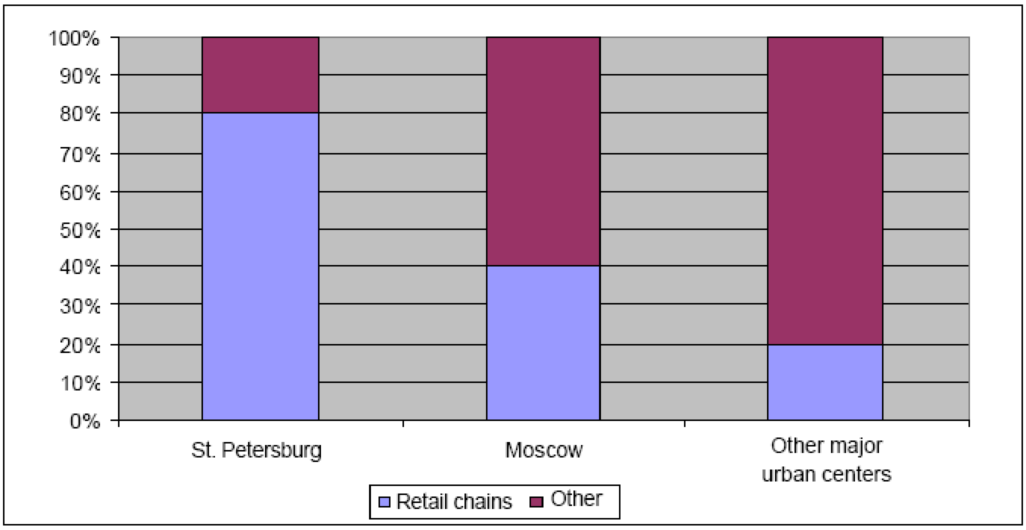
Analysis of Spanish cuisine:

+50 UKP	Fino, W1	Spanish
	Eyre Brothers, EC2	Spanish
+40 UKP	Cambio de Tercio, SW5	Spanish
	Moro, EC1	Spanish
	Cigala, WC1	Spanish
	L-Restaurant & Bar, W8	Spanish
	El Faro, E14	Spanish
	Dehesa, W1	Italian
	Barrafina, W1	Spanish
	Camino, N1	Spanish

Russian Federation retail Food sector.

Russia's retail sector is growing 20% annually, and represents one of the fastest growing sectors of the Russian economy. Retail food sales contributed over 40% to total retailing in 2006, with total value exceeding $350 billion. Strong economic growth and rising consumer incomes are driving new trends in Russian food retailing focused on leisure, product variety, and the shopping experience. Retail chains are expanding out of Moscow and St. Petersburg to other markets. Russian officials have proposed legislation regulating domestic retailing that would cap profit margins for certain products and force more domestic content, thereby likely cutting the growth rate of the retail sector.

However, the delicatessen product market is still a "window of opportunity" for new entrants. The retail sector remains unconsolidated; four major retailers are controlling only 11% of spots in Moscow.



Source: Aton Research Group

Russia: Retail Chains' Share of Retail Market, 2007

Opportunities and Challenges for Spanish Exporters

Opportunities	Challenges
Paying in Euro is advantageous for exporting to Russia compared to dollar due to the lower growth cost of the euro relative to the dollar	Official government opposition to growth in food imports.
In 2008 Russia became the largest consumer market in Europe, according to a recent Troika Dialogue Report.	Economic vulnerability, dependence on oil and mineral extraction for most wealth.
Russian trade and investment policy is converging with international standards.	European products face stiff competition in Russia from Asian and CIS suppliers
New format store chains are rapidly expanding to meet consumer demand, thus creating a good venue for imported products.	

Greater emphasis on value-added production in food processing creates opportunities for new products.	
Investors are building more efficient storage facilities, improve infrastructure and logistics	

Existing Retail Sales Outlet Formats in Russia

The following retail sales outlet formats exist in the Russian market:

- **Hypermarket.** A store with retail space of over 2,500 sq. meters, where not less than 35 percent of the space is used for sales of non-food products. As a rule, a hypermarket is located on the outskirts of large cities, or is the anchor store of a large urban shopping mall (e.g., Mosmart, O'Key, Auchan).

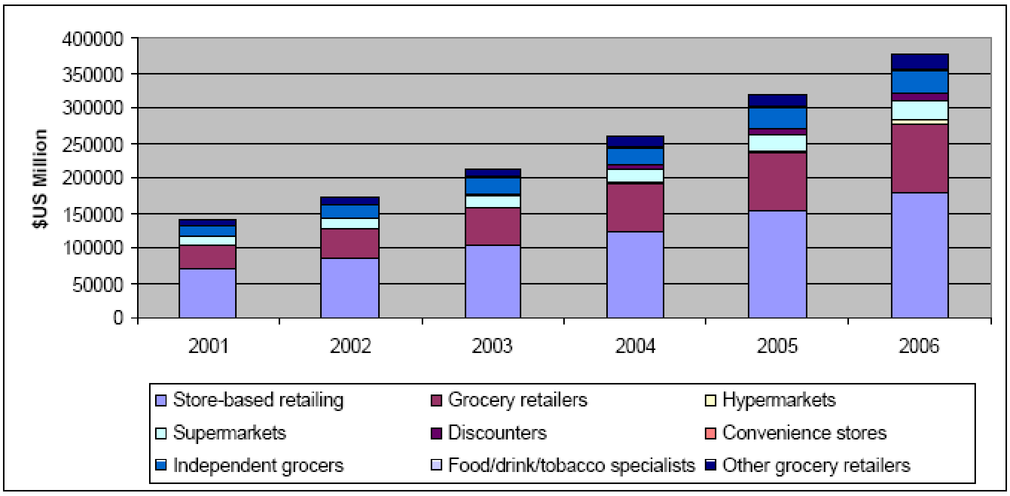
- **Supermarket.** A retail outlet with sales space from 400 to 2,500 sq. meters, where at least 70 percent of the product line is food products and everyday goods (e.g., "Perekryostok", "7th Continent", "Patterson".

- **Cash & Carry.** A retail outlet of roughly 1,500 sq. meters, working under the principles of small wholesaling (e.g., "Lenta", "Metro").

- **Discounter.** As a rule, a store with sales space from 300 to 900 sq. meters, where the range of products ranges from 1,000 to 4,000 items, and most popular goods are low priced (e.g., "Nakhodka", "Kvartal", "Pyatyorochka", "Kopeyka", "Diksi").

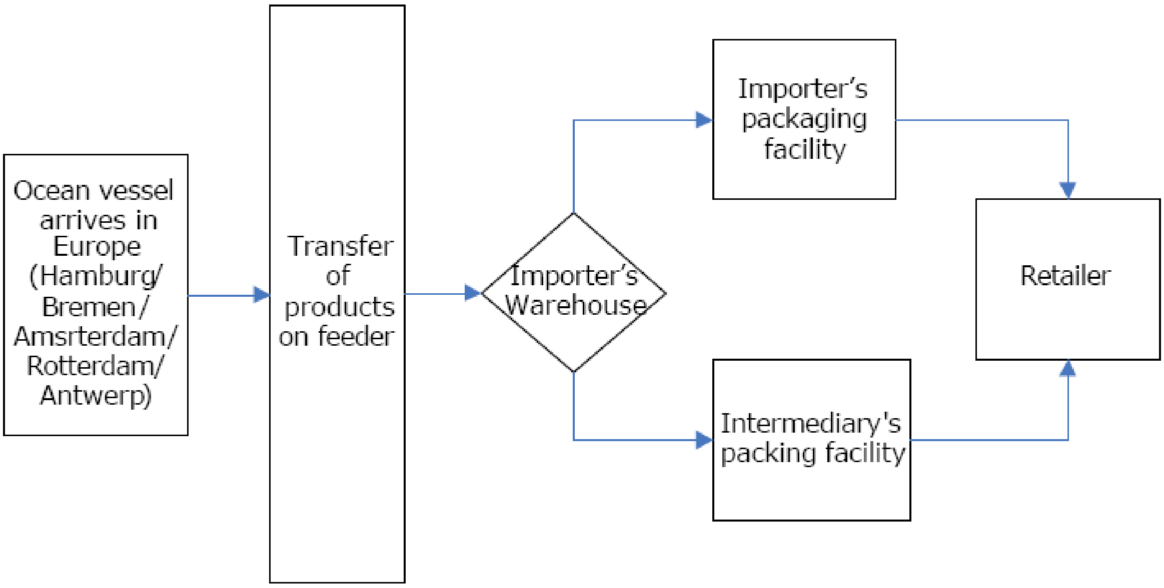
- **Convenience stores.** A retail outlet with small sales space (up to 300 sq. meters), located in urban residential areas or gas stations. The store serves the local market, and is often open 24 hours. In Russia, such retail sales points have just started to develop, and increasingly are replacing neighborhood kiosks. ("ABK", "Samokhval").

- **Coordinated Sales Space.** Retail space up to 10,000 sq. meters with a large number of independent retail operators sharing a building's sales floor, each offering a wide range of products.



Russia: Combined Retail Sales of Selected Retail Food Formats
(Source: Euromonitor from trade sources/national statistics)

Russia: Distribution Channel for Retailers, Delivery from



Europe

Russia: Major Retail Chains, 2006

Retailer name and outlet type	Ownership	No. of outlets, 2006	Locations
Pyatyorochka, discounters & hypermarkets	X5 Retail Group, local	920	Moscow and St. Petersburg, and 16 Russian regions
Magnit, discounters	Magnit ZAO, local	1,893	470 Russian cities
Perekryostok, supermarkets	X5 Retail Group, local	165	nearly 40 Russian cities
Kopeyka, discounters	Kopeyka TD OAO, local	250	Mainly Moscow region and European Russia
Lenta, discounters	Lenta OOO, 60% local, 40% U.S.	26	North-Western Russia and Siberia
Metro Cash & Carry, hypermarkets & supermarkets	Metro Group, German	38	26 cities of European and Siberian Russia
Sedmoy Kontinent, supermarkets & hypermarkets	Sedmoy Kontinent OAO, local	128	Moscow, St. Petersburg, Kaliningrad and Minsk
Auchan, hypermarkets	Auchan Group, French	13	Moscow and St. Petersburg regions
Ramstore, hypermarkets & supermarkets	Ramenka[2], OOO, Turkish	60	9 cities of European Russia
O'Key, hypermarkets & supermarkets	Dorinda Holding S.A., Luxemburg, local, Estonian	13	St. Petersburg region and 4 Russian cities
Gross Mart & Billa, supermarkets	Holding "Marta", German & local	129	Moscow and St. Petersburg
Mosmart, hypermarkets, supermarkets, convenience stores	Mosmart ZAO, local	30	Moscow and 7 larger cities of European Russia
Paterson, supermarkets	Firma 'Omega-97' OOO, local	90	European Russia, and Kyiv, Ukraine
Azbuka Vkusa, boutique supermarkets	Azbuka Vkusa OOO, local	23	Moscow and St.Petersburg

Main competitor countries in retail food sector:

Domestic producers, after the implosion of Russian agriculture from 1991 through the early 2000s, are now receiving increased domestic support, as well as some level of protection via imposition of strict sanitary and phytosanitary controls that often exceed international standards.

Top Ten Origins of Retail-Oriented Ag & Food Product Imports 2004-2006, in million dollars

Country	Jan-Dec 2004	Jan-Dec 2005	Jan-Dec 2006	% Market Share
--The World--	9,992.2	13,203.6	16,770.9	100.0
European Union	3,219.1	3,887.4	5,431.1	32.4
Brazil	1,125.2	1,909.7	2,430.3	14.5
United States	563.4	711.2	909.0	5.4
Ukraine	979.8	1,243.0	750.9	4.5
Argentina	271.8	501.4	735.8	4.4
China	336.6	490.0	673.6	4.0
Uzbekistan	232.9	331.5	485.1	2.9
Norway	319.6	465.5	466.5	2.8
Turkey	192.3	315.8	462.8	2.8
Ecuador	334.5	420.9	449.8	2.7

Source: World trade atlas

Major Competitors, by Retail-Oriented Commodity Grouping

Red meat (fresh, frozen, chilled)			
Net imports, MT	1	Brazil	33.53
1.65 million	2	Argentina	12.01
Dollar value	3	Denmark	8.66
3.39 billion	4	Paraguay	6.61
	5	Germany	6.09
	6	Uruguay	5.66
	7	United States	5.06
Salmon			
Net imports, MT	1	Norway	74.43
50,160	2	Chile	5.84
Dollar value	3	United Kingdom	4.53
176.8 million	4	Denmark	3.55
	5	Faroe Islands	3.22
	6	Iceland	2.55
	7	Estonia	2.36
	8	United States	2.01
Seafood			
Net imports, MT	1	Norway	32.79
850,380	2	China	9.81
Dollar value	3	Vietnam	8.03
1.3 billion	4	Denmark	6.74
	5	United Kingdom	4.14
	6	Chile	3.97
	7	Iceland	3.45
	8	United States	3.40

Wine and beer			
Net imports, MT	1	Italy	17.70
876.2 million	2	France	15.83
Dollar value	3	Ukraine	12.83
746, 6 million	4	Spain	12.70
	5	Bulgaria	7.28
	6	Germany	6.44

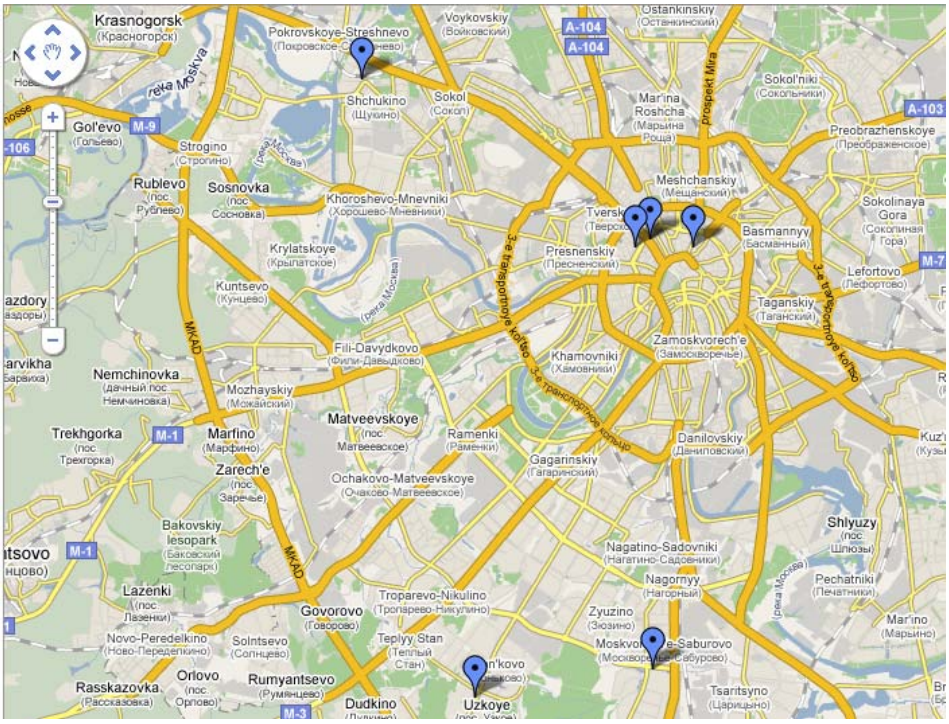
Source: World Trade Atlas

Spanish competitors in wines & delicatessen sector:

“Jamoneria” Ltd.

