



DIESVIC SL STRATEGIC PLAN

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DIESVIC SL STRATEGIC PLAN

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1. INTRODUCTION

This project is going to be about a strategic plan for the company Diesvic S.L., it is a strong a good team consolidated SME in the distribution business, although there are some aspects in which it could improve with a good set/team or strategic plan implemented at the time and in the appropriate manner. Because of the good relationship I have with this company at issue, since I am the son of the owner and the heir of it, I think that I will be able to develop de strategic plan in the most suitable manner due to the fact that nowadays I am part of the company team and I know both the interior and exterior of this company. All this, together with my training and mi job, can give the best result to perform the implementation of the plan, check results and make adjustments if necessary.

MOTIVATION FOR THE WORK AND OBJECTIVES

In this project I would like to analyze the distribution sector as well as to make a research of the market, environment and certainly of the competence in addition to a research of all the factors that influence on the development of the distribution's activity. This will take place through research and fieldwork, data collection of the business and sector, conducting surveys or consulting data in the bases in which I have access to. In this way, it can be addressed all the necessary aspects and information can be addressed.

The objectives I want to reach with this final degree project is to be able to know as much as I can of the business and its environment, in order to elaborate the most appropriate strategic plan for Diesvic. Following this, and with my incorporation in the company, I want to implement this strategic plan, achieving my 100% involvement in this new project in which I feel really motivated.

CONCLUSIONS

The management of this company as it is nowadays goes hand in hand with Vicente Rodríguez Ors. He has been the manager of the company during almost all its expansion and economic growth. Although he is a charismatic manager, he has no studies and he had few opportunities because of the era in which he had to take charge of the company. This has not been a serious problem up to now, but in the current circumstances, technological times and of a lot of competence, we have to be able to take full advantage of the technology and the moments, since I think that the moment and the place are the best strategy.

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For this reason, the intention of implementing this strategic plan is to see that the business is still able to undertake other measures to continue growing, and that with my help, the magnificent team that comprises Diesvic and the necessary training, I will see how this project comes true with the help that the university can give me guiding me along this way.

2. DISTRIBUTION

The distribution is the set of operations directed to put the products available for the consumers.

“Distribution”, according to the Real Academia Española (RAE), is the fact or subjects of distribute; or referred to the economic sphere, the allocation of the product value between different factors of production. These definitions give us a general idea of the topic we are dealing with; in particular, the commercial distribution, that is what we are going to talk about, has the objective to put the product as the disposal of the consumer in the moment in which he or she needs it, with the quantity demanded in the place where he or she wishes to acquire it.

The distribution covers the whole infrastructure and the organisation that make it possible for products and services to reach the wholesalers, the retailers and other intermediaries or sales agents, or end consumers, so that all the distribution involves different aspects, some of which normally function as if they were links on a chain. For instance, we can locate among them the transport, generally represented by fleets of trucks, railways, boats, ducts, substations in the case of electricity, pipes, etc., and of course the human team: promoters, suppliers, sellers, distributors. This often forms what is known as channels, chains and distribution networks.

The distribution is one of the four components of the marketing strategy that Phillip Kotler raised in the year 1967. This theory perhaps might appear incomplete today place, nevertheless, is the basis for the current marketing.

The four P's of the marketing mix are composed of Product, Price, Distribution (Place) and Promotion. These are the four basic pillars to move ahead with the marketing plan. We are going to comment, individually, the four P's:

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- **Product:** it is defined on the basis of the understanding of the market and the behavioural characteristics of the potential consumers. The key is highlighting the attributes or benefits to permit the identification in the market, to make a difference between the competitors and to achieve a brand positioning. The four key elements that affect and condition the product should be highlighted: product portfolio, product and brand differentiation and the presentation.
- **Price:** it is based on the different calculation and economic studies, in which the demand for the products, the competitors' prices, the consumer's purchasing power, and the consumer's tendencies and tastes are identified. When all these factors are joined, the price of our product is fixed. The price is fixed in the short term and it is the only one in which we generate incomes. We have to take into account the fixed and variable costs, the margins, the objectives, etc, for fixing the price.
- **Place:** in this one the channels that will be used so that the product reaches the final consumer are included. It must be accessible to consumers at any time. Because of that, it is important to establish the strategic points in which the product will be commercialized. To specify our distribution strategy, the following aspects are essential: distribution channels, distribution planning, physical distribution and merchandising.
- **Promotion:** the objective is to be able to increase in sales, through the media. The final objective is to communicate the product features or the benefits of it to remind the consumer and make that he/she repeat his/her purchase. To fix the promotion, we will use the advertising analytics, the public relations, the personal sale, the promotion sales and the direct marketing.

2. 1. Distribution Channels

Distribution Channel

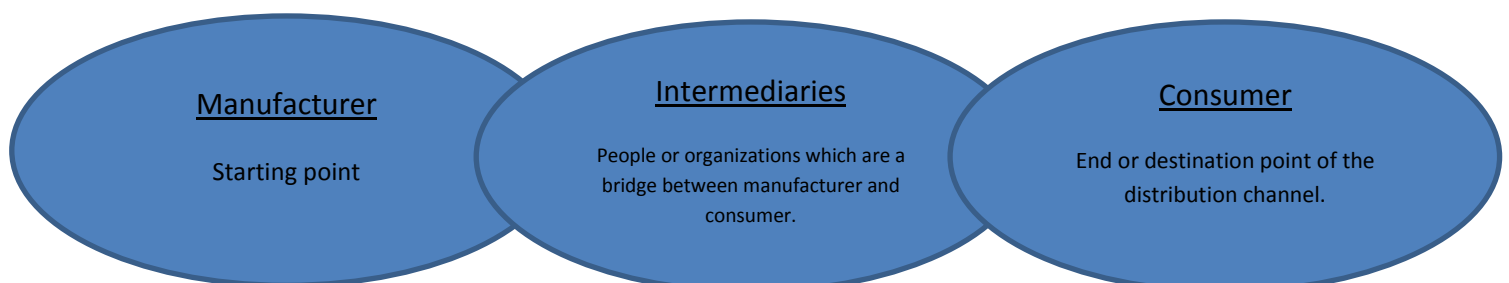


Figure 1: Distribution channel

Source: Own elaboration

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The distribution channel is the medium whereby the products and services pass on from manufacturer or producer to final consumer. The intermediaries are the responsible to manage these functions. Some definitions of expert teachers are:

- “El conjunto de agentes económicos, instituciones y espacios a través de los cuales circulan las mercancías, bienes y servicios hasta el consumidor final” (Casares y Rebollo 2000:40)
- “El conjunto de organizaciones INTERDEPENDIENTES que intervienen en el proceso por el cual un producto o servicio está disponible para el consumo” (Stern et al 2001)
- “El canal de distribución es el conducto, vía o camino por el que transcurren los productos y servicios desde el productor o fabricante hasta el consumidor final. A las personas encargadas de estas funciones se las denomina habitualmente como intermediarios.” (VAZQ06).

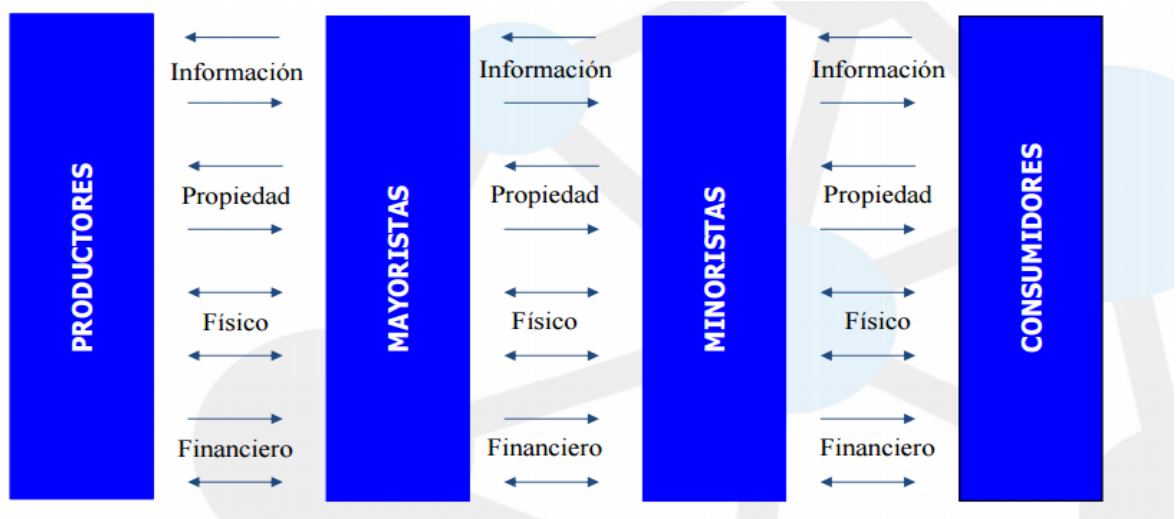


Figure 2: Components of the channel.

Source: Vaile, Grether y Cox 1952:113 (Subject: Distribution channel management)

As main **disadvantages** of the intermediaries we would highlight the following:

- Due to the fact that the profit-driven of the intermediaries has an important repercussion on the final price. The product or service is becoming far too expensive as the number of intermediaries increases. The intermediaries want to get some benefit out of the product, therefore the explanation is easy: the more intermediaries, the more expensive the product or service is.

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- The massive presence of the intermediaries in the channel might constitute a problem for the producers, due to the fact that the distribution of a low-cost and with good quality product perhaps would not be appropriate and because of that it will not be correctly sold.

Main **advantages:**

- Reduction of the number of transactions, it is explained in the below scheme for a better understanding.
- Largest selection and better supply and demand management due to the fact that they buy to many producers.
- They assume financing risks, transport and product storage.
- Mutual assistance with the producers in the advertising of the trademark.
- Provision of aid to manufacturers, advising and training them on the basis of their experience.

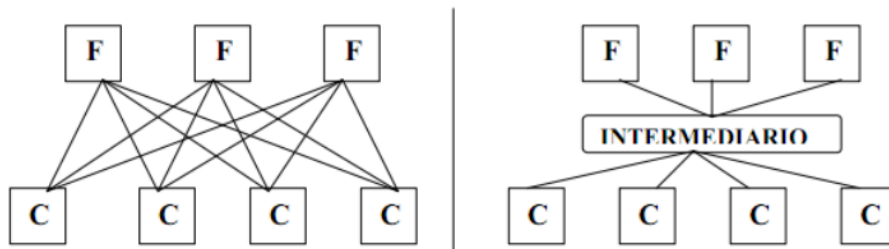


Figure 3: Commercial transactions.

Source: Adaptation of Casares y Rebollo (2005)

Reasons why intermediaries exist:

- ❖ Search of efficiency.
- ❖ To reduce the inherent risk of the commercialization process.
- ❖ Strategic reasons.

Marketing flows:

Some marketing flows are defined in the distribution channel, which represent the physical, financial, of information and of property title movements, as explained below:



Forward:

- The physical flows, which represent the product movement.
- The property title flows, which is about the ownership of the product.
- The promotion, which covers the promotion that the product needs to be more attractive and generate more interest for the consumers.

Towards:

- The financial flows, which makes reference to the capital movement, as the order and the payment.
- The information, what the distributor and producer needs to know about the clients, their needs and the balancing of sales and demand.

Forward and towards:

- Here we should designate aspects such as the negotiation, the assumption of risks and the financing, as it is something reciprocal in the channel, depending on the products or services that are placed on the market.

We have to be clear about the possibility to cut out the intermediaries of the channel, but not the functions they realize. The marketing channel flows are explained below with an image.

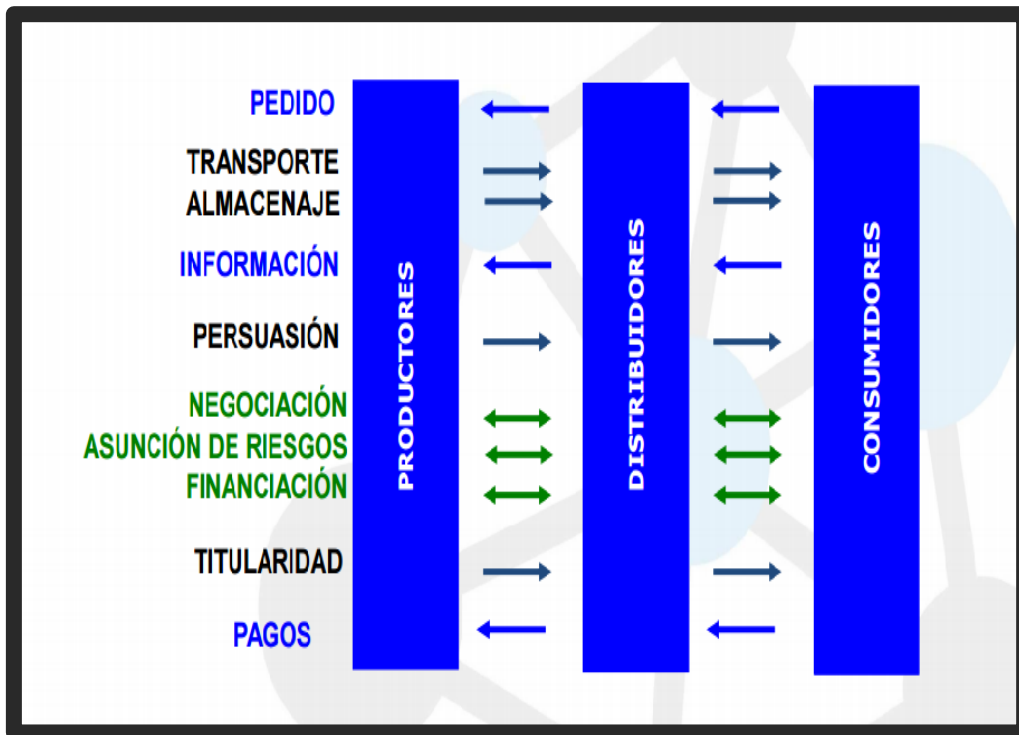


Figure 4: Marketing flows.

Source: Casares y Rebollo (2005)

2. 1. 1. Types of channels and criteria

To establish the marketing channels, we are going to take into account the following criteria:

- A. According to the length of the channels: depending on the number of distributors and the number of transactions.
 - Direct, short, medium and long channel.

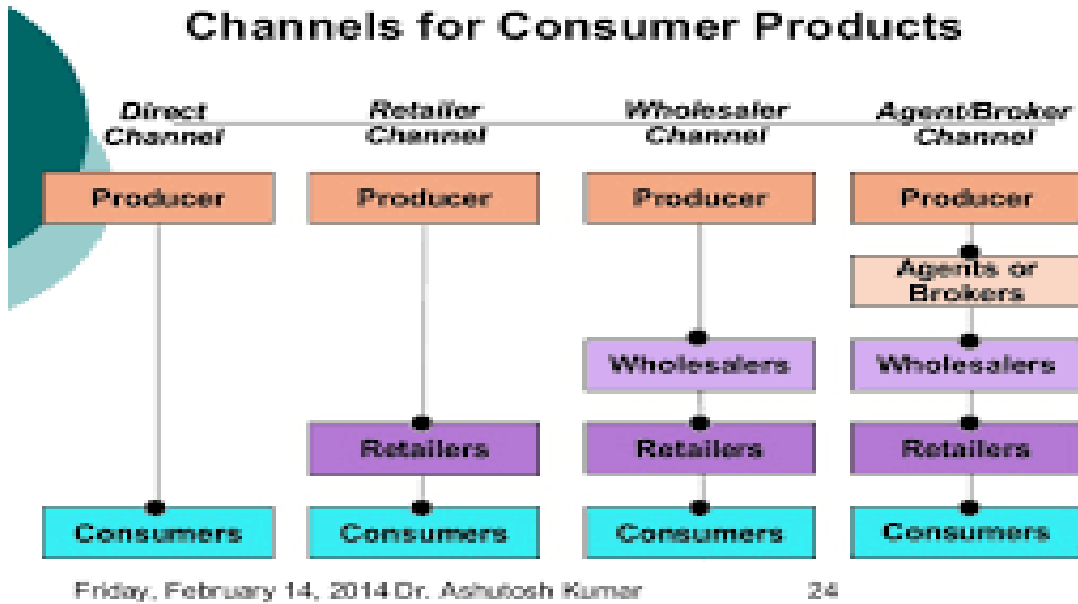


Figure 5: Types of distribution channels

Source: www.slideshare.net

B. According to the destination of the traded goods:

- A. Final consumption.
- B. Industrials.
- C. Recycling (reverse-channel).

Channel Levels (Paths)

There are different levels of marketing channels in consumer and industrial markets

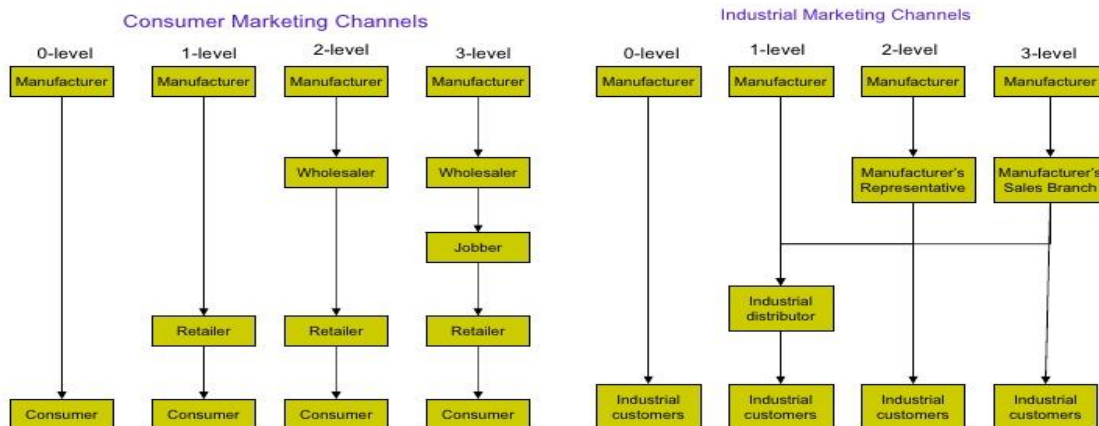


Figure 6: Consumer markets and industrial channels.

Source: <https://www.slideshare.net>

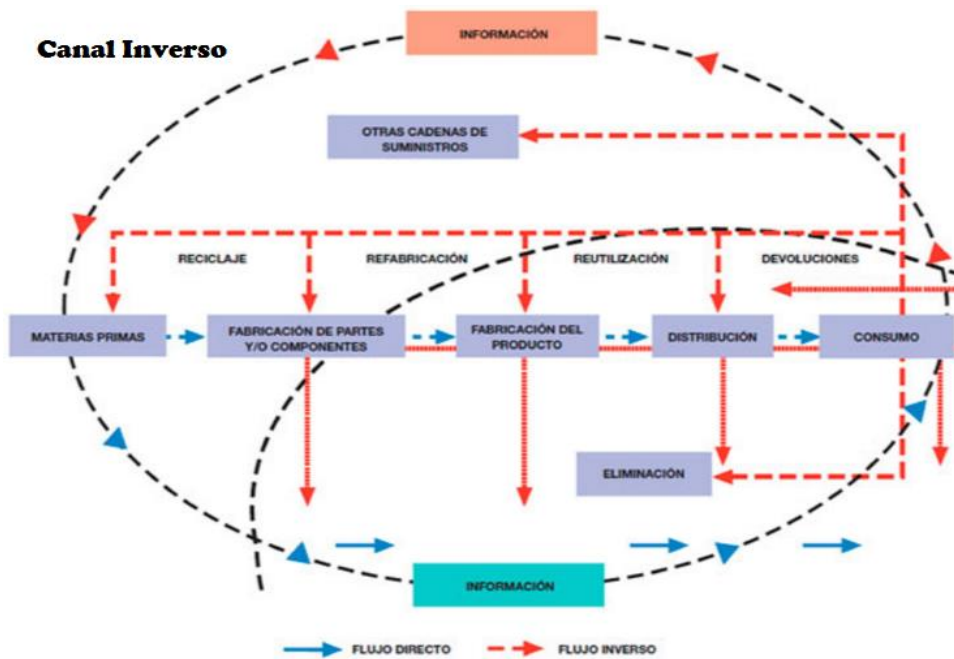


Figure 7: Consumer markets and industrial channels (reverse-channel).

Source: www.interempresas.net

- We live at a time in which it is essential to name the E-commerce channel, due to the fact that most transactions are carried out through this channel.

E-commerce channel:

All the commercial transactions the customer realizes through Internet. We are going to name some of the advantages and disadvantages of using this channel:

ADVANTAGES:

- The purchase can be made immediately from anywhere in the world.
- Reduced fixed costs, this directly affects the final price, making it more competitive.
- The products offering are very large since there is no space limit.

DISADVANTAGES:

- Doubts about the privacy of data and payment methods in online platforms.
- The buyer assumes the shipping costs, unless the quantity demanded is very big.
- Doubts about the returns of products.

- The culture of online shopping is growing, but it is not established yet.
- There is no personal attention.



Figure 8: E-commerce channel.

Source: <http://www.logicerp.com>

In this case and for this project we will explain the distribution channels for the consumer markets and the length of the channels, due to the fact that we need to know and specify it in the distribution.

Distribution channels for final consumer markets and their length.