Established in St. Petersburg at 4th april 2002. Operates as a distributor of Spanish Jamon and delicatessen producer "Encinar de Cabezon" (Denominacion de Origen "Dehesa de Extremadura"). Also has a chain of vine shops “1000 and 1 bottle”

Locations in Moscow:



Products variety:

Iberian Hams (Aprox. 7 Kg/piece)	
Iberian Acorn Ham "D.O. Dehesa de Extremadura"	**335**
Iberian Acorn Ham	**250**
Iberian Ham	**170**
Iberian Boneless Hams (Aprox. 4,5 Kg/piece)	
Iberian Acorn Boneless Ham	**260**
Iberian Boneless Ham	**180**
Iberian Shoulders (Aprox. 4,5 Kg/piece)	
Iberian Acorn Shoulder	**100**
Iberian Shoulder	**70**
Iberian Boneless Shoulders (Aprox. 2 Kg/piece)	
Iberian Acorn Boneless Shoulder	**110**
Iberian Boneless Shoulder	**80**
Others Iberian Products(Aprox. 1 Kg/piece)	
Iberian Loin	**30**
Iberian Salami	**9**

	Iberian Sausage	9

http://www.encinardecabezon.com/

London City real estate data 2007-2008:

The most expensive areas are all in Greater London:

- Kensington & Knightsbridge are the Londons's most expensive areas for retail property with an average price of £1600per m2 in 2008 (4th Q); an increase of 67% on 2002 (£5,033 per m2). The same London boroughs make up the ten most expensive areas in the UK as five years ago. Full information about the average prices of London prices are attached in annex. **Top Investment Spots for 2009 *(Hamptons International UK Market Predictions)***

London:

(1) Islington: It borders the Kings Cross area which is currently experiencing massive regeneration. Property values were hit hard in 2008, so the area should recover more strongly as result.

(2) Paddington. The regeneration continues and there is a good cross-section of stock at the lower to middle end of the market.

(3) Clapham. Good quality development stock will be available at levels previously seen in areas of lower value such as Tooting and Wandsworth.

Country:

(1) Windsor. Highly commutable – with trains to Waterloo and Paddington – and more affordable than London.

(2) Bath. Good quality housing and a hotspot location at all times.

(3) Oxford – stable student business, so great return and extremely reliable and robust market.

In the annex the reader can find attached the availability rates of London, separated by parts.

Moscow real estate

In the 3rd quarter of 2008 the retail market entered a period of slowdown. The instability of world financial markets, difficulties with new project financing and stricter terms of financing in general resulted in postponed delivery dates of many shopping centers and fewer announced projects.

The rapid growth of rental rates typical for all of 2007 has finally come to a halt. The rates were growing during 2007 and the beginning of 2008 and reached record high by the end of the first half of 2008. In the fourth quarter of 2008 there has been no change in the level of rental rates.

There is a possibility of slight growth in the first quarter 2009 due to the growing construction costs and higher cost of debt financing. However, general uncertainty of the Russian real estate market will keep the growth of rental rates at a minimum. (arendator.ru)

In the real estate annex there is information about the renting prices and availability of the real estate for our business.

Innovative trends of the sector

In the restoration sector there are no specific innovative trends that can contribute to a dramatic change this sector internationally. Nevertheless, Spanish cuisine is continuously developing due to highly recognized chefs and restoration schools. The idea is to have traditional Spanish dish style in the restaurant, but also reinforced with new innovative trends of the Spanish cuisine in order to position ourselves at the front of Spanish restaurants, at the delicatessen area.

New trends directly related to delicatessen shops are not perceived. The idea is to apply the “typical Spanish” environment together with food sampling and product information activities that will be explained later on in the operating plan.

Conclusions

The Spanish products chosen for the business purpose fit considerably well with the delicatessen idea of both countries. This will be helpful for the placement of our shop/restaurants in both cities.

Russians really worth these products because they appreciate the fact that Spanish producers adapt easily to what the local consumers demand. Also prices are a competitive advantage, because products coming from Spain are cheaper than the same Russian origin.

In addition to what have been said above is the fact that British market is 57 million consumers long. Although is a mature market, there is still possibility to grow. Russia is an emerging market, and the average income of its citizens is increasing. Specially, middle class is growing in size and income, and is a well educated society that also has possibility to travel abroad.

Referring to the sales of wine, we are optimistic because in both markets the demand of wine is increasing and the Spanish wine is quite known and recognize, specially the red one, which is the one what we will sale more.

UK market is quite saturated, but sales of Spanish wine have kept increasing as the demand of wine in general, so we still have the chance to sell it. On the other side, in Moscow we compete against French and Italian wine. The fist one is positioned by the glamour and luxury, and the Italian by the design of the product. We can get market share through our quality and flavor.

Iberian Ham is a product that is getting more known thanks to the English citizens that come to Spain to live or in summer searching for sun. Saying this, Spain is almost a new comer to United Kingdom and products from other origins, especially those from Italia or France, are most known that our national ones. But a big effort has been done and the differences are being reduced significantly. That is why this market is still attractive, because we have a high quality product, and in such a mature market this is a competitive advantage just because English people really appreciate this fact in the products they are willing to purchase.

Referring to cold meat (embutidos), Spanish products are well known and perceived by customers, and can be found everywhere. In this sector, chorizo is the most known one. They have a good image among customers, who really appreciate these products.

Concerning to the olives we have good expectations too. In Moscow, the olives have created an emerging market in the last few years. We almost have the monopoly there (the 95% of the olives are imported from Spain), and they are really valued, Russian like to eat them as an snack and mixed with meals.

In London are well received also, actually is the main importer country of this product and Spain is its main exporter. There is an existing market which we can take advantage of and costumers. An important brand from Spain has the half of the market but it places the olives in different point sales than us (supermarkets), so it´s not a big problem.

Although the consumption of Olive oil in Russia is really low (1%), it is increasing yearly 100%, because healthy property diffusion of the product. In UK it is a basic need and Spain is the main supplier of Olive Oil. In both cases the main competitor is the Italian Oil. Differentiating ourselves from this competitor can lead us to acquire certain share of delicatessen oil.

Is difficult to say that Spanish cheese will be accepted in UK and Russia. Nevertheless, the British trend of experiencing new different products can help the sale of this product, offering also with more known Spanish delicatessen like ham or wine. In Russia, there is a trend of selling healthy cheese, so selling delicatessen cheese with these properties can help to gain a certain share.

Preserves in England have been always seen as an unhealthy product, but this trend has changed, as well as the consumers, that are now young people. So we´ve got a potential market to place our product.

Since we are a service product, we count with an added value; we´ve got an advantage over our competitors because we are not just selling the product but serve it, following a satisfaction customer relationship.

According to food sector, in the United Kingdom, the food service sector is the 4th largest segment of the consumer driven market following food retail, motoring and clothing and footwear with over 263,000 outlets. In 2006, the UK eating out of home market was worth £38 billion ($76.38 billion). The major players within the UK catering business include the following: Aramark, Brakes, 3663 First For Foodservice and Whitbread. Best prospects for the foodservice industry include: snack foods, seafood, fruit, cooking sauces, frozen foods and many other products sought by cash rich UK consumers.

Russia's retail sector is growing 20% annually, and represents one of the fastest growing sectors of the Russian economy. Strong economic growth and rising consumer incomes are driving new trends in Russian food retailing focused on leisure, product variety, and the shopping experience. However, the delicatessen product market is still a “window of opportunity” for new entrants. The retail sector remains unconsolidated; four major retailers are controlling only 11% of spots in Moscow.

The initial investment needed to acquire the premises for retail purposes in Moscow may cost up to 7200 Euro/Sq meter a year, depending on class and area, and not taking into consideration the costs for developing the shop’s conception; preparation of construction documentation; design project; construction work, purchasing equipment, furniture and other.

Wine Annex

Spain has a similar classification system to France and Italy, with all classified wine regions regulated under the Denominación de Origen (DO) system. Red wines are often labeled as Crianza, Reserva or Gran Reserva. In Rioja and the Ribera del Duero, Crianza wines are two years old, with at least twelve months spent in cask.

Reservas are three years old (at least one year in cask), Gran Reservas five years old (two in cask, three in bottle).

We are here trying pick out the best regions and producers, based on our own experiences and knowledge of this amazing product.

<u>Northern Spain</u>

There is some good white wine to be found in Spain. In Galicia, the most north-western part of Spain, Rias Baixas can be very awesome wines. The wines are made from the Albariño grape, and many are cold-fermented to maintain freshness, the antithesis of old white Rioja.

Further to the east, and just a little south, is Rueda. The reputation of this DO once rested on the flor-influenced sherry-like wines it produced, but it is now the home of some more examples of drinkable Spanish white, this time made from the Verdejo grape. Most known and appreciated Rueda wine: Marqués de Riscal.

Coming further across is the Ribera del Duero. Despite Rioja's reputation, it is in fact the Ribera del Duero that is home to Spain's most expensive wine, produced by Vega Sicilia. There are some splendid wines to be had in this region, based on a mixture of international (Cabernet Sauvignon) and indigenous (Tempranillo) grapes. Most appreciated: Vega Sicilia and Pago de Carraovejas.

Further east, and back to the north a little, is Rioja. The epitome of fine red Spanish wine for generations, Rioja can still be superb. Styles vary, from easy drinking Crianzas and some Reservas, to the Reservas and Gran Reservas of the top estates which may cellar and improve for decades. The grape of note is the Tempranillo, although there are some plantings of lesser grapes, including Garnacha Tinta (known as Grenache in France). Rioja is divided up into three regions, by far the most important of which is the Rioja Alta (which is also the name of one of the top estates). Slightly to the east are Rioja Alavesa and Rioja Baja, the former producing some drinkable wines, the latter less so. Our

It is worth noting that much of Rioja's character depends on the long ageing in American oak, with Gran Reservas having the longest contact (as explained above) and also the best cellaring potential. For an alternative to Rioja, just to the northeast is Navarra, often cited as an up and coming rival. I've yet to discover any wines that should trouble the inhabitants of Rioja.

Moving across to the Mediterranean coast there are a number of DO regions, such as Priorato and Somontano. Quite recently, Priorato has been making waves, with big, age-worthy and exciting wines. That´s why we will include wines made in this area too. Penedès is also worth a mention, not least because it is home to one of Spain's most well known wine makers, Torres. This company, led by Migual Torres, produces a vast array of styles using a number of indigenous and international grapes, from sparkling Cava through to Gran Reserva reds

Most appreciated wines: Torres produce some good value reds (especially Sangre de Toro, Gran Sangre de Toro and Gran Coronas reds).

Central –East Spain

Just one region dominates central Spain, and that is La Mancha. Top wines: There aren't any.

Just to the south of La Mancha is Valdepeñas, a red wine region, much less important than Rioja or the Ribera del Duero, which produces a few drinkable wines. Some of the best producers are using oak-ageing to add more appeal to their wines. Good value drinking can be found here, from one or two producers. Appreciated wines: Felix Solis (Viña Albali), Los Llanos.

Further to the east are the DOs of Almansa, Valencia, Alicante, Jumilla, Yecla and Utiel-Requena.

Southern Spain - Sherry

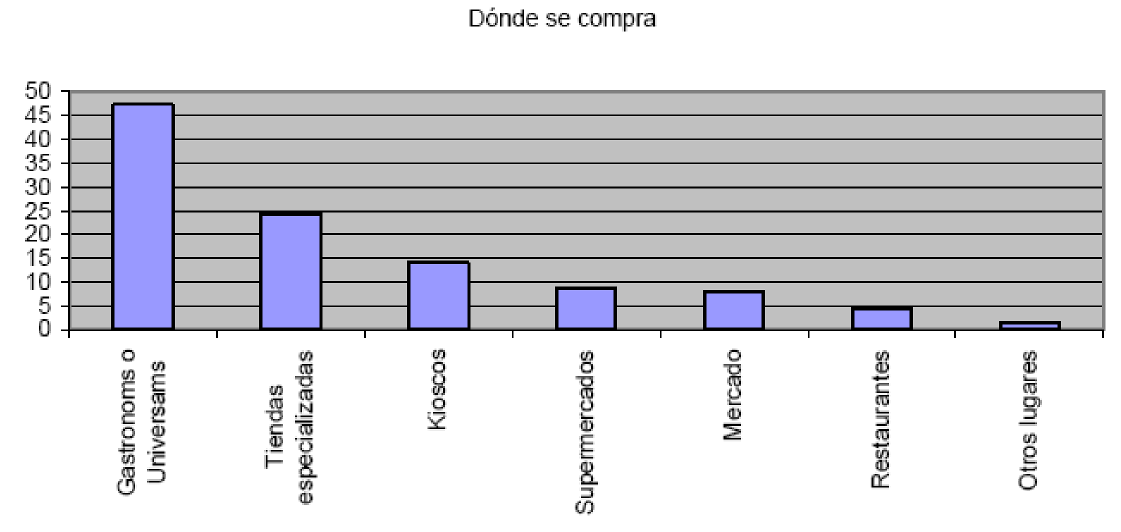
Dry: Fino is the most commonly seen dry Sherry, a flour wine generally intended for drinking young. Manzanilla is a light style of Fino from Sanlúcar de Barrameda, a small fishing village on the Mediterranean coast. From here we get the “oloroso” wine.[4]

These are generally the wines we are going to provide to our customers. We have found a supplier company settled in Madrid that already receive these wines from the respective cellars and provide to different restaurants in Spain and also worldwide: “Bodega Santa Cecilia”.[5]

[4] To find out more about the wines we are going to supply in our shops and restaurants, see the excel attached file

[5] http://www.santacecilia.es/tiendanuevo.asp

The following graph shows the most common places for the purchases of wine in Russia:



Fuente: Komkon.