In this market we can find four types of channels, these are named according to their length and it is determined by the number of intermediaries.

- In channel 1 or in the direct channel, there would not be any intermediary. Here we would find online purchase transactions, for example. In this type of purchases, we do not have recourse to middlemen; the consumer makes them directly to the manufacturer, such as tailor-made or customized items.

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- Channel 2 or short channel is characterized by an only middleman, the so-called retailer. This person is the one that makes the product reaches the final consumer. Examples of that are: telecom, computer and electrical shops. These products are bought directly to the manufacturer by the retailer, who makes them available to the final consumer.
- Channel 3 or average channel (is located inside the long one), is made by a manufacturer, the wholesale, who is in charge of receiving, storing and transporting the products to the following link, the retailer, who makes them available to the final consumer as explained above. A good example would be the company that is being studied in this project, Diesvic SL. It buys directly to the manufacturer and then it stores and transports it to the retailer, for this the products would be acquired by the customer or by the final consumer.
- Channel 4 or long channel would be exactly the same as channel 3 but it would include, in addition to the manufacturer, wholesaler and retailer, an “agent” that would establish contact between the wholesale and the retailer or selling the wholesale products but without being responsible for transporting or billing. This agent would only carry out the visit, the business relationship and the before sale. Sometimes, instead of a commission agent, there is one more wholesaler, one of origin and the other of destiny. An example would be the trading liquor stores, which have commission agents nationwide. This way they reduce their scope of action with their sellers, but they make sure that with the commission agents their products can be bought throughout the country, and thus also being accessible to all consumers.

3. FOOD AND DRINK INDUSTRY IN SPAIN

According to FIAB, the Spanish Food and Drink Industry Federation, the Spanish economic recovery in 2015 has been significant, and in this context, the food and drink industry has consolidated as the first industrial sector of the country. In the last annual economic report of the FIAB, it can be observed that the production of the sector has reached its historic high, close to the 95.000 million Euros (94.935). Therefore, it was consolidated as the fourth economy in the EU in gross production.

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The GVA of the sector (Gross Added Value) has also experimented its historic high in terms of manufactures, reaching 22.3%. The average annual growth of the GVA in this industry since the beginning of the crisis in 2007 approximates the 2%, while if we look the total for the economy, it has declined, -0.45%, and in the manufacturing industry it declined until -1, 82% during the same period.

With near half a million of direct jobs (469.018), the Spanish food and drink industry continues creating value for the Spanish economy, of the total of the Spanish manufacturing industry it implies 21%. This sector is 29 consecutive months with positive rates of social security affiliation, also regarding the employment by gender and age, the 14% of all employment in the sector are youths under 30. This fact is higher than the average of the Spanish economy (13.6%), it also registers a data higher to the average of the national industry, this is the one referring to the female employment. The food and drink industry sector has a 36% of women employment, while the national industry has a 25%.

The food and drink industry has increased 6.1% in the value of the exports in comparison with the previous year, reaching almost 26.000 million euros (25.422). This data assumes the 10.2% of the exports of the Spanish economy and 11.5% of the total of the manufacturing sector. The food and drink industry has tripled the export data since 2000, registering that year 9.801,13 million euros. This sector is the sixth in the European Union ranking and the tenth in exports across the world. During eight consecutive years it registers positive data in the trade balance, with a surplus of nearly 6.000 million euros (5.991), an increase of 2.2% compared with the previous year. The destinations of the exports in the Spanish food and drink industry are the following:

- ❖ European Union 68,7%
- ❖ United States 5,1%
- ❖ China and Hong Kong 3,6%
- ❖ Japan 2,4%

A growing number of companies will invest in I+D+i, in the last year it has been an increase of 2.5%. This sector is in a good moment and is the key in order to consolidate its strength. This data is of the companies that have increased occasionally and continuously in I+D+i. This is quite important because it says a lot of this sector, due to the fact that that in the industry and economy this activity has decreased. This means a lot, because this way and through these investments in the distribution, it is ensured that the innovation reaches the final consumer.

→ 2015 Data

Chart 1: Food and beverage industry data in Spain 2015.

94.935 million euros	Production
28.343 companies	Companies
469.018 affiliates	Employment
25.442 million euros	Exports

Source: Own developed. FIAB 2015 data.

4. HORECA DISTRIBUTION SECTOR

It is of vital importance to explain in this project what the Horeca distribution sector is, due to the fact that the research company is within it. Then, what is the Horeca Distribution Sector?

The Horeca distribution sector is managed to send the food products and drinks to the hostelry establishments, hotels, social restoration and other institutions that provide food, beverage and leisure services throughout Spain. This sector provides the more than 360.000 Horeca Spanish establishments.

This sector is composed of more than 4.000 companies. These companies offer employment directly to 70.440 people and their billing rises up to 17.600 EUR millions.

However, this sector supplies the traditional and independent feed establishments. More than 43.000 vehicles between trucks and commercial cars that are in charge of both marketing and distribution of food and beverage are used throughout Spain.

A high percentage of the total amount used in this sector is reusable containers in beverages, around 50%.

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Despite the fact that this is an important sector on economic and social issues, is hardly known and there is not a lot of data about it, and many people mistake them with transporters, although the information and the data is being organized better.

4. 1. Functioning and activities of the sector:

Marketing service, this is the main activity, as well as the supply to the Horeca establishments and to other outlets of the channel.

To reduce logistics costs, the distributors group products of different manufacturers and they try to make them reach the outlets, acting as a direct link with the client, controlling from the client's discharge until the service and billing.

Furthermore, they perform services to a third party. This means that the distributor only transports the products to the end customer, but the commercial part and the billing is made by the provider, and the distributor relies on a commission of the service provided.

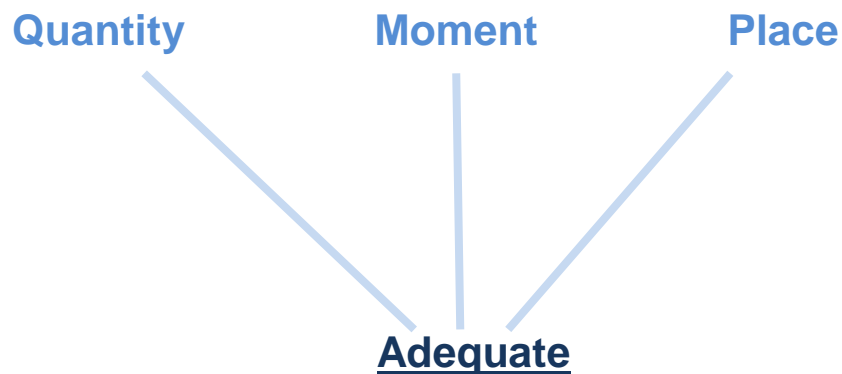
Distributors may specialize in some or all the following subsectors, nowadays distributors count on a wide range of products.

- Beverage, Wine and Spirits.
- Coffee and Infusions.
- Dry feeding.
- Chilled products.
- Frozen food and Ice cream.
- Fruits, bread or pastries.
- Dairy.
- Soft drinks.
- Juices.

5. COMMERCIAL DISTRIBUTION

Commercial distribution gathers a series of activities that are necessary to place the goods and services available to final customers, the ones who use it to satisfy their desires and needs.

Their mission is to put the adequate amount of the product in the adequate moment and place at reasonable cost.



The commercial distribution has experimented very important changes in the last decades, one of the most important causes has been the globalisation. This and other causes have favoured that nowadays this sector is one of the biggest in the country, reaching around 15% mark of the GDP (Gross Domestic Product). The small and medium enterprises are having less and less importance, due to the fact that the big companies are the ones that draw up guidelines. Currently, this sector is only governed by few companies that push for the market share. This causes a great displacement to the retailers who do not have the power of the big companies. These retailers base their existence on the sector ensuring quality and providing a personalized service with as much specialization as possible. This can be observed with the increase of large surfaces such as hypermarkets, supermarkets, and all the shopping centres that have been opened in recent years.

All the mentioned above is a major impediment for the small and medium enterprises because the big distribution companies impose very unfavourable conditions for the producers, which in most occasions are the SMEs (Small and Medium-sized Enterprises) the ones who pay the consequences. However, the white markings and the distributor brands are of particular importance; they offer quality and affordable prices. This is one of the reasons why big companies are grabbing success. A clear example would be Mercadona or Carrefour.

For understanding the sector at the present time, it is imperative to comment on the factors that have lead to it.

In the following years of the seventies, and with the insertion in the European Union, the sector collectives, as well as the policy, the influence they have on the final

consumers and the business evolution, are the lines that have fundamentally influenced on the development of the sector.

Regarding the political influence and the collectives of the sector, it has to be said that the Spanish Constitution was de origin of the current models of distribution. Then, given de satiation in the country and its economic structure, it was difficult to compete in an open market. Spain started to develop the services sector and around 1973 it embraced 49% of the GDP, and the population employed in the sector was 40%.

At that time, this sector was formed by small companies and retail trade that were not able to be associated with each other. It was inefficient and non-diversified, large surfaces such as department stores excluded.

Some of the pacts, laws or plans that helped to change this and enhanced the effectiveness of these companies and the emergence of others, thus creating a stronger sector, were the following:

- Reform and Modernism Programme of the commercial Structures (Spanish trade policy until 1996).
- Plan on the Modernization of the internal trade (1995-2000). Legislative and fiscal issues, Community aid and training programmes, as well as the constitution of the observatory of the commercial distribution.
- Ley 7/1996, de 15 de enero, de Ordenación del Comercio Minorista (Boletín Oficial del Estado, 05, de 17 de enero de 1996). Competences of the Autonomous Communities, Autonomous Communities in relation to central Administration, schedules and payments.

The final consumers were the decisive change through socio-economic changes. From this moment on, the consumers begin to have more information about establishments, products and variety. This causes a separation of the market in groups or in categories of consumers, an opportunity to offer different proposals to the different needs. Some of these changes are, for example, the family models, which currently have more variety: of one person, two or more as the traditional. These recent models offer new needs to cover and more facilities to the new homes. The consumption is obviously lower in a dwelling of one person than in the typical family of three or more members, but the consumption per person is almost twice. All these factors have caused a market

development, which has also led to an increase in the consumption. One of the most influential changes they have imprinted are the impulses or evocations in the purchase linked to the progress and study of the dispositions in the places of purchase. They get us to buy unnecessarily things, only to feel good or from impulse.

The business evolution has also been a basic line for the development of the sector, the entry of Spain in the European Union has favoured to increase the competence and to develop new business models formats. Nowadays the companies are more competitive and all of them want to achieve the competitive advantage to advance over other members. For that purpose, it is very important to master the ICT skills, Information and Communications Technology.

In the last 30 years there has been a shift from a monovalent and homogeneous market which had a lack of purchasing power towards a globalised and highly segmented market, in which there is a growing demand to reach the consumer, who is also increasingly more defined. It has significantly improved from few manufacturers and retailers to a market in which the key, which is the bargaining power, is in the retail business hands.