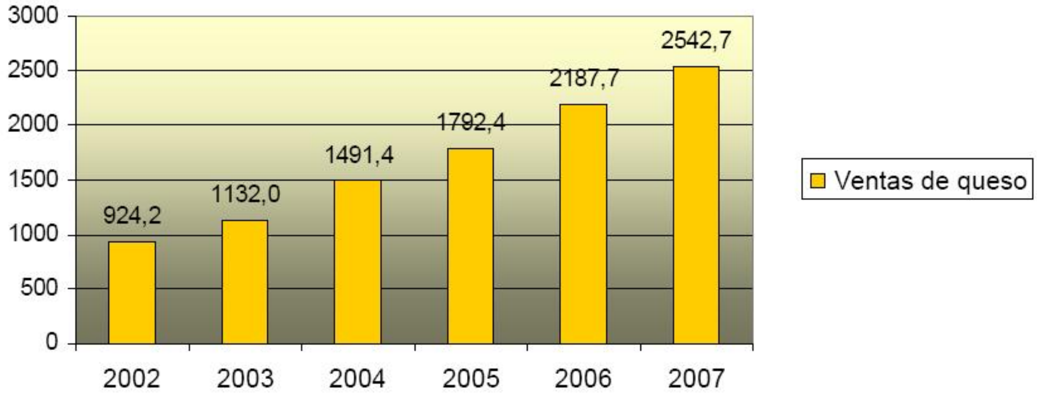
Sales of wine in the UK in the off-trade sector:

	Volumen 2007*	Volumen 2008*
Ventas totales	848.780	863.167
Tinto	371.076	369.303
Rosado	77.208	93.830
Blanco	398.340	397.847
Ventas de vino español en R.U.	58.181	59.694
Cuota de mercado del vino español	6,8%	6,9%
Cuota vino tinto español	5%	5%
Cuota vino rosado español	0,3%	0,4%
Cuota vino blanco español	1,6%	1,5%

Fuente: AC Nielsen, Julio 2008.
** Volumen expresado en miles de litros.*

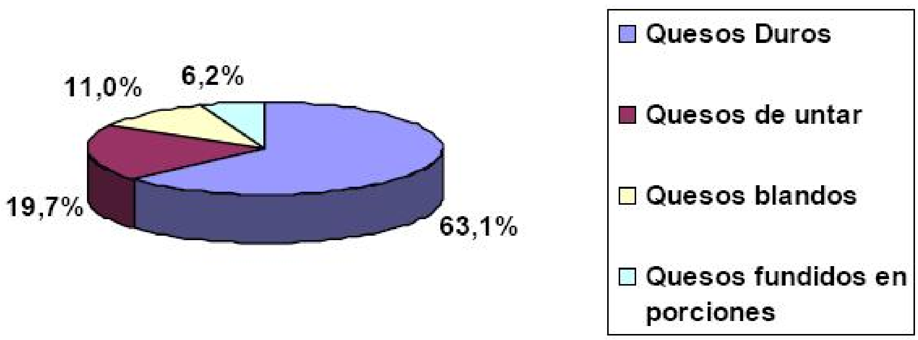
Cheese Annex

Evolución del consumo de queso en valor



Fuente: Euromonitor International. Datos en millones de dólares

Distribución del consumo según tipos

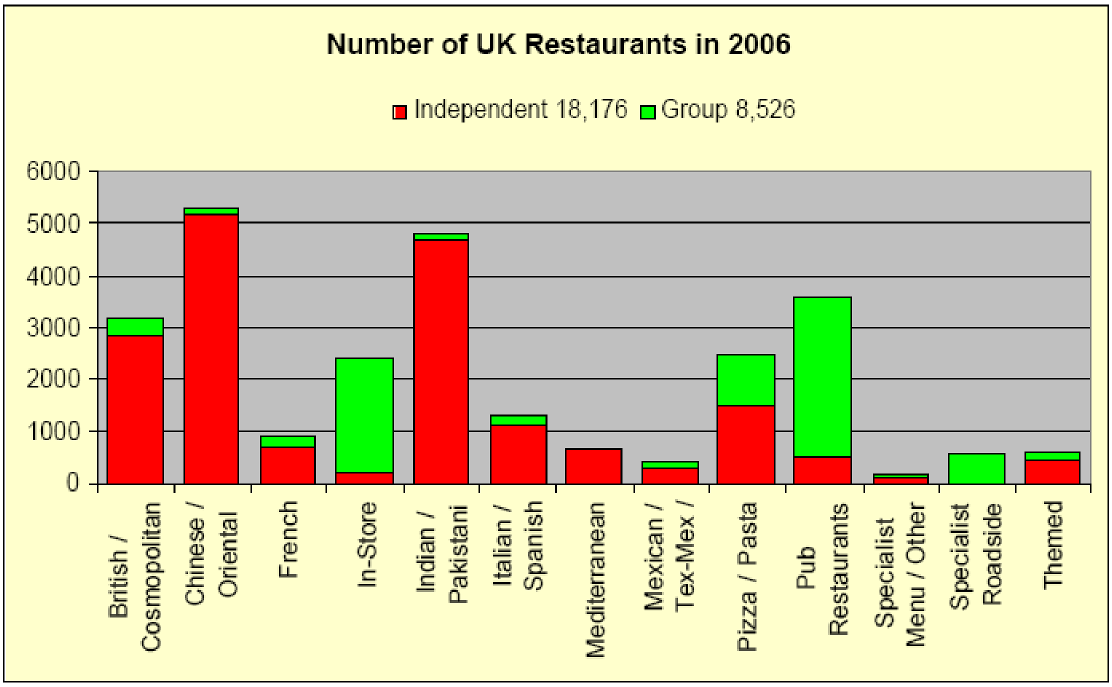


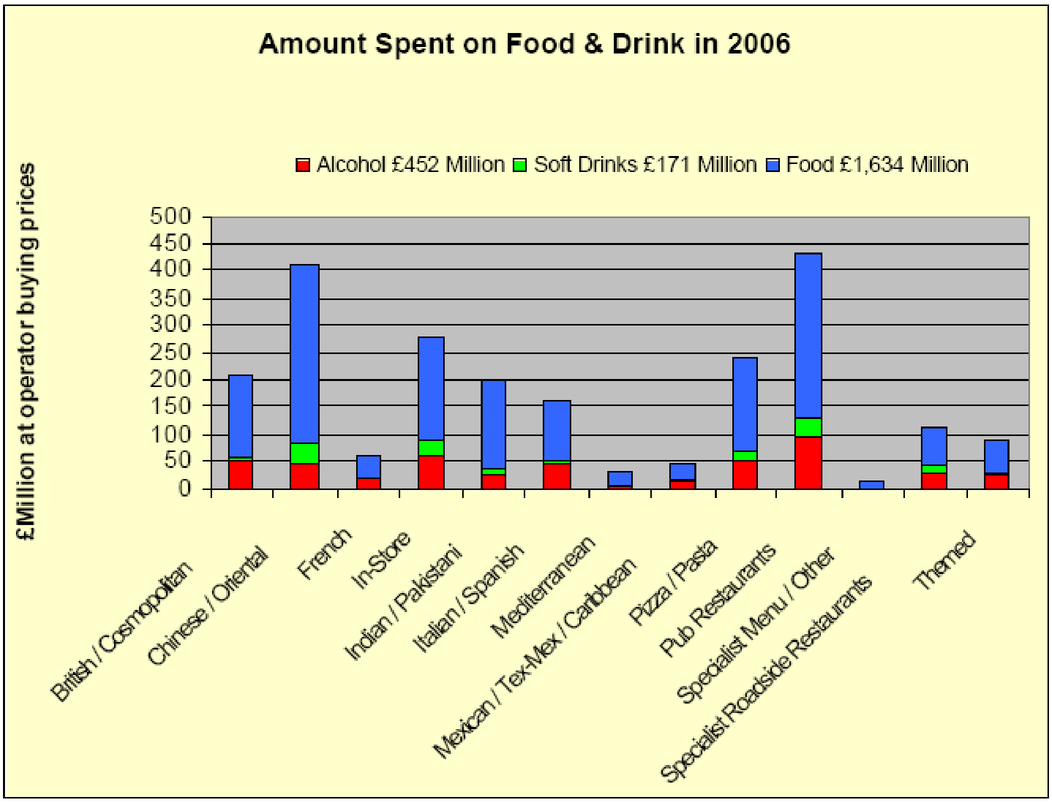
Distribución del consumo según tipos

Fuente: Euromonitor International. Datos en millones de dólares

Competitors Annex

The following two graphs show the number of specific types of restaurants and the breakdown on how much is spent on food and drink. (Source: USDA Foreign Agricultural Service)





Real estate Annex

	4th Q	Year
	EUR/sq m.	EUR/sq m.
Kensington	642,1014415	**1926,304325**
Knightsbridge	496,1692957	**1488,507887**
Notting Hill	418,338818	**1255,016454**
St John´s Wood	379,4235791	**1138,270737**
Chelsea	340,5083402	**1021,525021**
Pimlico	321,0507208	**963,1521623**
Hampstead	321,0507208	**963,1521623**
City	301,5931013	**904,779304**
Paddington	291,8642916	**875,5928748**
Tower Bridge	282,1354819	**846,4064457**
Wimbledon	243,220243	**729,660729**
Richmond	233,4914333	**700,4742999**
Islington	214,0338138	**642,1014415**
Fulham	204,3050041	**612,9150124**
Clapham	204,3050041	**612,9150124**
Chiswick	204,3050041	**612,9150124**

Table 1: Rental prices in London 2008

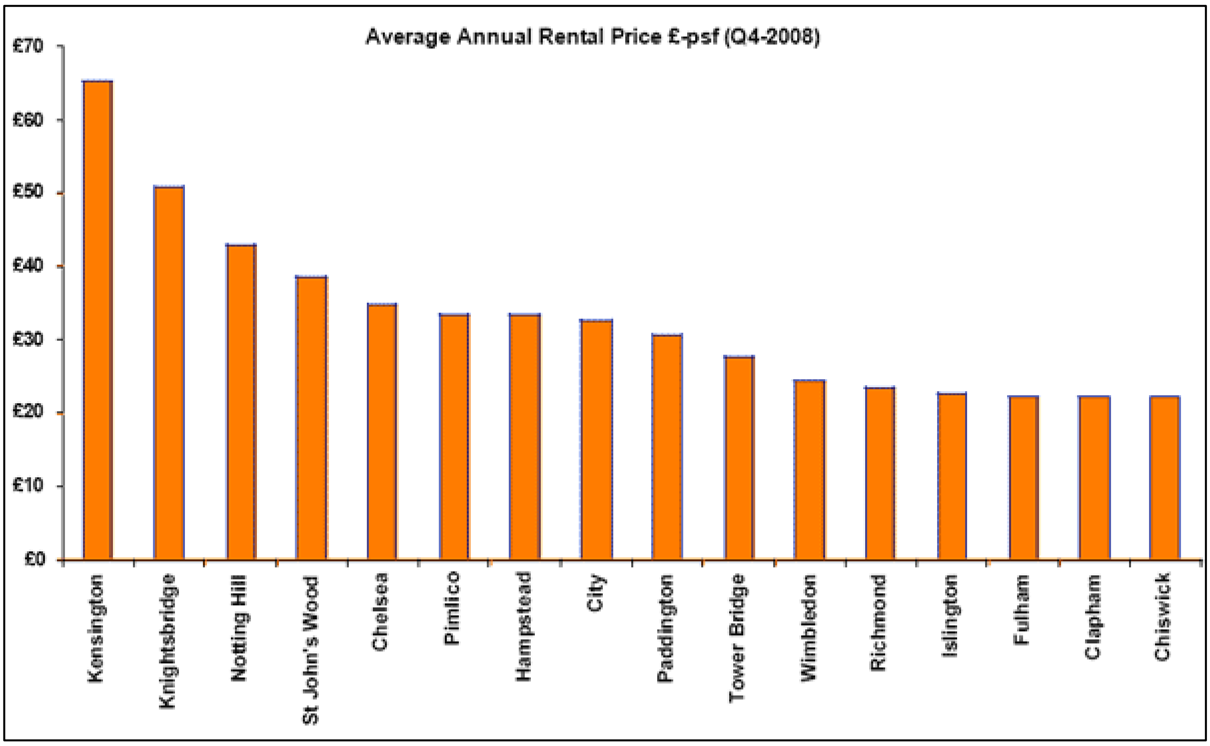


Table 2: Average Prices in Major Global Cities (2008)

Global office asking rents

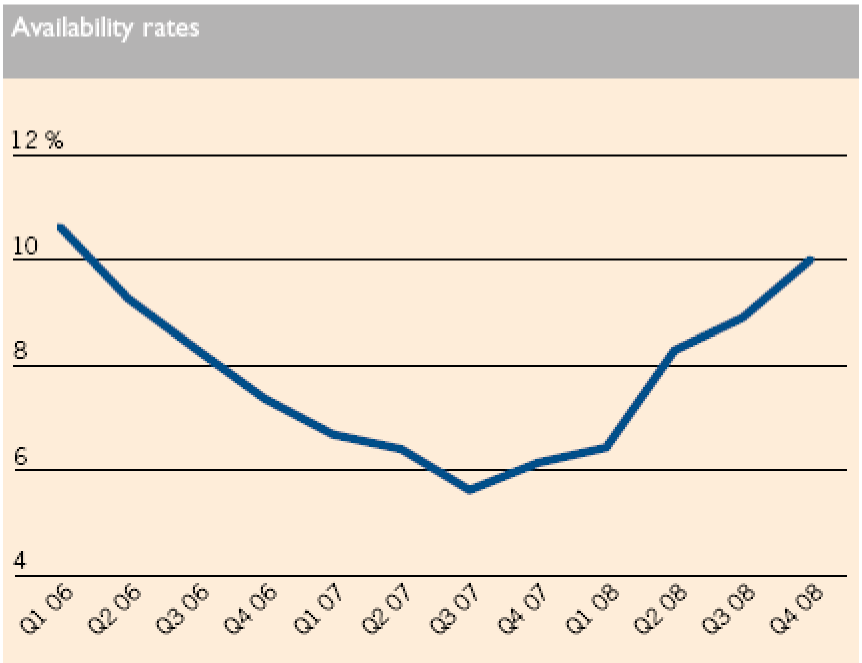
Market	Region	Class A/Premium Space Rent (€/sq m/yr)	Rent (US$/sq m/yr)	Rent (€/sq ft/yr)	Rent (US$/sq ft/yr)
London, UK (West End)	Europe	1,607	2,365	149	220
Moscow, Russia	Europe	1,359	2,000	126	186
Tokyo, Japan	Asia-Pacific	1,307	1,924	121	179
Mumbai, India	Asia-Pacific	1,002	1,474	93	137
London, UK (City)	Europe	928	1,365	86	127