6. DIFFERENCES BETWEEN COMERCIAL DISTRIBUTION AND HORECA DISTRIBUTION

To achieve a better understanding of the main differences between both types of distribution, we will analyze some of the most important advantages and disadvantages, as well as a chart in which we can see how the products reach the end consumer by each of the types of distribution.

- The Commercial Distribution basically consists in a large company with branches and stores throughout or nearly throughout the Spanish territory. It groups the purchases of all the products that are commercialized in those shops, as if it were a purchase center, thereby achieving more bargaining power with regard to the suppliers and producers.

This power has big consequences mainly for the producers, since the large companies impose aggressive and unfavorable conditions for them. Today, we know that most of these large companies pretend to buy the product at such a depressed price that it is lower than the price of the production cost. Consequently, many of the producers are forced to undersell the product or to shed it throwing it away. This also has an impact on the small and medium enterprises and on the retailers of the sector, since they can see the price

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increases so that the producers can recover the losses caused or one part of it. In addition to see the higher prices, the small and medium enterprises have to compete against such favorable prices that the large companies deriving from the bargaining and buying power of them can achieve, because the storage capacity, as well as the purchase volume, is much bigger, hence that power.

All this leads to a great displacement of the retailers and small and medium business, thus coming to the end of many of the local and regional businesses that have existed for many years.

The final consumer may not think in all this from going to a specific place or to another to make their purchase, but only is settled in the prices and in being able to find everything in the same space. In these large stores of large companies this is a reality, because their great success is that they are large areas that focus all kinds of household products, food and beverage, even tools or office and school furniture. In addition to this, one of the most important factors to recognize are the white markings or the distributor trademarks, which are of medium or good quality and with very affordable prices.

- The Horeca Distribution is a distribution type about which we do not have much information, and therefore it is less well-known by the final consumer and in many cases it can be confused with the companies dedicated only to transportation. The Horeca Distribution is based on a set of functions that encompass the marketing, logistics and the delivery of products. A huge difference of the Horeca distribution between the Commercial Distribution, among others, is that they have smaller exhibition area, and therefore less range of products, a factor that becomes a weakness for the Horeca distribution. For a better understanding of what the Horeca Distribution is: these companies have warehouses in which they bring together all the different types of products, for instance, carbonic, milk products, alcoholic, among others. These are acquired by the distributor to the different suppliers and producers, who send the merchandise from their factory or warehouse to the buffer warehouse of the own producer. There, through logistics, they are stocked and from then on, the distributor, by means of his commercial agents, offers the products to his different outlets' clients, hotels, bars, restaurants, small businesses or retailers. From thereon, the employees of the distributor, also known as delivery men or distributors, are responsible to make the products

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arrive in perfect conditions from the buffer warehouse to the point of sale of the end consumer. The role of the distribution frame or storekeeper is one of the most important, due to the fact that he or she is the one that puts the product in the adequate manner and just in time. Of him or her, in addition to be competent in prices and treat the client well may depend his or her fidelity towards the distribution company. If the company as a whole realizes all these tasks in the most suitable manner, it will have the approach, personal treatment, greater specialization and quality service that the companies do not offer, and that is what makes such a great difference between the commercial distribution and the Horeca distribution.

- As mentioned above, the Horeca Distribution has as a weakness or disadvantage towards the Commercial Distribution. From the final consumer's point of view, the minor range of products by a lack of exhibition area. Nevertheless, the Horeca Distribution has very positive aspects, such as the quality of service since it is much better by its approach with the consumers; another positive and differentiating aspect is a more personalized service. Whereas the Commercial Distribution treats everybody equally or segments in major groups, the Horeca Distribution treats every person by his/her situation. Henceforth it has to act as a small financier for its clients, standing outstanding debts and putting trust in them, for this reason they have to support sometimes a considerable volume of defaults. Finally, the greater specialization both in products and in clients makes that the Horeca Distribution can offer much more information above the product, where it can function, and how to realize a good presentation, use and service thereof. This is a help that the customers thank because it is fundamental at the time to sell a product in the best conditions. Sometimes, the Horeca Distributors support the sale of some products, holding events or parties. They put at the customer's disposal a wide posters that promote very well the product and the event performed, varied gifts to provide an incentive for consumption and several female and male hostesses experienced in the use and selling of such products, aiming to offer the client a quality product, filling it in the best to the client and explaining all the benefits that this product generates. Because of this, the Horeca Distributor achieves keeping the customers informed, with a quality and very personalized service and with a high degree of specialization, something the customers can only obtain with this kind of distributor, the Horeca Distributor.

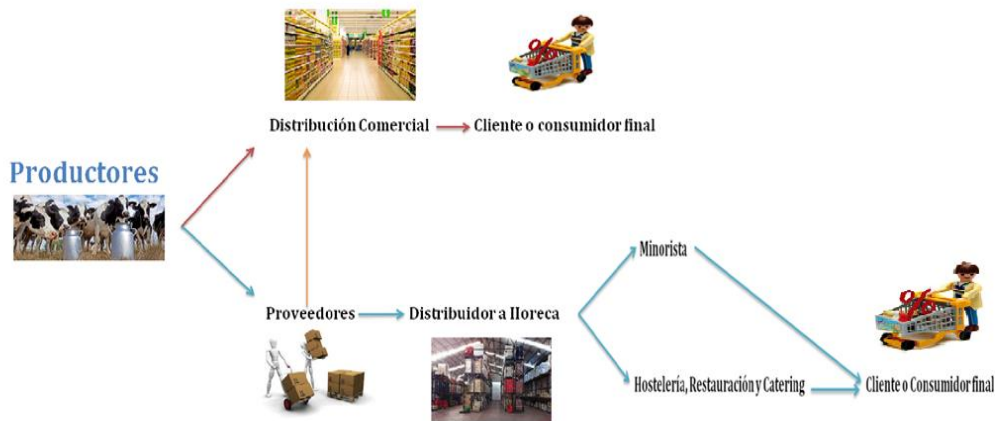


Figure 9: Distribution Cycle

Source: Own elaboration

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First of all, it is crucial to explain what a strategy is. For instance, J. B. Quinn (1980, 10) defines a strategy as:

The pattern or plan that integrates an organization's major goals, policies, and action sequences into a cohesive whole. A well-formulated strategy helps to marshal and allocate an organization's resources into a unique and viable posture based on its relative internal competencies and shortcomings, anticipated changes in the environment and contingent moves by intelligent opponents.

Or according to K. Ohmae (1982):

What distinguishes it from all other kinds of business planning – is, in a word, competitive advantage. Without competitors there would be no need for strategy, for the sole purpose of strategic planning is to enable the company to gain, as efficiently as possible, a sustainable edge over its competitors. Corporate strategy, thus, implies an attempt to alter a company's strength relative to that of its competitors in the most effective way.

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Once we know what strategy is, a plan that carries out the series of activities in which the company will outline to establish a sustainable difference in the market can be performed, using the relevant guidelines.

According Lumpkin and Dess (2003), “the strategic management consists of the analysis, decisions, and actions an organization undertakes in order to create and sustain competitive advantages.”

The strategic plan is the document that synthesizes on the economic-financial, strategic and organizational levels the current and future positioning of the company. As rightly said by R. S. Covey (1997), for a drifting sailboat, every wind is favourable, so the company is like a boat, which has to choose its own direction. The companies should know where they are located in the present, what have taken them to such an extent, where they want to be in the future and which their objectives are.

The strategic plan is formed by three stages:



Figure 10: Stages of strategic planning

Source: www.wasteportal.net

Analysis: It is the initial or starting point. It consists in the previous work that must be done with the purpose of developing and implementing the strategies effectively. It is built in two phases, the first one are the Goals and the second one is the Current State.

Formulation: In this phase the Strategic Diagnostic is achieved, at all levels and analyzing all the possible strategy types.

Implementation: Here we will also place two phases, the first one is the choice of the strategies, and the second one is the implementation of the same.

Then, we will start with the strategic plan for the study company, with which the project deals, Diesvic SL Strategic Plan.

7. 1. Analysis

In order to develop the strategic plan correctly, an analysis of the company is needed and also a knowledge of its history, since this will offer us the understanding to know strategic backgrounds taken or how it has been developing since it was founded and the implementation until the present day.

The History of Diesvic:

In 1957 Vicente Rodríguez Martínez founded the company “Espumosos el Berro”, a company that, at that time, was dedicated mostly to the manufacturing and distribution of “gaseosas”¹ although it also distributed wines, ice, milk and beer.

Over the year 1970, Vicente, decides to merge together with other “gaseoseros”² in the area, with an important company in this industry, “La Revoltosa”, selling the factory and staying with the distribution of that mark.

Back in 1974, his son Vicente Rodríguez Ors starts working in the business. The entrance of Vicente’s son involves bringing new blood for the company. His desire to work and his entrepreneurial nature, plus the very long career as a distributor of his father Vicente, makes “Cervezas el Turia” trust “El Berro” company as distributors of its mark. By the year 1979, Vicente Rodríguez decides to keep his father’s business.

When Vicente’s son takes the management of the business, he extends the product portfolio continuing with the distribution of “La Revoltosa” and “Cerveza el Turia” and acquiring the distribution of the following groups: Leche Pascual, Bodegas Capel, Cavas y Vinos Castellblanc, among others.

In 1984, the brewing group Damm buys the Valencian factory Turia and Vicente is provided with the opportunity of continuing with its distribution, a declined offer due to the fact that he became the distributor of Águila Beer, a trademark that nowadays belongs to Heineken, a very well-known brewing group.

The business continued growing up and gaining the confidence of the best brands on the market.

¹ The term “gaseosas” in Spanish is referred to carbonated beverages, but it is the Spanish word we use.

² The term “gaseoseros” is a Spanish informal word we use to talk about the people who distribute carbonated beverages. It is very well-known in the area where we live.

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In 1992, Vicente's wife, Fina, joined her husband business, taking charge of all the administrative area. By the year 1996, both of them associated constituting what is now Diesvic S.L. The acronyms have one special meaning, Estela and Vicente's distributions, the children of the couple.

Diesvic S.L. is a small but strong family business to this day, which is located in Altura, Castellón. The company is on a 1000 m² facility and counts on a fleet of 3 trucks and a van involved in delivery and 2 pre-vending vehicles. It employs a total of 8 workers mostly relatives.

It reaches 1,5 millions of Euros in its turnover ,being 50% of this amount from the Heineken Group. The company counts on more than 1500 customers divided between the region of Alto Palancia and the region of Alto Mijares. It has a portfolio of approximately 2000 products.

Diesvic S.L. continues rising, managing to increase its sales year after year. In 2014 it grew up with Heineken, Schweppes and Pascual with a 33%, 30% and 22% respectively.

Currently, the youngest child of the marriage is finishing his university studies in Administration and Business Management and he will soon join the business. Their eldest child, Estela, is actively working in it. Estela works as a commercial and she provides support in the management and in the administration. She intends to renew and grow their businesses, with the implementation of technological developments and adapting Diesvic to the requirements that exist nowadays.

Diesvic counts on two peak seasons, the strongest is in summer, from June until September, months in which most of the festivities of the region take place. When this season finishes and from November, the Christmas season begins. Diesvic is the official distributor of the prestigious trademark Disber, baskets and lots for Christmas at national level. In this season it takes the advantage of having another peak season of work and extra income.

Diesvic faces serious competition from other two distribution companies of beverage, one of them is located in the neighbouring town and the other one is of small size in a neighbouring town too. Even though Diesvic counts with an unparalleled service and offers trust and loyalty to their customers, it consequently provides a competitive advantage.

7. 1. 1. Goals and Objectives

Mission

Diesvic is a wholesale distribution business of beverages and dairy products, and also lots for Christmas in the Christmas campaign. The task of this business is, by means of its sales representatives, go out in the street to find out the customers' needs, show portfolio products and through the AIDA formula (Awareness, Interest, Desire and Action) satisfy their needs, caught in the order delivery, that subsequently, its qualified logistics and delivery team sends to the customer in a short a time as possible with a quality, friendly and competent service.

The company has the objective of satisfying the client needs in as short a time as possible and with the maximum professionalism. The reason of being of Diesvic is to find out requirements and market wishes and satisfy them, by means of close treatment with the client and looking for the faithfulness and happiness of the transactions, thus creating a big family instead of a customer base.

The business is addressed to all the potential customers that need to be addressed effectively, quickly, with good treatment and competent service. Diesvic is aimed to the geographical area of the regions of Alto Palancia and Alto Mijares that consists of a total of 49 populations. The company has the distinction of having a high level of training and of being the company that offers the best service, being the fastest and the most reliable of the market covered, always offering quality products with a wide range.

Briefly, the mission of the company will be:

Diesvic is a wholesale distribution business of beverages and dairy products, and also lots for Christmas, which is characterized for having a staff with a high level of training, which enables it to satisfy the needs of its clients through rapidity, reliability, fidelity, a close treatment and the optimization of all its actions to create familiar relations with its customers.

Vision

The company wants to become the leading company in the distribution of beverages of the area of Alto Palancia and Alto Mijares, to expand its area of operation to act in areas of all the Valencian Community. It is also preparing to offer it clients a wider range of products and other services that are now offered.

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Corporate Values

They define the nature of the company and describe what represents them. The company believes that they can offer high-quality standards to the clients, be serious in the compromise with clients, continue having the protection of the brands of quality assurance, remain profitable and create value to the own company, be leaders and be able to act with a rapid response to the needs of society demand, always have a quality culture, competitiveness that differentiates the company, be always in an on-going search of the customers satisfaction.

Another great value of the company is having an attitude of collaboration and confidence with our suppliers and also continues maintaining a structure which is integrated by people with initiative. These people have to be motivated and particularly, they have to be identified with the company being part of it. Try to offer training and be in a continuing professional development, always taking care of the major asset in the company which is its human capital.

The reason of being as well as the beliefs of Diesvic, is to satisfy the needs of its customers through rapidity, reliability, fidelity and a close and honest treatment.

Objectives

The strategic actions that the company will develop in order to become the company with the highest volume of sales and the most market shares in the area of the regions of Alto Palancia and Alto Mijares. The objectives are directed to seek achieving more customers, open new lines of business, have a secure financing and sanitize the late paying clients or doubtful debt clients and the possibility of expanding the action area will also be studied, manoeuvre that would help to obtain more market and more share.

In more detail, the strategic objectives are as follows:

- To increase 5% of the market share in the geographical area that actually markets in the period of 2017 until 2018.
- During the last quarter of 2016 and 2017 the company aims to increase the number of customers.
- During the current year 2017, Diesvic will try to sanitize the late paying clients and doubtful debt clients.
- To gain the loyalty of customers.
- To achieve levels of experience in the purchase management.
- To maintain as much as possible the motivation of the company.

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- It will seek to expand the area of operation, reaching in a period of two years into geographical areas where Diesvic currently has no presence.
- It will analyze new viable and profitable lines of business for the company.

Strategic Business Units

We can define the Strategic Business Unit as a part inside the company in which products, services and customers, among others, differ significantly.

Three dimensions inside the strategic business units are known, product, technology and market. The goals of a SBU (Strategic Business Unit) are strategic.

The strategic business unit, is used within the company, to differentiate the clients even more, thus knowing the needs of each group of customers inside the total number of clients of the company. For example, in a company that manufactures chairs, there are several types of clients, the individuals and the industrials. This is the function of the SBU, to separate the types of clients and thus be able to satisfy the needs of each one much better.

In Diesvic, we can differentiate three strategic business units, hotel and catering, retailers, and particular and events.

As explained above, Diesvic differentiates these three strategic business units in order to meet the needs of each one of its clients, since each customer uses the product or service for a different and particular purpose. For this reason we have to treat them differently, as apply differently the sales force and the strategies.

7. 1. 2. Current State

Analysis of the overall environment

In this section the overall environment of Diesvic is analyzed in order to detect trends and the key events of previous years, of current years and of what can happen in a future in our society. The success is sometimes due to the capacity we have to predict the changes that are about to take place in our environment, and the commonly used methodology, which is the one we will use in the case of Diesvic, will be the Political, Economic, Social and Technological analysis (PEST).

This analysis is to examine the impact in those external factors that are beyond the company's control, which can affect to its future development. We will define the four key factors; these are the ones that can have a direct bearing on the business development: Political, Economic, Social and Technological factors.

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Economic Factors: The macroeconomic factors may be the responsible of the direction that the sector in which the company operates is taking, but not all of them have the same influence. For this reason, we only have to take into account the ones that have affected and could affect us in a future and thus consult the ones that may be useful for us.

The economic factor that affects Diesvic can be or have a relation with a product demand, the employment, the energy costs, the raw material costs or special events in the area of operation.

Technological Factors: Due to the fact that Diesvic do not manufacture any products, the technological factor may influence regarding the services that provides to its clients. These factors are responsible to improve the way in which the services to its final consumers are being produced and rendered.

Some of the technological factors that affect Diesvic are or can be the technological innovations to carry out inside the company, the extent to which the company leverage the internet as an advantage or if the virtual trading takes place or not. Of course, the government actions or assistance in these aspects also influence on the development of the activities. The incentives can be an important contribution to the company, whether they are public or provided by the suppliers it has.

Political Factors: The legislation, at both national or autonomous and local levels, affects the development of the company's activities, as well as the political processes or the regulations of the environment for which the sectors have to submit. All the legislations can, sometimes, favor or not, the interests of the companies, in this case, the interests of Diesvic. These should be, for example:

The expected political changes or the changes that can occur in the labor legislation are: aids or public incentives given by the government, changes in the legislation or in the social security, or also the legislative changes in fields of interest and the enterprise compliance, as a consumer, environmental or security protection.

Social and Demographic Factors: The demography is defined as the root in the majority of changes in society. It includes elements such as levels of wealth, increasing or decreasing, the population, ethnic changes, geographical distribution of the population and the difference in income levels.

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They are, in general, factors concerning the population and its changes. These changes are general to all businesses, although they will affect in a different way regarding the function the company performs.

Some social and demographic factors that can affect Diesvic can be the extension of the family life of the young people, the levels of wealth in the society, since the spending they can do in the enterprise's customers depends on it, the ethnic composition of the society and its customs, the equality between women and men, the working woman, the new trends and lifestyles or the population ageing.

Analysis of the Competitive Environment

To analyze the competitive environment of Diesvic, we will use the most commonly used tool, the model of Porter's five forces. The competitive environment in the five basic competitive forces is described in this model:

1. Threat of new entrants (barriers to entry).
2. Bargaining power of customers/buyers.
3. Bargaining power of suppliers.
4. Threat of substitutes.
5. Rivalry among existing competitors.

The ability of a company to compete in a market is affected by each of these five forces. The union of all of them is a clear determinant of the potential return of a particular sector, due to the fact that they are analyzed because they act against the profitability of a sector.

All these forces are subjected to analysis and none of them can be underestimated. We are going to imagine, for example, a sector in which there is a huge competitiveness and rivalry, the businesses that operate there are supposed to enter into a war against each other, of prizes or promotions, then the profitability will decrease and the bargaining power of customers will increase. But, imagine now a case in which the sector is very profitable and with little rivalry, but with few entry barriers. What will happen here will be that other companies will not delay in penetrating it, and the profitability will end up plummeting by war that would be formed between competitors. If the sector we have imagined had high barriers to entry in addition to the high profitability, two other forces would appear the bargaining power of customers and the bargaining power of suppliers, since both of them will try to retain the maximum proportion of the profitability of the sector. Moreover, then we should ensure that there were not substitute products in order to be profitable to a very large

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extent. All these assumptions are explained to see the extent and the importance of the Porter's Five Forces. Below we will explain briefly each of the five forces and an example is described in detail. Then, we will analyze Porter's Five Forces in the study company, Diesvic SL.

1. **Barriers to entry**: Possibility that the benefits of the company located in a sector can descend due to the entry of new competitors. A good example would be the not attractive benefits in the sector. In the sectors in which the benefits are not excessively attractive, the risk that new competitors encourage to enter is lower, therefore, the expected benefits in the sector are acting as barrier to entry to new competitors.
2. **Bargaining power of customers/buyers**: The power of each of these large buyer groups depends on the characteristics of the market situation and of the importance of the purchases of that group compared to the total business of the sector. A clear example would be the concentration of sales. In the sectors in which the sales are highly concentrated (two clients, for example, can represent the 90% of the sales), the power of the client will be very high for the importance the business volume in its bill has for the seller. This is the case, for instance, of the food sector, when the manufacturing companies sell them to "giant" customers such as El Corte Inglés, Mercadona, Carrefour, etc.
3. **Bargaining power of suppliers**: The suppliers can have a noticeable influence on a sector facing pressure in a price increase, in the delivery time or in the quality of products and, in this way, they can squeeze the profitability of a sector. As in the case of having groups of suppliers of concentrate. In certain sectors, a pool of suppliers is reduced or is very concentrated. In these cases, the supplier exercises great power over the buyer based on the needs of the product the purchaser has. This is the case of the building materials sector, the suppliers are very concentrated and they master the prizes, the distribution, etc.
4. **Threat of substitutes**: Within a sector not only the action of the current elements has relevance, but the possible substitution of the same by others with more or less similar characteristics in other sectors may alter the fate from the same sector in a very short space of time. This may occur with products with similar characteristics, in the sectors in which the product offered has direct substitutes at lower costs, the benefits of the sector are diminished by

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reductions in the sales. This is the case, for example, the traditional furniture sector; nowadays companies such as IKEA exist and they offer modern furniture, of poorer quality but of very low cost. It is a new concept of little durable furniture that substitutes the traditional furniture lifelong that had an average life of 10 or 15 years. It is also the case of electric engine cars that could replace the traditional petrol cars.