Note: This table gives us information for the commercial estate rental prices in 5 most expensive capitals. ***(Knight Frank LLP 2008)***

Availability rates

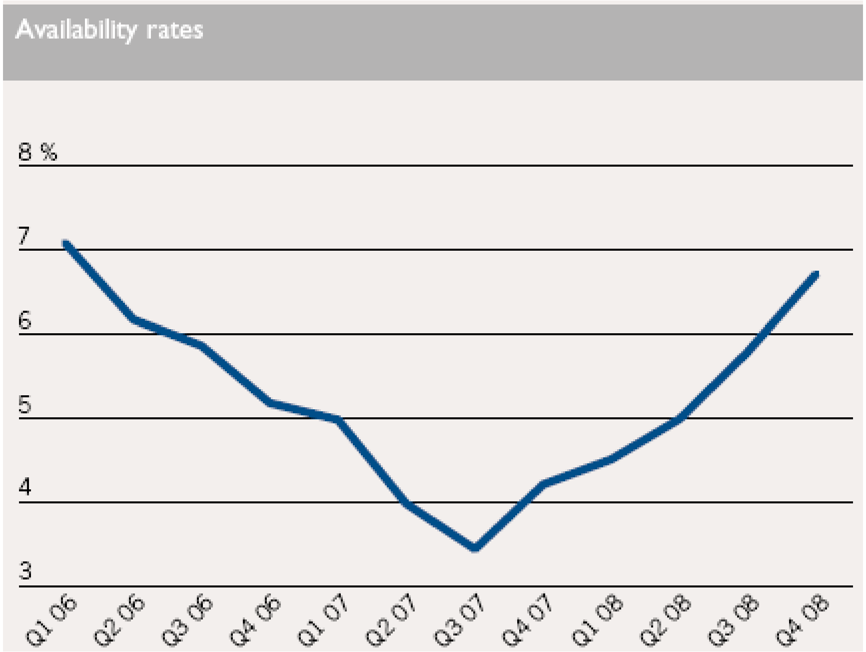
City Core

Supply(sq ft)	Q4 2008	% +/- 24 months	% +/- 12 months	% +/- 3 months
New/Refurb existing	2,398,138	362.86	903.10	23.11
Premarketing	7,685,499	30.99	-11.58	4.05
Secondhand	3,203,292	-6.81	3.35	2.28
Under Construction	3,832,229	12.61	-33.33	-6.70
Total	**17,119,158**	**29.44**	**-3.71**	**3.29**



West End

Supply(sq ft)	Q4 2008	% +/- 24 months	% +/- 12 months	% +/- 3 months
New/Refurb existing	429,138	-35.05	132.08	74.70
Premarketing	1,185,005	-30.82	-36.16	-14.15
Secondhand	3,734,358	45.00	56.87	12.31
Under Construction	1,817,454	37.58	48.05	21.39
Total	**7,165,955**	**14.29**	**26.85**	**11.13**



Midtown

Supply(sq ft)	Q4 2008	% +/- 24 months	% +/- 12 months	% +/- 3 months
New/Refurb existing	296,681	-9.41	55.60	-16.68
Premarketing	296,498	-61.17	-39.22	-16.35
Secondhand	2,041,310	26.57	31.18	10.06
Under Construction	1,046,786	38.20	-5.90	-2.62
Total	**3,681,275**	**6.36**	**9.99**	**1.13**

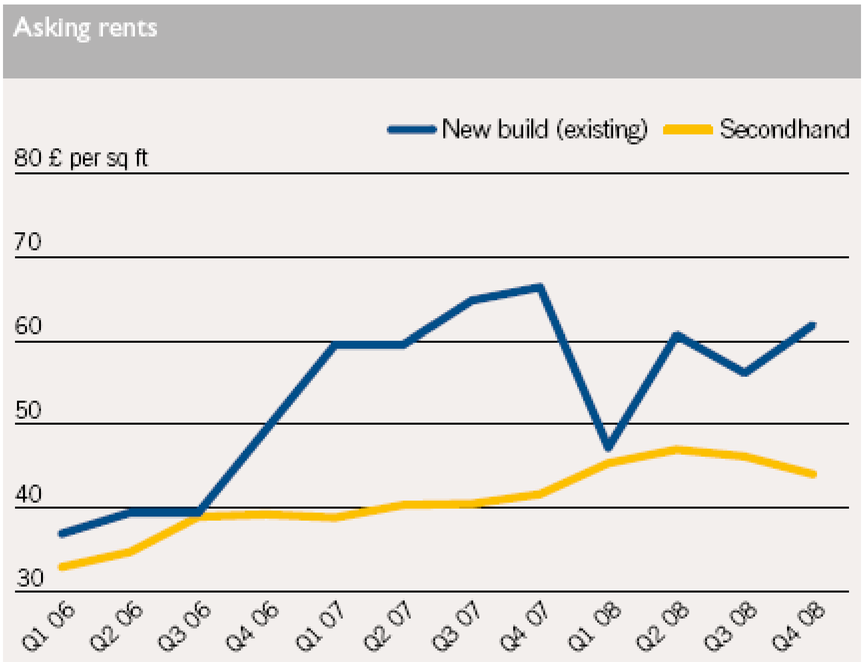
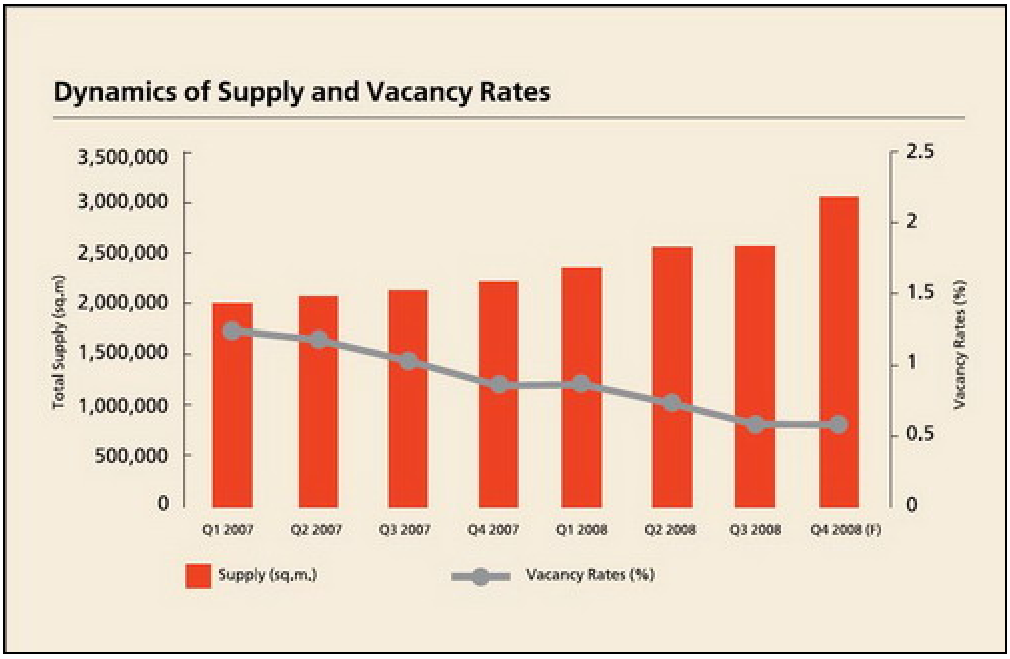


Table: Rental rates (4th Q 2008)

Average Base Rental Rates for International Quality Retail by Type of Tenant ($/sq.m./year)	
Type of Tenant	Rental Rate ($/sq.м/year)
Anchor	150-600
Mini-anchor	700-1,500
Retailer	1,000-6,000



(Source: arendator.ru)

23/2/2009

DON MANOLO S.L.

SWOT ANALYSIS

Agurtzane López Uribarri
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Zelim Dankaev
Ibai Zabaleta Ibero

INDEX

List of Contents

SWOT ANALYSIS

London

Strengths:

1- Location. City district. Traffalgar Square – Covent Garden area (Strand Road).
2- Innovative positioning of business model (Shop-Restaurant concept).
3- High quality Spanish Delicatessen "Denominación de Origen" products.
4- Added value of the Chef and (high qualification employees) of service/customer satisfaction.
5- Flat and dynamic organization structure (response at any risk or challenge).
6- Positioning Don Manolo as a top end, aspirational, high quality, Spanish eating out place

Weaknesses:

1. Strong dependence on the Chef.
2. Challenge to change perception of Spanish food.
3. No rush for lunches (not related to fast food concept)
4. No special food for vegetarians

Opportunities:

1. High purchasing power of British citizens
2. No commercial barriers (EU country)
3. Delicatessen and our offering products are well known, increasing demand (Wine, Olive Oil, Sausages, Preserves
4. Possibility of attracting tourists

Threats:

1. Low entry barriers for Competitors: increase of delicatessen establishments, and big range of different cuisine, including restaurants and tapas bars
2. Spanish products are not as well known and recognized as others (Italian Parma Ham, French Wine, French cheese)
3. High prices of establishment (premises)
4. Currency change (pound trend to go down)
5. Trade unions power
6. 46% of food consumer are gourmless (not concerned about delicatessen)
7. Some product are perceived to buy in supermarket (Olives)
8. Burocracy in terms of alcohol licensing
9. Delicatessen market is mature

Moscow

Strengths:

1. Location: Tverskaya street and Teatralny proezd street (Central Administrative Area, near Red Square)
2. Innovative business concept (delicatessen shop/small vinoteca)
3. High quality Spanish Delicatessen “Denominación de Origen” products.
4. Added value (high qualification employees) of service/customer satisfaction.
5. Organization of activities in order to educate customers into Spanish culture
6. Positioning Don Manolo as a top end, aspiration Spanish shops
7. Lower Salaries than Spain
8. Possibility of fast service

Weaknesses:

1. Need of strong training for our employees in Spanish culture (costly)
2. Lack of experience and knowledge of Moscow
3. Challenge to improve the perception of some Spanish products (Wine)
4. Challenge to retain employees in a job change environment (high bargaining power of employees)

Opportunities:

1. High medium classes purchasing power
2. Russia is the largest consumption market in Europe
3. Good perception of Spanish products
4. Delicatessen market is an open niche, increasing yearly the consumption, and focused in Moscow (80% of delicatessen products are consumed here)
5. Foreign delicatessen products are the most consumed ones (90%)
6. Low rates of taxation

Threats:

1. Government opposition to the increase of import of goods.
2. High rates of duties paid to customs and VAT addition of import products (Russia is not a EU country)
3. Competition of Asian countries and France is the main exporter of delicatessen products from Europe.
4. High prices of establishment (premises)
5. Confusion between Spanish and Italian products
6. Time to get alcohol license

TOWS Analysis

Fort he following analysis, the most important Strengths, Weaknesses, Opportunities and Threats has been taken. For each internal and external feature, the first 4 ones have been taken in each city analysis. In the table, the cross analysis has been carried out. Each internal factor it has been faced against each external factor and it has been weighted according to the following criteria:

+2: Totally advantageous for the business;

+1: Partially advantageous for the business;

0: Doesn’t affect the business;

-1: Partially disadvantageous for the business;

-2: Totally disadvantageous for the business

London

		Opportunities				Threats			
	LONDON	1	2	3	4	1	2	3	4
Strengths	1	2	0	1	2	-1	1	-2	0
	2	2	0	2	2	-1	1	-2	0
	3	2	2	2	1	-1	1	0	1
	4	2	0	2	1	-1	2	0	0
Weaknesses	1	0	0	1	-1	-2	-1	0	0
	2	1	0	2	1	-1	-1	0	0
	3	-1	0	1	-1	-2	-1	0	0
	4	-1	0	0	-1	-1	-1	0	0

12

Moscow

	MOSCOW	Opportunities 1	Opportunities 2	Opportunities 3	Opportunities 4	Threats 1	Threats 2	Threats 3	Threats 4
Strengths	1	2	1	2	2	1	0	-1	-2
	2	2	2	2	2	1	0	1	-2
	3	2	2	2	2	-1	-1	2	0
	4	2	2	2	2	1	0	1	0
Weaknesses	1	0	0	1	0	0	0	-2	0
	2	0	0	1	1	-1	-1	-2	0
	3	1	2	2	2	-1	-1	-1	0
	4	1	1	1	0	0	0	-2	0
									33

S1vsT1: Since the government is putting obstacles to the commerce of import goods, we adduce that it is going to be less foreign delicatessen products around us, so we have a chance to take advantage and differentiate ourselves even more.

Strategic aims

Our business possibilities in both countries and cities are fairly positives in terms of the punctuation taken from the SWOT cross analysis (TOWS). In this case more business opportunity, attractiveness and possibilities are perceived in the Moscow analysis. Nevertheless, considering London business as a more challenging one, because the restaurant-shop concept, it will be interesting to operate both businesses at the same time, in order to manage and coordinate both activities from a central center in Madrid.

Although the goal of the business is to have both branch activities working in near future at the same time, the start up of the branches will be not in parallel. To launch at the same time the shop in Moscow and in London (with a restaurant) certainly seems to be more than chaotic, unviable in terms of invested money, and the level of risk will grow exponentially. Our proposal is based on a gradual creation of the branches; with a continuous grow in several top countries worldwide where Don Manolo S.L. concept fits.

First of all the creation of Moscow's establishment will be carried out. The main reasons are based on the SWOT analysis result, where the main attractiveness's are described. Also the cross analysis shows a better punctuation for the Moscow's option. Don Manolo S.L. will face the first investment to be done for the establishment refurbishment, and the employee education in the Spanish culture and products. Instead of buying the building at Teatralny Proezd Street, the shop will be a rent contract, paid in a monthly base, so no investment in such as expensive area will be done, but renting.

After a certain period of time (4-5 years), Don Manolo S.L. will start with London's establishment (Traffalgar Square – Covent Garden area) just with the shop at the beginning, followed up by the restaurant concept some years after (restaurant and shop together in the same establishment). So, the strategy behind the gradual development of the branches is mainly to minimize the risks related to investment to do if the establishments were created at the same time and also to use the profits of the first branches to reinvest them into following establishments.