5. **Rivalry among existing competitors**: The rivalry among current competitors is detected by the existence of competitive manoeuvres to hold a significant position. The companies use tactics such as the price wars, the advertising wars, the product launches or the improvement in services and guarantees for the consumers. The rivalry exists when the competitors feel the pressure or act in accordance with an opportunity to improve its position. When a slow sector growth exists in mature sectors, the companies' wars over capturing market share have become more frequent. The market does not provide a new demand and the competitors have to fight among themselves, since increasing its market share implies reducing directly the competitor share. This is the case of the traditional industrial sectors such as automobiles; the different firms are making an effort to squeeze better and more attractive models to get additional market shares.

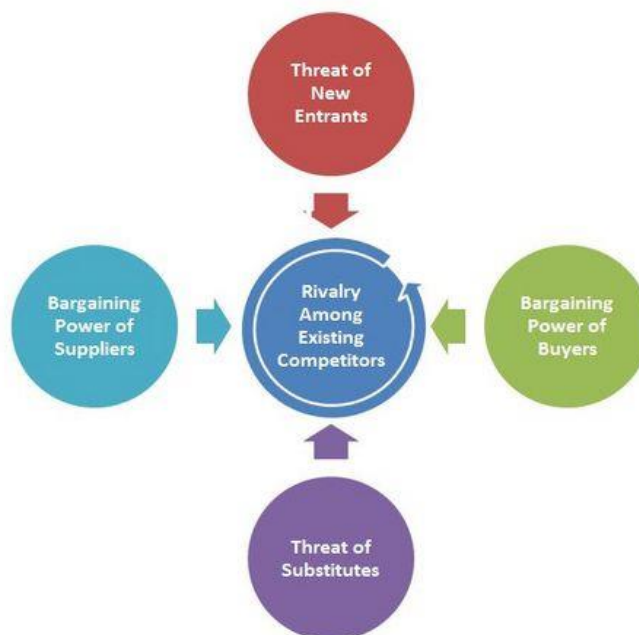


Figure 11: Porter's Five Forces Analysis (1987)

Source: Adapted from Porter (1987)

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Now we will comment on Porter's Five Forces applied to Diesvic Company:

1. Barriers to entry: Diesvic, as we have already mentioned along this project, is in the distribution sector. This sector is a very attractive sector due to the fact that the margins per product are not high, but there is a high turnover of the products, which makes the merchandising of the same interesting. This high average profitability makes new competitors to dare to enter in the sector, or companies that, currently, do not compete with the company because they operate in a different geographical area can encourage them to explore the area in which Diesvic is established. The barriers to entry in this sector are not strong; as a result, there is a risk of other companies to come to compete with the company or the existing ones to enter to commercialize its products in the same area of operation.
2. Bargaining power of customers/buyers: The power that the customers have in this sector is high, since there are many companies that work in the distribution of similar products as Diesvic. The customers have no preferences for brands, or they have, but more for the price; as a result, the business relationship becomes a price war between the competent companies, and that is what the customers benefits from the great power they have.
3. Bargaining power of suppliers: The suppliers of this sector do not have a high power, but they have exclusivity in respect of their products, which makes attractive fighting for the client. Until they get the client, Diesvic in this case may put pressure to improve prices and conditions, making the business relationship more advantageous. After this, it is exclusively confined to brands and agreements which have been reached.
4. Threat of substitutes: The substitute products in this sector are many, not to say that all the products have substitutes. As mentioned above, there are fewer clients that appreciate the mark and remain true with it. For this reason, all the distributors rely on a very similar portfolio; some on them have some brands and some others, therefore we have mentioned exclusivity. For example, Diesvic can have Heineken and Amstel beer and Leche Pascual, and the most direct competitor it has is San Miguel and Alhambra beer and Asturiana milk. For this reason, the client who has no preference related with brands and only

looks at the price, does not matter buying in one company or in another, he or she only looks at the price. Although here the service is also weak, which in this sector is not substitute, due to the fact that each company has a way to service the clients, and in this area, Diesvic is the most serious company and the one that offers a quality service, with a close and professional treatment.

5. Rivalry among existing competitors: The rivalry among competitors is high because everyone wants to achieve a better position, the price wars, advertising, promotions, the launches of innovative products, better services, guarantees and all kind of manoeuvres that could give an advantage over the other. They exist between companies of the sector. This sector is mature with a slow growth and there is almost always a geographical limitation of action, and, as a result, the position is essential, for this reason there is a high rivalry.

7. 1. 3. Internal Analysis

To implement a successful strategy, the strategic capability to act with the required quality and the strategic capability of an organization is also crucial. It depends on:

- The resources, both the available and the internal or external that will help us to implement the strategy, more or less successfully.
- The competence that has the company to carry out the workaday activities. This could be the key in most cases, since, depending on the competent they are they will obtain good or bad results. This affects even further than the resources.
- The equilibrium between all the resources, activities and organizational units that exist inside the business.

To understand and discover these activities, the analysis of the value chain can be useful.

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The value chain

According to Porter (1987), the company is contemplated as a succession of activities that are adding value to the product or service the company is generating and that finally the client, customer or the company, will buy to it.

With this analysis, we come to better understand the strengths that can bring competitive advantages. The value is what the company provides and what the consumers are willing to pay for it. It is measured by the income in its entirety, what the company sells less fixed prices and the purchases. The company will always be profitable as long as this formula is positive and as long as the value they receive is higher than the costs that are involved in the creation of the product and service.

Two categories of activities are distinguished, the primary activities, composed of: inbound logistics, production, outbound logistics, marketing and sales, and services. The primary activities contribute to the physical creation of the product or service, its sale and the transfer to the clients and its after-sale services.

Secondly we have the supporting activities, composed of: purchases, technological development, human resources management and the company infrastructures. These activities can add value by themselves or also through relations with primary activities or with other supporting activities.

The primary structure of the company Diesvic, as well as its primary activities is the following:

Primary Structure and its Activities

The organization of the enterprise is distributed in a departmental way, in other words, it is based on a functional structure.

The different departments of the enterprise are distributed according to the activities and responsibilities of each one, among whom there is a high degree of inter-departmental communication in order not to duplicate activities and be more efficient in the job.

The coordination between the different administration, logistics and marketing departments is very high, due to the fact that it is a distribution company that regulates the orders that are entrusted. We have to have coordination between all the departments, both previously (marketing and administration), during (logistics) and subsequent (administration), so that all purchase orders arrive on time and in the right way, thus the client will always be satisfied.

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For this reason, the different procedures of the company are highly formalized, and therefore we can say that the enterprise has a functional structure, since it has a medium or high level of hierarchy. However, the formalization of the activities is a key to comply with the objectives of the company.

It has to be emphasized that the decision-making is centralized, since the vast majority of decisions finish in the managing director, although the employees have a high level of involvement in the overall process.

Moreover, the tasks carried out by the employees are often routine tasks in a hostile environment, since a high level of competence exists and where it is very important to comply with the established deadlines.

Support Activities

The purchases and supply of Diesvic is carried out every week or every fifteen days when we talk about raw material, and the supplies, consumable items, office equipment, machinery or equipment, when needed. We always try to apply improvements in the purchasing processes, since this might require a maximization of efficiency, reducing costs and thus increasing profits.

Regarding the technological development of Diesvic, we have to say that it has been held back with regard to its competitors for some time, although this has not affected in the great way of doing and giving service of the company, it has put the administrative processes back. Currently, Diesvic has a new management system in the area of administration and finances, reaching into the commerce and marketing department, and also into the logistics department. With the implementation of this latest-generation system, the company has tablets and several PDA (Personal Digital Assistant) for the sales representatives to realize the pre-sales. Doing this, logistic can receive them in the shortest possible time, making it available much earlier than before, and finally reach administration in an organized manner, and now they are available to be transformed into invoices without any effort on the part of this department. The time all of them save is used to develop new techniques that will improve the enterprise, so now the company is equally or even more technologically developed than its competitors.

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The Human Resources management of the company:

The HR system has certain characteristics that can go together with the strategy or not. In this case, Diesvic follows a strategy based on costs, since it is adjusted as closely as possible to be competent, but also in differentiation, due to the fact that it offers a fast and high-quality service. For this type of strategy, the HR system must have a number of specific characteristics.

The characteristics that the human resources system of Diesvic has are the following:

- Regarding the definition of the workstation, it is observed that they are not completely defined as such, since the workers can have different tasks to perform in the company within its own department.
- The selection, promotion and recruitment of the company. Regarding the staff selection, it is based on the personal knowledge and not in the necessary capabilities and the technical qualifications. With regard to the promotion, it can rise horizontally and vertically. In respect of the recruitment, it is external, for example: the store men or women do not go through any process of selection; they enter to work directly, since the manager is the person that hires them.
- The performance assessment in the company is a tool more for development than for management. The company lacks a formal control. Moreover, it will help the employees themselves to become involved in the control of their activities.
- The remuneration is a function of what the employees fill both at individual and collective levels. Consequently, it is based on the individual's contribution.
- The training that the company implements is quite extensive, because in addition to realize the training courses they are forced to carry out, the company offers a broad range of external training courses completely free for employees and they decide its attendance at the course.

The overall management or business infrastructure are the number of activities that includes the general management, planning, finances, accounting, legislation, government affairs, quality management and information systems. This activity

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supports all the other that form the value chain. For that, Diesvic has good and effective planning systems. The senior management has a great capacity to evaluate the environment as well as to inculcate the rest strategic objectives, and it always counts on a healthy relationship with the interest groups.

Diesvic is a distribution company; in its value chain the following activities can be detailed:

- **Strategic activities:** The following activities constitute a competitive advantage for the company:
 - Management
 - Supply
 - Logistics and replacement
 - After-sales service

- **Key activities:** Without the following activities the company's business would not exist:
 - Internal logistics
 - Commercial and marketing
 - Administration
 - Service

- **Support activities:** The following activities serve to improve the company's production process:
 - Quality
 - Administration and finances

- **Activities to be improved:** In the following activities the society must make an effort to improve, given the importance in the business strategy:
 - Human resources
 - R+D

7. 2. Formulation

7. 2. 1. Diagnosis

At this stage, we will see to which strengths and weaknesses the company faces, as well as the opportunities and threats which are consequence of the environment in which the activity is developed. It will also help us to analyze together if the strategies adopted by the company are the adequate in order to convert weaknesses into strengths and threats into opportunities.