In order to have an idea of what the shop will look like, the Spanish "Vinoteca" concept will be a good approach to understand it. As a shop, it will be a place where our delicatessen products will be presented in an exposition area, followed by the payment area. Here the client will take out the goods sold for the consumption of the products out of the establishment. But also Don Manolo S.L. shops will include what we call the snack bar or tasting area, where our products will be sold for the consumption inside our establishment.

The product range offered in the shops will follow a well defined policy: The most accepted and known Spanish products and brands will be on sale when the establishment opens. This means that for instance, In Moscow's shop ham, sausages, wine, cheese and preserves will be mostly offered, using well recognized brands by Muscovites. In the other hand, in London Ham, Wine, sausages, olive oil and olives will be mostly offered. Here a very good example is the cheese, because the penetration in British market is really difficult.

Nevertheless, at the same time that the very well accepted products are offered, promotion of new brands will be carried out in shops, in order to place in the offer gradually more brands of the product.

Thus, Don Manolo S.L. will bring to the customer the Spanish culture through Spanish high quality gastronomy products, with a customer education based on the denomination of origin, brand recognition and product taste differentiation. Don Manolo S.L.s positioning, more than selling Spanish products, will be selling Spanish culture pieces, experience and emotions in such glamorous locations in the middle of the city.

The customer service will include the internet base purchase possibility, delivering the product directly from the shop to the customer using a less than one day delivery time mechanism for inside the city, and less than one week for inside the country.

Market Description

Our market is mainly Russian citizens, more specifically upper-high class Muscovites, the ones with higher purchasing power of Russian population. In sector analysis (stage 2) there is plenty information about the increase of this classes, together with the fact that Russia is the highest consumer of the world in terms of purchasing goods.

In the other hand, the location of the shop will be helpful to attract foreign tourist visitors in a minor percentage. Also people living in other Russian important cities (for example, San Petesbourg) will have the opportunity to buy Don Manolo S.L products through the internet service that the company will offer.

In fact, Don Manolo S.L. in its initial establishment will target Moscow upper-high class citizens, having two minor markets, like tourists and e-commerce users through internet.

Sales Plan

Don Manolo S.L. is planning to start its business in Moscow the first of March of 2010.

Despite we have in mind to sell more products as the time passes and our revenues grows, in the beginning, we are focusing on selling the following products in our shop and also in the bar, where costumer can taste them:

a) WINES: White, Red and Rosé.

We have selected 26 Denomination of Origin Wines, as well as the grapes and ages accordingly to experts and market researches of wine likes in Russia, but also those that are better valued by Spaniards because we want to have in mind that one of our targets is to transmit our rich culture through Spanish delicatessen products, and so we have to make the costumers known Spanish products that maybe are not as well recognized there than here in Spain.

The rest of the products are as well the most recognized of its field.

b) COLD MEATS: Ham, sausages, chorizo and loin.

c) CHEESES

d) OLIVE OIL

e) OLIVES

Stock:

In order to decide the quantity of stock we should ask for starting our business, we have calculated the top number of costumers we could have basing on the square meters we have in ore establishment, just to make sure that we don´t get run out of products for them (see attached file sheet 2). We are supposed to sell all of our stock and, to get the time it will take us, we have made some sales predictions.

Sales predictions:

To make our sales predictions in an accurate way, we have take into account the number of products that our clients will consume in our shop as well as in our bar, taking into consideration the gross margin of each case. Following this aim, we have established several prices referred to the purchases in the shop and the consumption in the bar. (Selling price per glass of wine, per portion of food and its respective gross margin).

(To see exact figures and data see the attached file)

After the sales predictions we have made each quartermaster (see attached file sheets 4, 5 and 6), we have realized that our total gross margin will be positive at the end of the first year, but not in every product but wines and cold meats. This is due to the knowledge about the knowledge and likes of wine and cold meats in Russia.

Referring to olives, in Russia there is a huge consumption (see sector analysis), but we don´t consider that we will sell the 100% of our stock at the end of the year because people can have them in the supermarkets. We will then have losses here, if we take into account that olives have expire time of one month. In order to fix this, we will promote the olive oils of our store through a marketing campaign.

Our predictions are as realistic as possible, and we consider that we could be more optimistic thanks to the marketing campaign we are planning.

29/3/2009

DON MANOLO S.L.

OPERATION PLAN

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INDEX

List of Contents

OPERATIONAL PLAN

Product/Service Description

Don Manolo S.L. is a Spanish based company specialized in selling abroad Spanish delicatessen products. Firstly, we are starting from Moscow with a shop plus bar (similar to the Spanish concept of vinoteca) in which there will we sold typical Spanish products, most of them with Denomination of Origin (Denominación de Origen). These products are:

- Ham (jamón ibérico): Spain´s national product. The most known worldwide. In this area, we will sell the kind call *jamón ibérico de bellota pata negra.* It is a derivative from the pork.
- Loin: Also a derivative from the pig. The variety chosen is *lomo ibérico.*
- Chorizo: product 100% Spanish and really well accepted abroad. Ibérico variety is the one we are going to sell.
- Spiced Sausage: another derivative from the pork. It has ibérico variety, which is the one chosen for commercializing in our store.
- Cheese: Spain has thousands of cheese varieties. In order to have a representative variety of all them, we have selected those who come from La Mancha, Asturias (Cabrales), Galicia (Tetilla), Basque Country (Idiazábal) and Navarra(Roncal).
- Olive oil: Olive oil *Virgen Extra.* A Spanish delicatessen product very well known outside our frontiers.
- Olives: really well accepted product in foreign markets.
- Preserves: in this area, we are going to sell anchovies, Pimientos Del Piquillo and tuna.
- Wine and liquors: Spain is a rich country in Denominations of Origin related to wine. So we are going to have a representation of all of them, focusing our offer in the most known ones like Rioja and Ribera del Duero but without leaving at one side the others varieties. In liquors, Herbs liquor, Pacharán and Crema de Café.

Product/Service Development

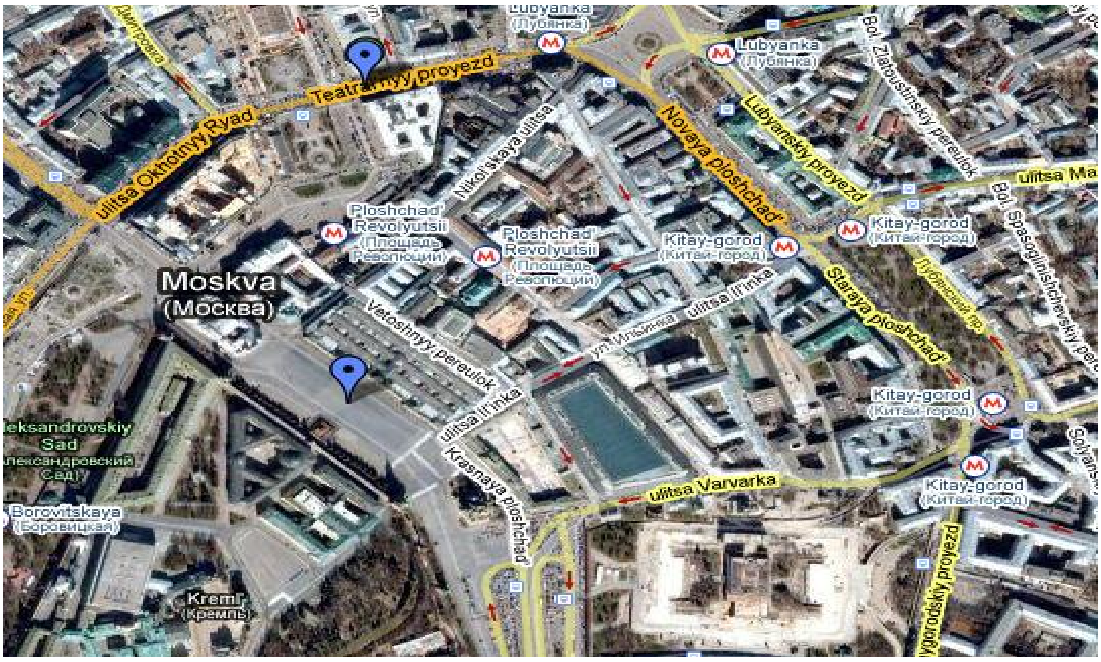
DON MANOLO, as mentioned above, is starting its operations in Moscow in 6 months, maximum one year. In Russia the company is going to run a "*vinoteca*", which is a shop with bar. The location is near the Red Square, in the Teatral´nyy Street. After 6 months from the opening, we have in mind to develop a web site for the Russian market, in order to sell via the Internet our products. The idea with the web page is to reach to customers that, once they have tasted our products, want to keep buying but they live in other Russian cities. Then, in two years, we are planning to open the same kind of business in London, in Covent Garden area. But any specific location has been yet decided in the case of the United Kingdom. And, two years after establishing the business in London, we have the intention to open in the same location a restaurant based in Spanish delicatessen products and the rest of the products that we are selling.

The company, and its founders, is planning to open in Russia with a starting stock necessary for the first quarter of the year. The location is going to be, at the beginning, rented with the idea of buying in one year after the opening.

DON MANOLO, because of its nature and products managed, is not going to pay any kind of patents, due to the fact that we are not a franchise.

Manufacture/Production

Material resources:



- Teatral´nyy Proyezd (Theatre´ Street) is the one chosen for the opening.
  Space required for the storage and sales purposes is 100 sq. m^2. The estimated cost for renovations of the premise is around 35000 Euros. This will include the planning and design costs and construction costs.

Space distribution, related to function.

Room	**Number**	**Size**	**Function**
Warehouse: -Refrigerated products area -Dry products area	1	30	Space required for the storage purposes of the products and a little office.
Space for the bar & chairs	2	11,34	The company's staff and clients
Public washroom	2	13	Sanitary purposes
Space for the customer	1	45,66	Space for the main operations purposes.
Total space required	**6**	**100**	

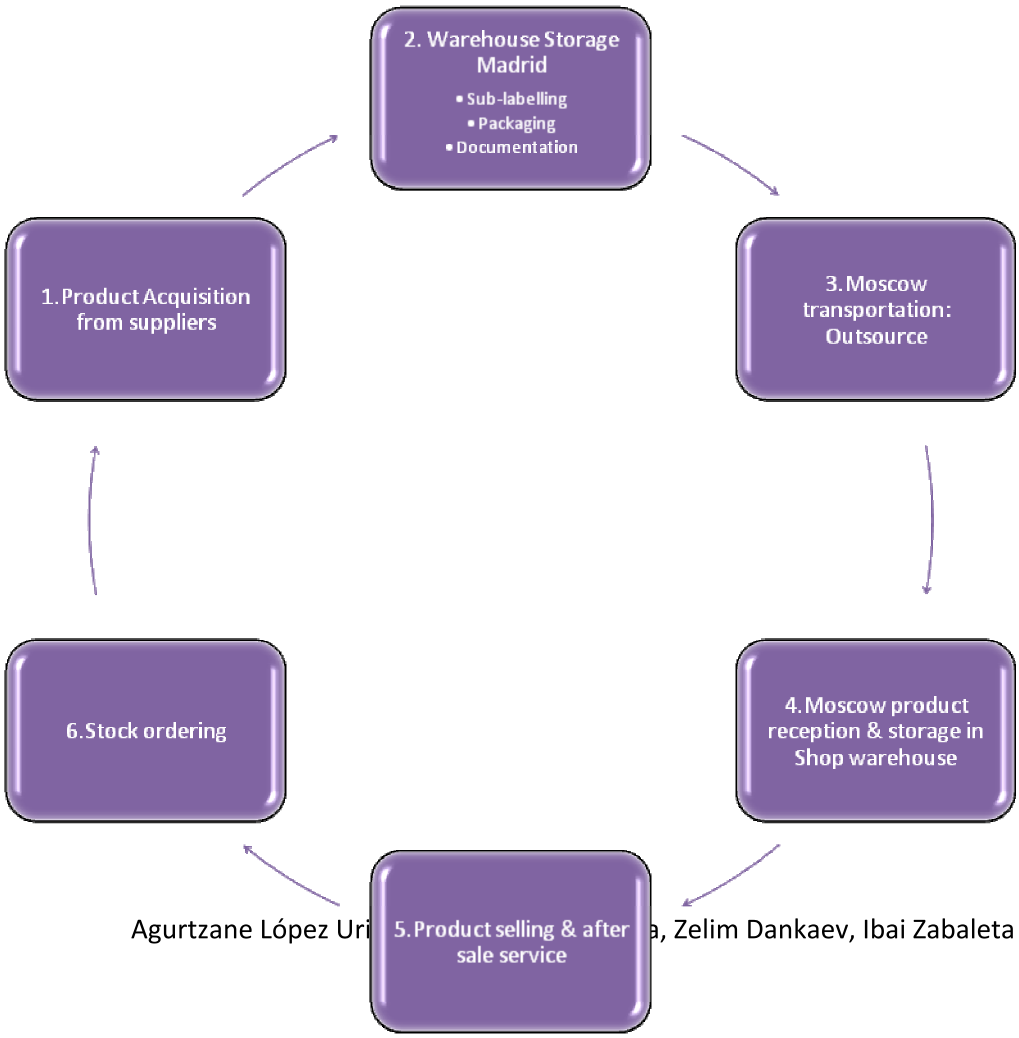
- Machinery:
  - Fridge room: 6 m^2 is required to store the products.
  - Register: a screen touch register should be the ideal one
  - Machine to cut the cold meat
  - Refrigerated counter for selling for those products that need to be kept in it: preserves, cheese, olives…
  - Vacuum packaging machine for the cold meat.
  - Shelves to show the products.
  - Knives, forks, cups, etc.
- Dressing:
  - Uniforms for the employees.
  - Aprons
- Products:
  - Wine
  - Liquors
  - Cheese
  - Cold meat
  - Preserves
  - Olives
  - Olive oil

- Human Resources:
  - Store manager: this is the person in charge of the shop. Its going to be one of the founder shareholders. He/she must be responsible for:
    - Orders
    - Re stock
    - Managing Human Resources.
    - Reporting to headquarters
    - Organizing the products exhibition
  - Sales people: they attend the customers and also:
    - Communication of the stock needs
    - Studying of the most sold products
    - Receiving of the merchandise
- Processes:
  - Our main processes are related to the supply of the merchandise. We are in contact with logistic companies in order to see how much cost the delivering of the products from Madrid to the location in Moscow, including the passing of the border. Also, we are contacting our suppliers to see if they do the delivery and in order to face out which option is the cheapest for us. Regarding Human Resources, the processes of recruiting our staff will be described more in detail in our HR Plan. The same applies to promotion, advertising, public relations, etc. Those activities will be detailed in the Marketing Plan. The processes regarding relationship with local authorities, we have to ask for a veterinary and a sanitary certificates, and also a permission of the Ministry of Agriculture. That means that Don Manolo is going to follow the legal steps that are mandatory. This is an important issue to manage with, and has to be taken into account for the supplying process. Trainning and customer service are linked, because we want

the service for our clients, and this will come by the best trained employees. In that sense, Don Manolo is going to hire a specialized training company, but with our supervision. And finally, the administrative process is taking place in Madrid and Moscow, following the legal procedures.

- Quality control plans:
  - We don´t need to install any quality control processes because our products come from different Denominations of Origin from all over Spain, so that D.O. controls and ensures the quality of the merchandise. Nevertheless Don Manolo staff will select Spanish delicatessen products that will pass through a taste control in the company before offering them in the shop.
- Don Manolo Branding
  - As it is described before, Don Manolo S.L. offers different variety of high quality delicatessen Spanish products, using a sort of different brands. Don Manolo S.L. pretends to offer to the customer delicatessen brands, ensuring product *trust, recognition and quality*. These aspects are key elements and answers to the question of why Don Manolo selects these certain brands. Therefore, a distinction of sub-labeling with the signature of “Don Manolo” will be added to the product acquired from the Spanish suppliers. Again with this distinction the client will know that the product has Don Manolo S.L. company trust, and recognition, and is qualified enough to be sold in the shop. Sub-labeling process will be carried out in Madrid’s warehouse, when products from our suppliers are acquired, and before export them to Moscow.

Business processes



Investment

The main investment Don Manolo will face is the refurbishment of the establishment in Moscow. There are

Operation Cost

Maintenance and services

The service and support of a company's goods are often critical to the business's success. But it depends on the nature of a company's product. For the case of Don Manolo it is not that important to provide a support service to its goods as to provide a quality customer service. The company will benefit in two ways from implementing a good customer service. First, company will enhance its reputation and image by providing guidance and support during and after sales. Second, this may enable the company to have additional revenues from the added value of the goods sold. Therefore company needs to have a qualified staff sales people, ready to address customer problems.

In order to assure and provide a quality customer service, the company needs to perform a special recruitment policy. Also training activities will be executed on a regular basis once a month, focused on improving the customer skills of the staff. Those training activities will be outsourced to a training company, located in Moscow.

Other critical areas of customer service are the planning and operations. This implies to the orders fulfillment process, number of customer complaints addressed, stocks availability, quality control, delivery timing. The company will constantly be assessing of the methods by which the goods are prepared for the delivery. The quality control system of the products also needs to be implemented. To assure the adequate and fast orders fulfillment, the company will be constantly analyzing its day to day operation.

27/4/2009

DON MANOLO S.L.

MARKETING PLAN

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INDEX

List of Contents

Introduction

In the present chapter, Don Manolo S.L. company´s marketing plan is described. The chapter begins with a market research that helps us to find our potential market. A full analysis about the STP (segmentation, targeting, positioning) is carried out, together with some of the 7 seven "P"s theory, focusing on promotion and advertisement activities, were the business is going to be focused on, due to fact that attracting Muscovites from the beginning is a big challenge, in order to get the return of investment needed. Although the approach of the report is in some way structured according to the traditional theory of marketing mix, for each section the activities and policies followed up are presented, with a complete and detailed illustration and explanation of how Don Manolo S.L reaches final customer.

It should be noticed that the entire marketing plan is focused on the first establishment in Moscow. There are some main marketing mix activities that are maintained in all Don Manolo S.L. establishments, and some secondary activities that depend on the country itself. The following document deals with the main activities that are going to offer whenever a Don Manolo shop is opened all around the world.

Finally, marketing financial is described, were all the expenses related to marketing activities are summarize. The goal of this last section is to define the marketing budget that will appear in the financial part as marketing expenses of each year. This would evaluate marketing cost.

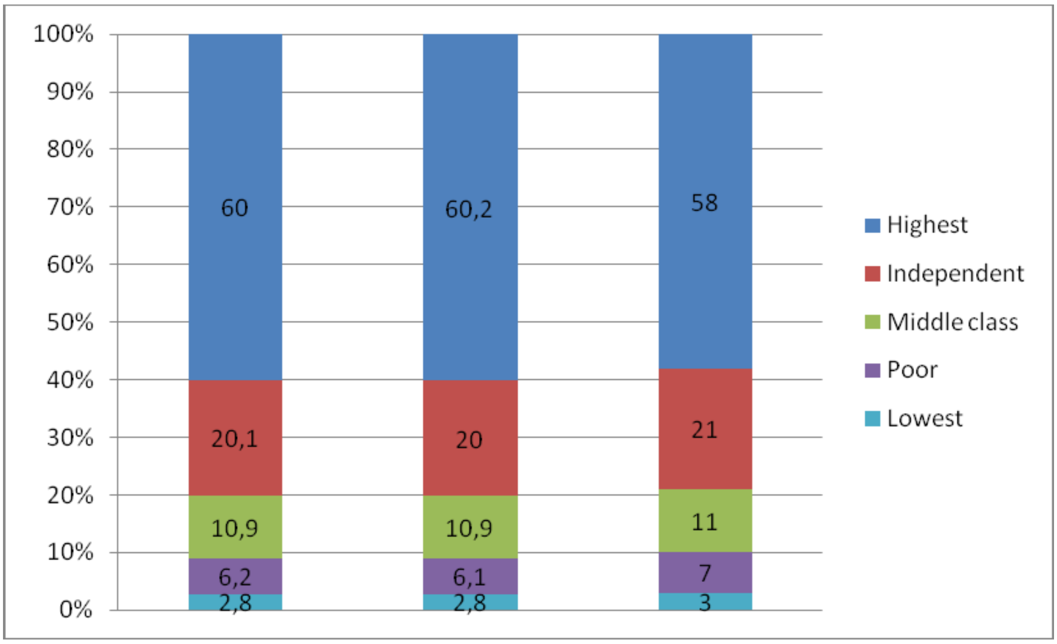
Market research

Wine is the most known Spanish products in Russia, and consequently the most consumed one. Wine is Don Manolo´s star product without doubt, as it shows the long variety that will be offered in the shop. Thus, the following market research is focused in find segments related to the wine in Moscow, in order to target the most suitable one for our business. Don Manolo believes that the wine sell will help to introduce the other Spanish delicatessen products in to the targeted customers.

First of all the population of Moscow is around 12 million, and depending on the source and the year it will be vary around 5%. 11.273.400 people live in Moscow according to "Moscow Life" updated touristic information center.

After that, it should be considered several wine consumption data related to Muscovites. First of all, 34% of people in Russia drink at least once wine each 3 months, while 66% don't drink wine. This data for Moscow and San Petersburg is quite bigger for reasons related to education, incomes and conglomeration of higher class people. In 2004 67% of the population in Moscow consumes wine. In order to be coherent with the medium-high income citizens Don Manolo is suppose to target, a 60% of habitants consuming in this area is assumed.

We have already mentioned that in the big cities of Russia the independent (middle high class) and high class belong to more than the third quarters of the entire population. The following graph refers to class distribution in 2nd, 3rd and 4th quarter of year 2008. *(Source Moscow Federation of Trade Unions*). Several factors are determinant to target this medium-high and high income segment in Moscow, and have been already explained in previous chapters. Purchasing power, location of the shop and gourmet/delicatessen products are the main reasons to focus on this segment.



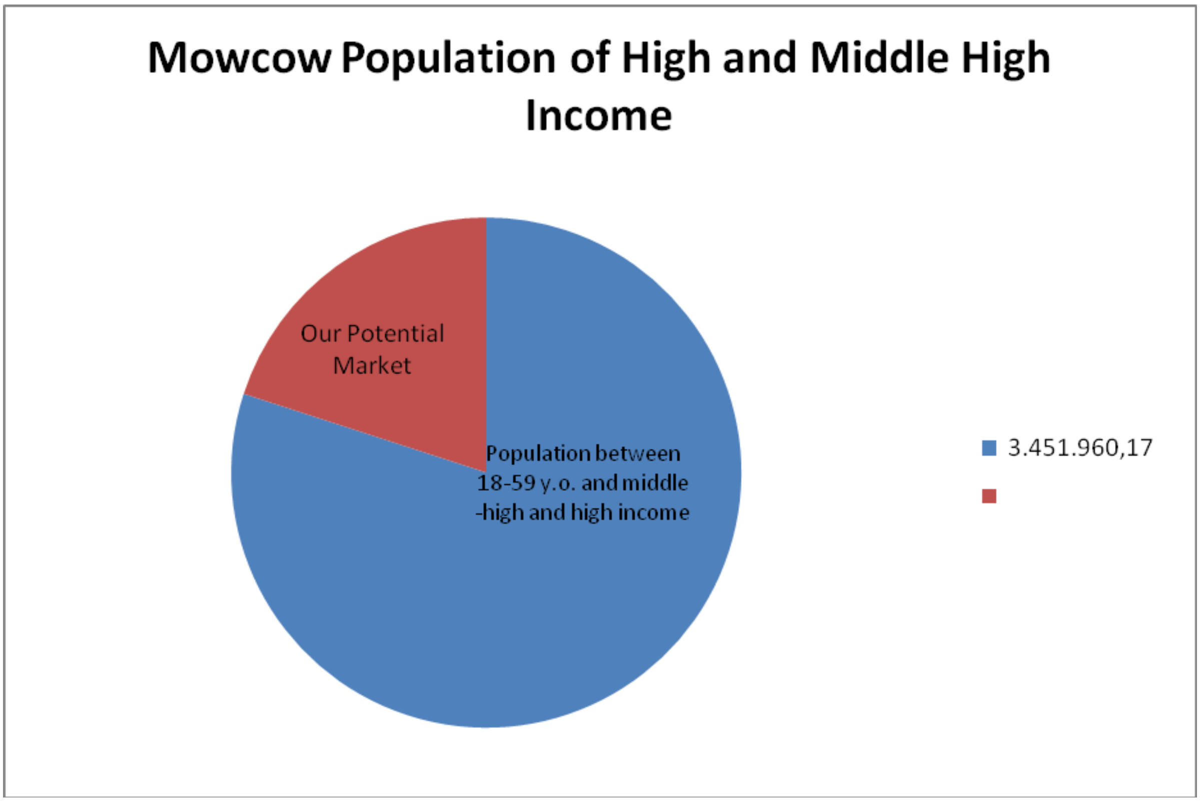
Another issues that we should take into account is that women consume wine more frequently than men (39,7% versus 25,8%. Source: ICEX). This data encourage us to take both genders together in the research, and to discriminate neither men nor women. Also, Wine consume is widespread between medium-high income educated citizens than the ones with basic education. Nevertheless the location of the shop makes us not to consider the different education difference that can be between Moscow citizens in terms of visit the city center.

Finally, 41% of the population between 20-44 years consumes wine. If we only consider medium-high income consumers or middle-aged, the wine would be the most popular drink, after bier. So we think it is great to make segmentation at this year bracket in order to fin our potential market. In the annex it is attached the bracket (between 18-60 years).

In fact, the potential market of Don Manolo will be estimated as follows:

			Buy wine in shops*
Total Population		11.273.400,00	
Population between 18-59 y.o.	64,6% of total moscow population	7.282.616,40	
Population with high&middle-high income	79% of total moscow population	8.905.986,00	
Wine consumers with high-middle high income	60% of population with high-middlehigh income	5.343.591,60	1.335.897,90
Population between 18-59 y.o. and high/middle-high income	79% of population between 18-59y.o.	5.753.266,96	
Wine consumers with high-middle high income and 18-59 y.o.	60% of population with high-middlehigh income and 18-59 y.o.	3.451.960,17	862.990,04

* Just the 25% of the wine consumers in Moscow buy it in specialized shop, data which we have take into account in order to defined as accurate as possible our potential market.



Positioning

Don Manolo will be understood as the place where important people can disconnect from their problems and relax and enjoy thanks to the warm environment and delicious products we will provide them.

Don Manolo wants to be perceived as a comfortable place where customer can disconnect from their problems and move to a Mediterranean country just while entering the shop. In this way, customers will identify Spanish culture with a relaxing and comfortable environment, elements that characterize the experience that our clients will live in our establishment. Thus Don Manolo will attract middle-high income customers with a Spanish environment using specific and selected music come from the country.

We will provide a kind, nice and pleasant treatment from our excellent service from the vendors. Our proximity to clients (never tiresome) will make them feel the friendly personality of Spaniards, always prepared to help and with a smile in the face.

Don Manolo wants to attract customers selling the idea of feel Spain just with the taste of the products. We will try to sell emotions through the Denomination of origin products, not just the taste, but also with the sight, smell and sense of touch.

With all this information about how we want to be perceived from our customers, we can summarize our positioning in the following sentence:

"In Don Manolo everybody is welcome to enjoy our warm environment, feel the comfort and taste Spain."

Communication activities

The marketing strategy of Don Manolo S.L will use the common methods of communication. "Public relations" (PR) technique is the less visible but we have to focus on it from the beginning and then permanently because we are in a new territory: any help is welcomed and every mistake in the field of PR could be fatal. Before the launch, "Advertising" through the medias will be the only mean to hit our target. After the opening, we will progressively begin to launch "Promotion" and "Direct Marketing" operations. A celebrity will be contracted from the beginning in order to give an image at our business. The characteristics required are: being a men cause wine is our key product (women can't represent alcohol), being between 25 and 40 (so the same -or younger- as the target, being fashion and seducing cause women are most of the time doing shopping. To match with Don Manolo S.L. he has to be a Russian who travels a lot, knowing and appreciating Spain. We don't want a people too much exposed because it's not matching with our values and also too expensive and risky. This Russian celebrity will give the envy to test something new while inspiring total truth. He will appear on almost all ads and during the principal events like the opening. We are beginning to contact some potential celebrities and the final decision on who will be the selected one will be taken two months before the opening of the shop.

ADVERTISING

- Press - specialized magazines and newspapers
    - Paying ads

Don Manolo S.L. will be advertised in local magazines and newspapers carefully chosen according to the group of the population that are targeted. The better will be full page or half page ads, in color if possible. The themes of the specialized press chosen are: Technology, Sport, Travel, Business, Food, Local Newspapers, Local entertainment magazines (e.g. Go out, Afisha). Depending if the ad is directed to men or women, it will be different. For example, in Business magazines the wine bar will be more advertised, in Food ones it will be the products.