To develop this stage, it is fundamental to carry out the SWOT analysis (Strengths, Weaknesses, Opportunities, Threats). This analysis summarizes the key aspects of the external and internal perspective. This analysis allows working with all the information relating to the company; it also has many applications and can be used in different units of analysis.

The internal analysis has to do with the strengths and weaknesses of the company on those areas in which manager and management of the company have control. The external analysis is composed of the opportunities and threats the market offers and to which it must face.

The procedure normally followed to carry out the SWOT analysis is the following:

- First of all, we identify the changes that can be key in the environment of the company. We do it through a monitoring of the kind of analysis described in the analysis of the environment
- Then, the resources and capabilities of the company described in the internal analysis are analyzed.
- Hereafter, the results of the previous analysis are represented in a matrix with four quadrants.
- Finally, the results obtained in the analysis are evaluated and agreed with the company's team

The SWOT analysis can be understood as:

- **Threats**: these are the environmental factors that can negatively affect the results achieved by the company in the future.
- **Opportunities**: they can be the consequence of better results, belonging to external circumstances.

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- **Weaknesses**: they are the internal factors that could hamper the achievement of the company's goals.
- **Strengths**: Internal aspects and capabilities that can help or provide the company to achieve its objectives and goals.

Then, we will realize the SWOT analysis for the Diesvic SL Company:

STRENGTHS

- A very organized and structured company.
- High knowledge of the sector, clients and suppliers.
- High qualified workers.
- Reference marks in the sector and highly consolidated.
- High trade capacity.
- Great financial capacity and excellent solvency.
- The range of products is wide.
- Young staff and the 90% of them are fixed.
- High investment in machinery, equipment and computer systems.
- Good and formal management.
- Great union in the company.
- Fast, quality and nearby service.

WEAKNESSES

- Organization of routes.
- Search or repair of vintage vehicles.
- Area of operation restricted geographically.
- Customers' bargaining power.
- Few customer loyalty and fidelity.
- The distribution of tasks can be improved.

OPPORTUNITIES

- Potential customers.
- Growth market.
- Brand value.
- Demand of fast and quality service.
- Advantages for recruitment.
- Demand for social responsibility.
- Aids and subsidies.
- More extensive peak seasons.
- More willing long weekends and holidays.
- Poorer quality competence.

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THREATS

- Low barriers to entry, it is very easy to introduce on the market.
- High degree of competition.
- Competence from substitute products.
- Healthier lifestyle.
- Market and geographical areas opening.

It is very important to know the main strengths and weaknesses of the company through the analysis of the SWOT matrix, the overall environment. This allows us to make progress in the company's strategy, due to the fact that the strategy is proposed from the strengths and weaknesses of the company, with the diagnosis that has already been done. It is also important to carry out the CAME analysis. This analysis pretends to "Correct" the existing weaknesses, "Adapt" to the threats, "Maintain" the strengths the company has and "Explore" the opportunities.

This analysis will raise four possible strategies for four specific cases, some of which the company will have to choose one for each situation that you are in, on the basis of the results of the SWOT analysis we have made.

The possible strategies are the followings:

- **Defensive strategies**: They happen when there are environmental threats, having the company strengths.
- **Offensive strategies**: When there are opportunities in the environment, with strengths in the company.
- **Survival strategies**: This happens when a situation opposite to the previous case occurs, in which there are threats in the environment and weaknesses in the company.
- **Reorienting strategy**: They happen when the company is fragile in an environment with opportunities.

An example of CAME analysis, after the SWOT analysis for Diesvic has been made, would be:

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OFFENSIVE STRATEGIES (S AND O)

- Operation of new business lines and new markets.
- Exploit the relations with the customers to its maximum.

DEFENSIVE STRATEGIES (T AND S)

- Extension of range of products and services.
- Increase customer satisfaction increasing the quality.
- Improve logistics and stocks.

SURVIVAL STRATEGY (T AND W)

- Analysis and search of adequate resources.
- Develop the information systems properly.

REORIENTATING STRATEGY (W AND O)

- Investment in I+D.
- Expansion of commercial area to embrace more clients.

7. 2. 2. Choice and Strategies

There are different types of strategies for the different levels of an organization. In what follows we will explain the different types of strategies and we will analyze them for the company which is under scrutiny, Diesvic SL, and thus implement it.

First of all, we should have the definition of what constitutes a business clear. This is to specify the type of needs that are going to satisfy the product or service we offer, the consumer segments and the geographic areas that will be served by the company in question, and the technologies through which the products are made or the services are carried out. The definition of the business has to be made comparing these aspects with our competitors' aspects.

Then, we must define the portfolio strategy or the corporative strategy. These strategies have to specify the activity or activities the company makes. They are the so-called strategic business units or SBT.

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After this, the company will define the competitive strategy that it will follow, here the common or generic strategies of Michael Porter are established and the company stands in one of them. Depending on what you want to get, the cost leadership, the differentiation and the approach or concentration in a market segment exists.

The growth strategies, these will be the ones that will tell if the company has or should have the objective of growing up through internal development or through alliances, mergers or other external developments. Finally, we analyze what operational or functional strategies should be established in the company. These strategies will be applied with an action plan in each of the departments of the company.

Definition of what Constitutes a Business

To define the business in which the company of Diesvic operates, we need to know the needs that satisfy the product and service to the client. As we have commented throughout the project, Diesvic is a beverage distribution company. What Diesvic satisfies is the needs the clients have to obtain quality products, at a good price and at an appropriate moment, while offering a professional and close treatment as soon and efficiently as possible.

We have also explained the “how” Diesvic company carries out its services, through technology and the great human capital that form the enterprise, always available to customers.

To know, have clear and identify the definition of what a business is, we have to be able to know the different groups to which our company is directed. As we have explained before, they are the Horeca channel, all the components of hotel and catering, as well as retailers, specialized establishments or private events.

So, as we have mentioned in the previous points, three strategic business units can be distinguished in Diesvic, Hotel and Catering, Retailers, and particulars and events.

Business Portfolio Strategy (Corporate Strategy)

For developing as much as possible the business portfolio of our company, we must undertake the relevant strategies that have a direct impact on the activity or activities that develops the company.

In order to carry out the definition and development of the business portfolio strategies, we rely on many helps and tools that we are going to explain hereunder.

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One of these tools is the matrix for competitive position developed by Mckinsey for General Electric. It is a very useful tool, since it allows us to make a diagnosis of the company's situation. In this matrix we count with two variables:

- In the ordinate axis we can find the attractiveness of the market the company is targeting. It is measured in an upper, middle and lower scale.
- In the abscissa axis or x-axis we can find the position the company has compared to the other competitors. It is measured in a weak, medium and strong scale.

There are some factors to take into account in order to value the attractiveness of the marker or sector and the competitive position:

Factors that measure the attractiveness of the market

Market factors: The size of the market, the global growth rate and through companies, the differentiation potential they have, the bargaining power with customers, the entry and exit barriers that exist, the average returns and other factors that can be related to the market or sector is of great importance here.

Technological factors: Here we can highlight the intensity of the existing investment, the level of the technological change or the access we have to raw materials.

Economical and financial factors: If there are economies of scale and experience, the contribution margins, etc.

Social factors: Here factors such as social trends and attitudes, legal regulation that exists or pressure groups can influence.

Factors that measure the competitive position

Market factors: Factors such as the attractiveness of the market, the dimension of the market, the global growth rate and through companies, the differentiation potential they have, the bargaining power with customers, the entry and exit barriers that exist, the average returns and other factors that can be related to the market or sector are very important here.

The position in the market: The market share, the range of products, the fulfilment from the company of the customers' needs and the returns obtained.

The economic and technological position: The relative position in costs, the capacity which could or have been used and the technological position.

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The position of capacities of their own: The experience and abilities the company has, the distribution systems they use, the organization and internal management, and the differentiation of the company over competitors has a considerable influence here.

Then, we will place the different SBT of Diesvic in the matrix for competitive position developed by Mckinsey for General Electric. SBT 1 is Hotel and Catering, SBT 2 Retailers and SBT 3 Particulars and Events.

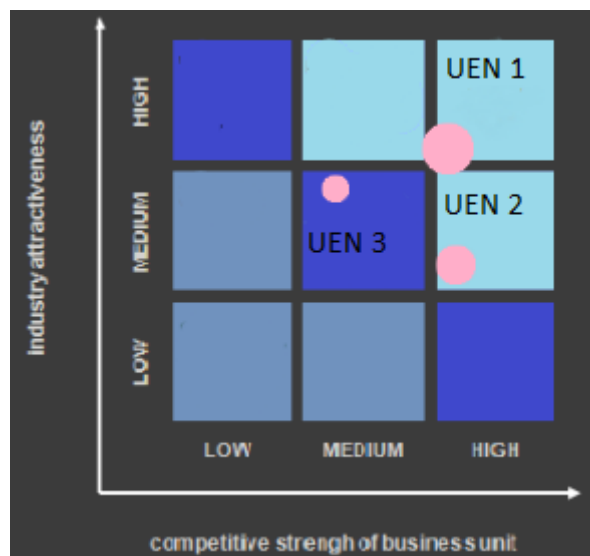


Figure 12: Matrix for competitive position of Diesvic

Source: Own elaboration (Adapted by Mckinsey-General Electric)

As we can observe, SBT 1 is located in a place in which the competitive position is high, and the attractiveness of the market is also high. The size is also greater than the other SBT since it is a bigger market, and within this, our share is very high. In this position they may grow selectively, neutralizing the competence, increasing the profitability and investing in attractive segments.

In SBT 2 we find a position in which the attractiveness of the market is low or medium, although the competitive position of our company in that SBT is strong in comparison with the competence. In this case we can protect the position of the company, improve the products and services, and minimize investment.

Finally, we find SBT 3 in a place in which the attractiveness of the sector is medium and on the way up and the competitive position is average. As this SBT is located, we should win selectively, investing in this segment.

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Another very useful tool we have to analyze the operations of a company is the Boston Consulting Group (BCG) growth-share matrix. This matrix establishes a reference framework to categorize the different businesses the company has and the allocation of resources.

There are two dimensions in this matrix, the industry's growth rate and the relative market share.

The industry's growth rate shows the growth rates in the market of the industry that the company belongs to annually.

The relative market share is the participation in the market of the strategic business unit regarding its most important competitor. This matrix seeks to establish two very important aspects, the competitive position of the SBT within the industry and the necessary net cash flow to operate in each SBT.

The BCG matrix is divided into four quadrants. Each SBT has a different position and a different administration and management, because of these different treatments should be given to each of them. According to the quadrant they are located, the SBT will have one type of characteristics or others. The different positions are: stars, question marks, cash cows and dogs.

The vertical axis represents the market growth, while the horizontal axis represents the relative market share, it is indicated by High and Low in both axis.