- Articles

Don Manolo S.L. will send press releases to editors and reporters, in order to demonstrate products and services quality and to encourage them to make articles and talk about our business. The press releases will come enclosed to a free taste invitation to the business, in order to encourage them to come to the shop and try our products and the consumer service. They will be allowed to take pictures and make different employees or shareholders interviews to know more about the company. Since these articles have not a high cost, the press releases have to be used the more often possible. We intend to send some of them after each event (Tasting Events…).

- Billboards

Big billboards will be placed in the medium-high income neighborhoods and in the more frequented roads, like the ones near subways or near commercial areas. Two types of billboards are going to be shown in these places. In the first ones the concept of Don Manolo will be introduced, highlighting the innovative characteristics of our shop-bar:

- An unique Spanish atmosphere (decoration)
- High quality products
- The Shop with a large range of products available
- The comfortable Bar to immerse oneself in Spain, enjoying a glass of wine

The second ones will be focused in events that the company will offer, like the Opening or the special events that will be held after the launch (free tastes, product education sessions…).

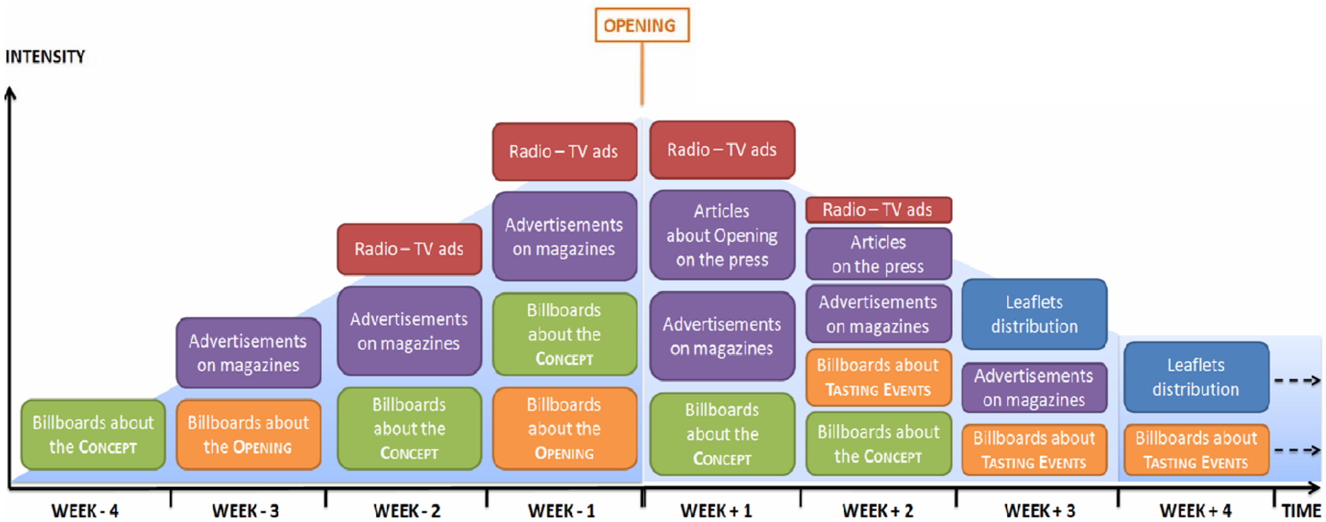
- Local TV and Radio ads

It will be focused only around the Opening due to the high price of this media and as an exception in our marketing activity policy. The celebrity will be involved in the ad to promote the opening and after to highlight the quality of the place and the Spanish products. The idea is to emit the ad after working hours, when people are coming back home and in channels where the audience is oriented to our target. In Russia the First TV Channel is adapted to each region, so our ad will only be seen by Moscow inhabitants.

- Leaflets

It consists on a pamphlet in which products, services and environment of the shop are described. It will be an attractive leaflet with pictures, using warm colors reflecting Spanish environment but also using cordial and sophisticated tone. The places of distribution will be carefully selected. This places will be again close related to the people Don Manolo is targeting: characteristic business centers, glamorous shops, tourism shows and during diverse events where targeted people go. In the other hand, some of the pamphlets will be available in the shop and occasionally distributed in the main streets of Moscow.

The Media plan presented after is the distribution in the time of these different advertising actions. It begins 1 month before the Opening. One month after the opening, the intensity of the communication through the Medias will be lower but won't stop. The intensity goes crescendo till the opening because it has to be prepared as an event. Then the business is launched so the communication can decrease progressively till a lower level.



PUBLIC RELATIONS

The relations of Don Manolo S.L. have to be as good as possible inside the company and with the outside world. The image of our company is at stake.

- Inside the company

The employees will have a good formation and we will show them that they are –through the service they provide to the customers– the key to lead to success. We have to create a trustful climate in order to motivate them and make them committed. A good communication will help the cohesion of the group which will appear nicer to the client creating a warm and pleasant atmosphere.

- Authorities

On top of the fact that all the contacts with the Moscow authorities will be done in a very patient and kind way, we will try to be seen as professional as possible. Our business has to be recognized as an added value for Moscow. For instance, we will propose to take part at events organized by the city aimed at highlighting the cosmopolite aspect of Moscow.

- Chamber of Commerce

The role of this organization is very important for a small company like us. The Chamber can accord or find funds for the implantation of the shop. Afterwards it can provide a rich network very useful when coming in a foreign country. So the relations have to be very friendly.

- Shops in the same area

An invitation will be sent to the neighbor shops to take part at an “introduction” evening. This event will be a good opportunity for them to discover our shop-bar and for us to know them rapidly and so to begin good relations.

- Shops targeting the same part of the population

We have to write a list of all the shops where are going our future clients. We will go in the most interesting of them to introduce ourselves. Personal invitations will be given to the managers in order to found good relations. The purpose of this is having a network of “friend-shop”, which could speak about our business to their clients. Our leaflets will be available in these shops.

PROMOTION

The first operation which can be considered as promotion is the Opening. Then, the shop-bar will be opened and the promotion operations launched at different frequencies.

- The Opening

This will be the most important event for a successful launch of the business. Organized from the normal hour in the morning (10 am), the end will be decided the evening according to the departure of the visitors. The celebrity will be present from 7 pm till the end. He will appear as a simple person enjoying the place and the products. A lot of pictures will be taken in order to be used later in the leaflet, on the website… This opening is a marketing operation, but the customers don’t have to be forgotten. The concept will be introduced to them and the products will be available to be tasted. Everyone has to go away with the best impression possible and with the envy to talk about this experience to their friends.

- The promotions of the week

Every week some “Denomination of Origen” products will be linked with a promotion. We don’t really want to decrease the price of products because Don Manolo S.L. has to refer to high quality and low prices are symbol of low quality. So the offers will be punctual and the purpose will be to make the clients discover a product they don’t know. All the strategy of our business is linked with high level of service too, so we can make the promotions appear like an educational opportunity for the clients. Therefore the employee explanations are fundamental. From a management point of view, the promotions will be linked to the products which remain in stock. It’s also a way to make them known by the clients and thus to increase the future sales.

- The Tasting events

Once every other week will be linked to a theme. For instance the theme could be a type of product (Wine…) or a region of Spain (Galicia…). During this week all the promotions will match with the theme. Moreover at the end of the week a special event will be organized called “Tasting Event”, some advertisements warning the clients of it. Hold the Friday at the end of the day, this event is aimed at immersing the client in a pleasant atmosphere, tasting Spanish products for free and having the advices of a specialist especially there to educate them. He could give a very short conference at the beginning then just speaking with the participants when they taste the products. Some “Guess games” can also be proposed to add conviviality to the event. All the information about the products (most and less appreciated) and about the event has to be kept carefully to be used in order to adapt to the Russian preferences. The access at such event has to be reserved to “Privileged clients” (see following part) and need an inscription during the week.

DIRECT MARKETING

This technique of communication doesn’t have to be neglected. The customization of the offers is more and more important and it induces a good knowledge of the customers. The quality of the service we want to provide gives us this knowledge. Each client has to be proposed to be a “Privileged client” implying to give his address and e-mail to receive customized offers, access to special events… With the data collected, we will be able to improve our segmentation but also to increase the loyalty of our clients which is fundamental.

Marketing Financials

In the following section it is monetary valuated the cost of the communication activities, extrapoled to have an idea of the marketing budget:

Billboards (one, 3x6m, 1 week): 550€

1st month: 10-12 so 5500-6600€
2nd month: 8-10 so 4400-5500€
After: adaptation on the results of surveys (“How did you hear about us?”)

Ads on weekly Magazines (read by more than 10 Million people, on a 1/2 A4): 3200€

1st month: 12 so 38000€
2nd month: 8 so 25600€
After: adaptation on the results of surveys ("How did you hear about us?")

Local TV Channels (Business channel, one spot of 10sec): 725€

Around the opening, from Monday to Friday: 20 days, 1 per day: 14500€
1st month and 2nd month: 7250€ each

Local Radio Channels (Pop radio, one spot of 30 sec): 760€

Around the opening, from Monday to Friday: 20 days, 1 per day: 15200€
1st month and 2nd month: 7600€ each

Leaflets (A4 folded in 3, in color, paper high quality) : 1000€ for 10000 leaflets

2nd month: 2000€
After: adaptation on the results of surveys ("How did you hear about us?")

Logo of the Shop 130€/m²

	2008 Population, persons	Including by age groups			Share of age groups in total population size, (%)		
		Males and females 0 – 17	*Males* 18 - 59, *Females* 18 – 54	*60 and over, females* 55 and over	*Males and females* 0 - 17	*Males* 18 - 59, *females* 18 - 54	*Males 60 and over, Females* 55 and over
Москва, Moscow	**10.470.318,00**	**1.297.145,00**	**6.763.041,00**	**2.410.132,00**	**12,4**	**64,6**	**23**

Annex

11/5/2009

DON MANOLO S.L.

HUMAN RESOURCES PLAN

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INDEX

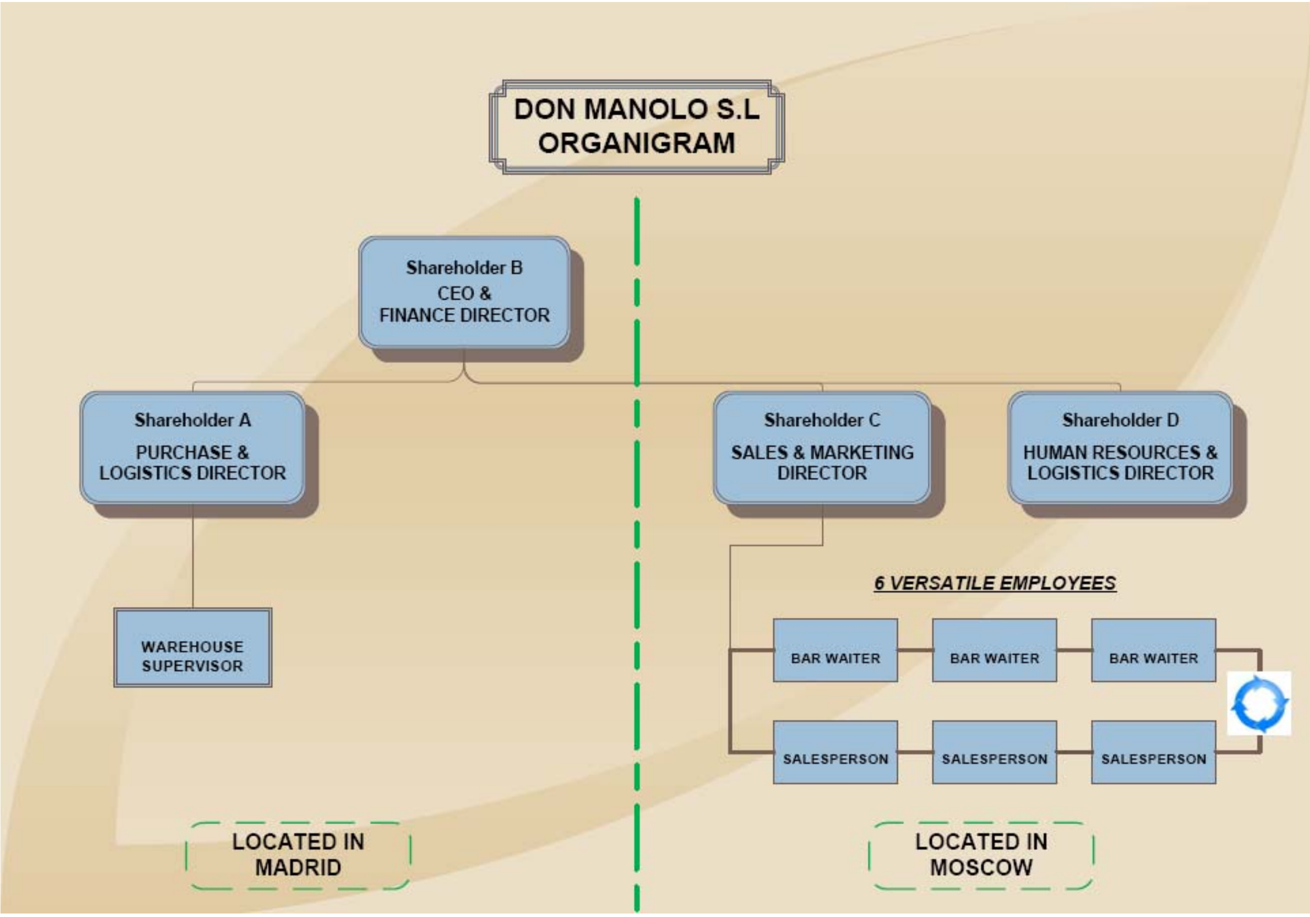
List of Contents

Introduction

The following document deals with the human resources plan of Don Manolo SL business project. It begins with the organizational chart of the company. After that, a detailed definition of the job profiles of the business, for both Madrid (headquarter) and Moscow (establishment) is presented. For each profile, the core tasks and core competences are fully described, followed up by the recruitment process Don Manolo SL will start some months before the shop is opened (for Moscow case, waiter and shop seller), and having specific deadlines for employee recruitment. Finally, compensation process that the company will provide to the clients in terms of benefits (payment policy), and the training needed for developing each job is described. It should be noticed that the company is composed by four shareholders (board of directors) and seven workers, so the present documents goals is to describe their jobs, position in the organization, and full compensation plan for each position.

Organization Chart

The following chart represents the organigram for the first year of the establishment in Moscow:



It can be defined two physical locations that divide the organization. First of all, the warehouse in Madrid is the headquarters of Don Manolo. Two of the four shareholders will be working there, together with the warehouse supervisor. These two shareholders will be in charge of managing the logistics in the warehouse, the financial activity and also the full guidance of the company.

In the establishment of Moscow 6 workers will fulfill the positions of bar waiter and salesperson. These employees will be balanced trained (page 15) in order to complete a rotation process between both positions. This policy will help to divide the working load of each employee during the week. The other two shareholders will be in charge of the Moscow establishment guidance, performing the logistics for the warehouse in Moscow together with marketing and human resources direction.

With the expectations of opening new establishments in a near future (London), the organigram will be expanded, but having the same decision in terms of human resources, marketing and sales. The purchase activity, guidance and coordination will remain in the headquarters of Madrid.

Job Profiles

CEO/FINANCE DIRECTOR

The company director will be one of the shareholders working in Madrid, in the office next to the warehouse. He is in charge of company direction and the financial direction of the company.

1) Company Direction

- Head and responsible of the company
- Coordination of both establishments, Madrid and Moscow.
- Board of direction head
- Negotiation with outsourced companies
- Company decision maker
- Periodical travel to Moscow establishment
- Deal with fiscal issues

2) Finance Direction

- Accountancy and record-keeping responsible
- Debt negotiator with banks/business angels
- Financial reporter in shareholder meeting

Core competences:

- Build trust
- Leadership
- Ability to think strategically
- Communication skills
- Synthesize and able to report
- Encourage teamwork relationship
- Empathy
- Ability to motivate others
- Ability to develop board of directors
- Able to delegate to board of directors
- Speak fluent English and Russian
- Entrepreneur motivations
- University degree on economics/company administration
- Opportunity finding and choosing

PURCHASES AND LOGISTICS DIRECTOR

The purchase and logistic director is one of the shareholders that will be working and living in Madrid. This shareholder will be in charge of purchasing Spanish delicatessen products from suppliers, and be the head of the warehouse in Spain, coordinating the exportation to Moscow.

1) Purchases

- Be in charge of buying all the Spanish delicatessen products from suppliers.
- Study and select the suitable suppliers for Don Manolo.
- Select the products that will be sold in Moscow, ensuring the quality of them.
- Invoicing process
- Minimize the waste (time, capital) related to purchases

2) Logistic & Warehouse head

- Ensure that the products arrive in perfect conditions to the warehouse in Madrid
- Stock manager. Allow the increase or decrease of purchases coordinating the needs of Moscow.
- Minimize the waste stocking perishable foods.
- Contract and supervise the sub-labeling and label in Russian language process.
- Supervise the cleaning service, ensuring the hygienic conditions of the warehouse.

3) Product send

- Supervise the product packages that are prepared to send to Moscow.
- Coordinate with Moscow establishment the contract of the export company in charge of transporting the products.
- Coordinate with the exportation company the perfect arrival conditions of the goods to Moscow

Core Competences

- Selection
- Instruction
- Logistic managing skills
- Foreign language
- Quality control
- Negotiation/purchasing skills
- Interpersonal skills
- Business / culture awareness

- Service delivery
- Communication (oral/ written)

SALES AND MARKETING DIRECTOR

Responsible for the development and performance of all sales activities in Moscow. Staffs and directs the sales team (bar waiters and sales persons). Provides leadership in order to grow in line with company values. Responsible for developing and maintaining marketing strategies to expand the customer base. Evaluates customer research, market conditions, competitor data and implements marketing plan changes as needed. Oversees all marketing, advertising and promotional staff and activities. Also this shareholder will be in charge of the deliveries that are received through the web page service.

Responsibilities:

1) In the Sales field

- Develops a business plan and sales strategy for the market that ensures attainment of company sales goals and profitability
- Maintains accurate records of all pricings, sales, and activity reports
- Determine price schedules and discount rates
- Controls expenses in Moscow to meet budget guidelines
- Ensures that the values of Don Manolo S.L. are communicated and implemented within the team
- Demonstrates ability to interact and cooperate with all company employees
- Try to have contact with representative clients to ensure high levels of satisfaction
- Resolve customer complaints regarding sales and service

2) In the Marketing field

- Demonstrates technical marketing skills and product knowledge
- Develops marketing plans which details activities to follow during a precise period, which will focus on meeting Don Manolo objectives in Moscow
- Achieves, when needed, positive media coverage for Don Manolo and its products across all available media
- Specifies market requirements for current and future products by conducting market research
- Analyzes potential partner relationships

Sales & Marketing Director´s core competences:

- Ability to interact and cooperate with employees
- Build trust
- Value others
- Communicate effectively

- Able to delegate to employees
- Drive execution
- Foster innovation
- Focus on the customer
- Solve problems creatively
- High integrity
- Proactively establish and maintain effective working team relationships

HUMAN RESOURCES DIRECTOR

Executes functions in the areas of recruitment, training and development, people and performance management, social welfare as well as updating and maintenance of HR records. A shareholder of the company will fulfill this position, working and living in Moscow.

Responsibilities:

1) Recruitment

Recruitment process involves a systematic procedure from sourcing the candidates to arranging and conducting the interviews.

- Organizes and executes vacancy advertisement and interview schedules
- Arranges and conducts interviews. Prepares Letter of Offer to selected candidates and Letter of Rejection to unsuccessful candidates
- Conducts exit interview

2) Training

- Conducts orientation program to new employees
- Coordinates with external Consultants on employees' training needs and arranges training schedules for employees
- Evaluates the effectiveness of the respective training programs by obtaining feedback from employees

3) Welfare

- Attends to employees' complains; provides guidance if necessary
- Provides feedback to the management to enhance a better and cordial working environment.
- Organizes corporate events such as company's dinner, corporate trip, family day etc HR
- Administration Reviews, updates and maintains proper execution of remuneration and insurance policies

- Assists Accountant in planning and preparing the compensation and benefits Drafts agreement/contract to newcomers

4) Human Resource Management

- Involves in yearly manpower planning and expansion
- Takes charge of HR consultancy projects by appointing HR Consultants for specific HR projects.
- Manages and appraises subordinates' performance and their career development

5) Warehouse in Moscow

- Does the order list, coordinating with Madrid

HR Manager´s core competences:

- Initiative
- Personal effectiveness
- Human relations handling skills
- Leadership skills
- Professional knowledge of HR
- Adding value through people development
- Continuing learning
- Strategic thinking capability
- Influencing
- Negotiating skills
- Interpersonal skills
- Business / culture awareness
- Service delivery
- Communication (oral/ written)
- Presentation

WAREHOUSE SUPERVISOR

At the Warehouse in Madrid there will be a warehouse worker in charge of the reception of Don Manolos products in order to store them. Also this worker will be in charge of the cleaning inside the warehouse, and doing both labeling processes, the one of Don Manolo branding and the Russian label adding. Finally, he will be in charge of physically preparing all the pallets that will be send to Moscow.

Responsibilities

1) Upload the goods and store

- Receive the products at the warehouse door, from the supplier tracks.
- Carry the goods to the warehouse
- Ensure the products arrive in best conditions, and are the amount ordered
- Report damaged products and figure out the causes

2) Cleanness of the warehouse

- Cleaning the warehouse
- Ensure the hygienic conditions of the warehouse are perfect
- Report any kind of anomaly in the system that can damage the stock
- Report damaged inventory and figure out the causes

3) Branding and Russian Labels

- Don Manolo branding for all the products
- Russian language label adding to the product.

SALES PERSON/BAR WAITER

Versatile, the employees of Don Manolo will have two possible functions (rotation): salesperson at the shop or bar waiter. Their roles are: optimizing the shop and bar activity by offering a quality service and insuring the promotion and the image of Don Manolo.

Responsibilities:

1) Shop and Bar commune responsibilities

- Welcomes clients
- Offers a quality service by introducing the products to the clients
- Knows the products of Don Manolo and Spain
- Collects money
- Take care of the lasts accounting coming from daily sales
- Takes delivery of the products coming from Madrid
- Sets products in the shelves according to the marketing rules established by the Sales & Marketing Director
- Opens and closes the shop/bar
- Takes care of the cleanness of the shop
- Refers to the Sales & Marketing Director and follows the plans established by him

2) Salespersons position specific responsibilities

- Knows sales techniques
- Education client into Spanish culture

- Show the significance of denomination of origin
- Cross-selling

3) Bar waiter position specific responsibilities

- Waiter ability
- Cleaning the dishes, the tables

Employees core competences:

- Adaptation ability
- Curiosity: shows interests in Spain culture (a training is planned !)
- Pro-active: makes proposal according to the clients' behaviors
- Spirit of initiative
- Like human contact
- Commercial motivation
- Team Spirit
- Autonomy
- Dynamism

Recruitment process

The recruitment and selection is the first step towards creating the competitive strength and the strategic advantage for the organizations. Recruitment process involves a systematic procedure from sourcing the candidates to arranging and conducting the interviews.

1. Objetive:

    a. To streamline the recruitment process
    b. To ensure that we hire the right people at right time at the right position.
    c. To create a favorable employer brand in order to attract the best talents from the market

2. Scope:

The process will cover all vacant positions of Don Manolo Ltd. in both offices - Moscow and Madrid. The hiring process may be initiated at any point of time during the year by a Head of a Department. Therefore, he needs to draw up an enquiry to the HR, indicating the vacant position, professional requirements, term of employment and other aspects of the work. Based on mentioned critical attributes, HR would be responsible to:

- Prepare the job description and person specification
- Advertising the vacancy
- Identifying the prospective employee with required characteristics
- Arranging the interviews with the selected candidates
- Concluding the interview making decision

3. Recruitment sources:

    HR would focus on searching the potential candidates from the following sources:
    - E-Recruitment portals (HeadHunter.com)
    - Vacancy advertisement in newspapers
    - Personal network.

4. Recruitment cycle time:

    To bring in more dynamism and effectiveness in the recruitment process, HR would follow a specific deadline of 29 days to hire a new employee (from the day he/she has received an Enquiry).

The process specific schedule break up is mentioned below:

Phase	Activities	Time frame
I	Job Definition, person specification & Advertising	15 days
II	Initial HR screening / short-listing	2 days
	Organizing the Interviews	4 days
	Taking the final decision	2 days
III	Preparing the Salary Proposal, Negotiate with the selected candidates & offer closure	6 days

An example of the Application Form is attached at the end of the document, named Annex A.

Payment Policy

The following salaries structure is made on a monthly basis and the all the figures are gross income for the employees and shareholders. We want our people to be well paid, because we are going to invest in their training, and so we want them to remain in the company for a long period of time.

SHAREHOLDERS (Madrid & Moscow based): 2500 € (12 annual payments)

WAREHOUSE RESPONSIBLE (Madrid): 1700 € + 10 € per extra hour (12 annual payments)

BAR WAITER (3 people in Moscow): 1023,22 € = 45000 rb for each employee

SALES PERSON (3 people in Moscow): 1023,22 € = 45000 rb for each employee

The tips provided from the customers (if case) will be fairly divided between the 6 employees.

Please, fin attached in Annex B the payroll model for Don Manolo SL business.

Benefits and Motivation

According to labor law in Spain, all our employees based in Madrid will have 30 days of paid vacations per year, plus 3 paid days for personal matters. Russian employees will have 28 paid days of vacation, which is what the labor law in that country says. But there will exist variations between employee´s categories. All benefits can be monetary or non monetary and can be modified and improved in case of company´s success.

Shareholders:

- Mobile telephone
- Paid trips to visit suppliers
- Trip and accommodation for those shareholders, based in Moscow, when coming to Spain for Annual meetings
- Private medical insurance
- Christmas hamper (made of DON MANOLO products)

Warehouse responsible:

- PDA
- 2% of DON MANOLO profits
- Private medical insurance
- Christmas hamper (made of DON MANOLO products)
- 20% discount in DON MANOLO products

Bar Waiters and Sales People:

- Private medical insurance
- 1000 rb monthly payments according to sales increase
- 30% discount in our products
- Christmas hamper (or its equivalent in cash)
- 3 paid days for personal matters

Training

One of the aims of DON MANOLO is to have the best trained employees. For that reason, we are going to make a big effort in this field, in order to retain our employees in the company. All the training will be related to strength each employee performance in their daily work.

Shareholders:

- Foreign trade courses and seminaries
- Courses related to tax and corporate regulations
- How to make pay slips and Social Security contributions
- Russian language
- Warehousing techniques

Warehouse responsible:

- Warehousing techniques
- Forklift permission
- Warehouse management
- Russian language
- Food handling license

Bar Waiter and Sales person:

- Ham cutting
- Food handling license
- Vacuum packaging
- Spanish language
- Spanish culture
- Client service
- Spanish products
- Wine tastings

Annex A. An Example of the Application Form.

Application form

Application for employment as:……………………………………………………………………………………………
Surname ……………………..……………………………………………………………………
Address ………………………..…………………………………………………………………………
Telephone…………………………………………..……………………………………………
Education and training………….……………………………………………………………………………
………………
Further education (e.g. technical college, evening classes)…..……………………………………………………
…………………………………………………………………………………………………
Any craft or other training……………………………………………………………………………………………
……….
Present employer
…………………………………………………………………………………………………
…………
Address………………………………………………………………………………………………
…………………………………..
Job title………………………………………………………………………………………………
………………………………..
Duties……………………………………………………………………………………………
……………………………………..
Rate of pay……………………………………………………………………………………………
…………………………..

Date employed: from...................... to.....................
Reason for leaving………………………………………………………………………………………………
…………………..
Have you ever been convicted of a criminal offence? YES / NO

Please tell us if there are any dates when you will not be available for interview____

I can confirm that to the best of my knowledge the above information is correct. I accept that providing deliberately false information could result in my dismissal.

Signature .... Date…………………………………….

Annex B. Monthly payslip model

COMPANY		EMPLOYEE	
			INSURANCE NUMBER
ADRESS		ID	
ID. NUMBER		CATEGORY	
CCC			

Liquidity Period		Days	
I. AMOUNT DUE			**TOTAL**
1. Wages			
Base salary			
Salary complements			
Extra Hours			
Extra Payments			
2. Non Salary Receivables			
Indemnizations			
Indemnizations for Social Security			
Others			
A. TOTAL			**0**
II. DEDUCTIONS			
1. Social Security payments by the employee			
		0	
A. TOTAL		**0**	
2. Personal			
Income taxes		0	
3.Advances			
5. Others			
B. TOTAL		**0**	
RECEIVABLE LIQUIDITY			**0**
Signature and Company´s Spam	Date		I received

Basis determination for Social Security and Personal Income taxes for contributions		
1. Common contingencies base		
Mensual Remuneration		
Extra payments prorate		
TOTAL		
2. Profesional and common collection basis for contribution		
3. Contribution basis of normal extra hours.		
4. Contribution basis of extraordinary extra hours		
5. Basis for the Personal Income tax Retention.		