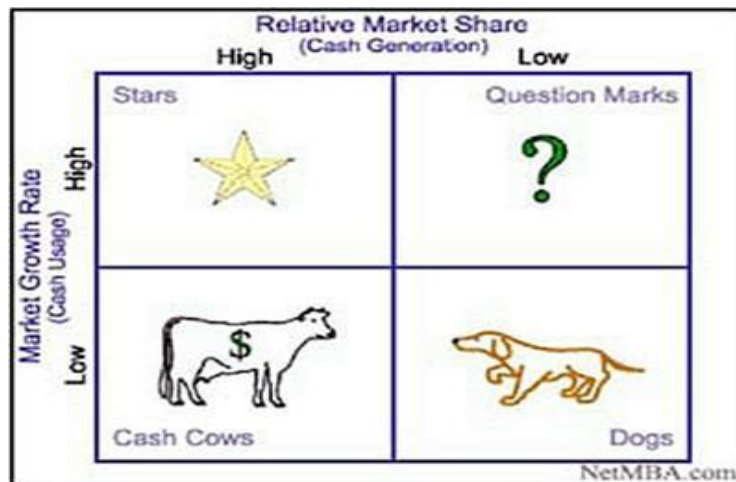


Figure 13: Growth-share matrix

Source: www.netmba.com

Each quadrant has different characteristics:

Stars: This quadrant is characterized by its very high relative market share. The market is on high growth, in which large amounts of cash are consumed. This is done to finance the growth, although hefty and significant benefits also exist.

Question marks: In this quadrant or position, the market share is relatively low. The markets are very dynamic, so they grow quickly. Large amount of cash to finance the growth are demanded. The growth that can be generated here is soft and in this position the company should value if they continue investing in this strategic business unit or not.

Cash cows: This position is characterized by its high market share. The markets are of slow but secure growth. The cash they need to grow in the market is less than the benefit they generate. It is a very good position to create and develop businesses that have been already created and the profit margins are high.

Dogs: This place is occupied by business units in which the market share is low, the growth of markets is slow and in some occasions they can generate losses or very little benefits. As a general rule, the SBT that are placed in the Dogs' quadrant should be subject to a restructuring process or be deleted.

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In the case of Diesvic, the company which is under scrutiny, the different SBT will be placed in the following quadrants:

- SBT of Hotel and Catering: It would have the position in the Stars quadrant, since even though the investment is high, it is also the profitability, and it is what the company is enriched and it is its best and greatest business unit.
- SBT of the Retailers: This business unit will be located in the Cash Cows' quadrant, due to the fact that it needs little investment and the profitability is high. Even though this market growth is slow, it is a good generator of flow cash for the company, in which that with less effort it achieves good benefits, but it is a business unit with lower volume within Diesvic.
- SBT of Particulars and Events: In this strategic business unit, the market growth is medium or high, and the relative market share of the company is medium, so we could or should locate it in the Question Marks quadrant. The investment that we should do in this business unit would be very high, and the profitability is doubtful, being either non-existent or low. Moreover, the company believes that it could restructure the business unit trying to direct it towards Cash Cows and being a good unit that generates cash flow to the company.

Finally, a very useful tool we do have to analyze the operations of a company is Ansoff's direction of growth matrix. This is the most well-known tool to study the strategic direction growth of a company.

This tool focuses on the product-market according to its present and also to its innovation. With this we get to know the direction the company should take, if expansion or diversification, according to circumstances. There are four boxes in this matrix, the box one, two and three represent the expansion option, either by market penetration, in box one, by development of new products, in box two, or by development of new markets, in box three. In box number four we have the diversification option; here there should be a new product and new market too.

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Generally, every company must exhaust the expansion possibilities before choosing to a diversification strategy, either by market penetration, by development of the product or by development of new markets. Then, the characteristics of each of these options of strategic direction of business growth will be explained:

The market penetration strategy: The market penetration strategy is delivered in specific conditions. It is usually a current product and a current market too, and it is the safest between all the strategies. This strategy can expect to aim to strengthen the purchase unit of the customer, reduce the obsolescence, advertising of other uses, facilitate the purchase through some kind of incentive in the prices, and thus achieve a better customer service. Furthermore, it can also attract other customers the competence has. This option has several advantages and it will help to obtain the experience that we will develop over time with reference to our product, and the market in which it is moving. This strategy is often very useful and is very successful in foodstuffs manufacturing companies.

The development of new products strategy: The development of new products strategy occurs with new products and current markets. This strategy indicates a change that can be formalized in different ways. The market in which we operate is already known, but it and its customers are imposing new trends/preferences and new needs to cover. We can adapt the product to new ideas or designs, components and sequences, colour, size, shape, change its sound or, ultimately, create another version. This strategy is often used by large commercial surfaces or department stores.

The development of new markets strategy: The development of new markets strategy is characterized by an annual product in a new market. It consists in identifying and thus be able to develop new market segments for the already existing products we have, seeking new geographic markets or implementing new policies of prices to attract new customers or also create new groups of purchasers. This strategy is also contemplating the possibility of creating new distribution channels to perform a regional expansion, national or international, and taking the products to the online channel, for example.

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The diversification strategy: The diversification strategy is often used for the alternative of launching new products in markets we do not know yet or we are not present. The diversification can be pure or radical; in this case the risk index would be higher since we begin with an experience of the product and also the market which is zero or null. The exit or the chance of success depends on many different factors, not only of the new market conditions we will be targeting, if we already know them or at least have similarities with our current market or not. The type of product would also have an influence, if it is going to be similar or different from the one we know. Moreover, the commercial practices that we are going to apply and which the product needs are very important. The food companies habitually use this growth direction, since it allows us to know new lines of business or manufacture new products under the same brand name.

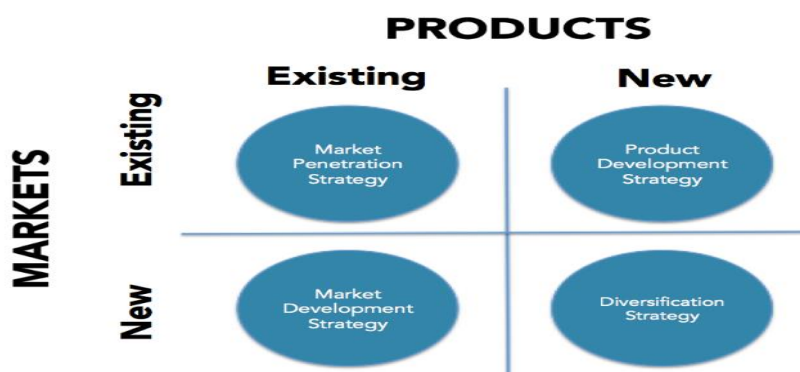


Figure 14: Ansoff Matrix

Source: www.blog.oxfordcollegeofmarketing.com

Competitive Strategies

There are several strategies that, according to Porter (1987), a company can use to deal with the five forces and to obtain an advantage over its competitors. The strategies that Mr Porter submitted for a company would overcome the results of its competitors within their own sector were three.

The cost leadership strategy: This strategy is based on the company to adopt a position of low costs in relation to its competitors. The company should be able to manage relations throughout the value chain and it should also have the capacity and

predisposition to reduce costs in all parts of the chain. Currently, there are many companies that choose this strategy. A good example would be the McDonald's firm since this company is known to have very low margins, thus making the competition with them very difficult and risky. These companies save much in the recruitment of employees with no experience, and they train them; this enables them to save since recruiting expert and trained chefs would be more expensive. These savings will then allow them to offer the product at very low costs.

The Differentiation strategy: This is another or the possible strategies that a company can apply to get a competitive advantage over its competitors. The company that chooses this strategy must have unique products or services that no other companies can equal what it offers. The purchasers ought to value the products or services the company offers as different. The companies that choose the differentiation offer the client something which is not a low price, but a difference whereby the consumer is willing to pay an extra or price premium, either the type of services or other factors. The differentiation aims the client to position himself/herself or associate the brand with something unique and which you are going to be the only person to offer it. A good example is the Apple Company, which has achieved that its clients associate its brand with highly advanced in design and high performance computer equipments. Its audience sees its products as modern, useful and beautiful at the same time, despite they are far more expensive than the ones the competence provides. This causes many customers to choose and makes Apple first in sales globally.

The specialization strategy: This is the last strategy favored by Porter. This strategy is searching for the society to focus on searching the product ranges or markets with more limited objectives. It is based on a company to search and select a segment or a group of clients and that thereafter it designs its own strategy to serve customers, devoting exclusively on it. The specialization focuses one hundred per cent on a niche market. In this way, it wants to find out all about a segment, setting aside everything else. This causes that it becomes an expert in this segment in particular and could have a more intimate knowledge of the consumer, and help to meet its needs in a special and complete form. A company that should use the specialization strategy would be, for example, a hotel chain which focuses on families with young or small children, providing all the necessary services this segment may need, such as playgrounds, caregivers, swimming pools, infantile menus and everything that can give maximum protection and carelessness to their parents, in order to focus on a segment and on the complete satisfaction of it.

7. 3. Implementation

7. 3. 1. Organizational Design

The organizational design of a company is to make a certain scheme in which a hierarchy and a division of tasks or function are established. Establishing a hierarchy is setting up ranges or lines of authority through levels. In the hierarchical levels the responsibilities each employee has as well as the farsighted of each one must be delimited. A well-defined hierarchy makes it possible to minimize the errors and confusions, since each place has its tasks and knows to whom they answer.

Any business has a structure that can be formal or informal. The differences are many: the formal structure is an explicit structure and of formal recognition in the company, while the informal structure is a result of establishing a philosophy of relative power of the people that form the company, and not of the post they occupy.

To design an organizational structure it is necessary to establish several key elements:

The specialization of the work performed, if there must be departmentalization or not, groups of people by specialized workstations and thus they can achieve to group tasks and functions in specialized groups. A chain of command must be established, which ranges from top to basis, reducing the authority from top to bottom. In this way we know to whom they are responsible and who is the responsible of each person or group of people. Depending on the number of levels of the organization there will be one control frame or another. The centralization or decentralization is also important in an organizational structure; this is the degree of concentration that has the decision-making in the company. If there is or could be contribution of all in the decision-making, is said to be decentralized.

Diesvic is a company of formal structure in which there is specialization of the work, so there is departmentalization. The chain of command exists, but the frame is short, the decision-making takes place in a decentralized form and the workstations are little formalized.

The structure that Diesvic follows is a functional structure, since it is organized around activities that are required to create products or services. Moreover, this structure is oriented towards internal efficiency and exploitation of learning effects.

7. 3. 2. Action Plan

After this strategic analysis, it is necessary to know if we can implement a new strategy in the company or no, since the change does not occur only whether it is effective or not. It is equally important or more to know if it can be applied or not, and if the components of the company can implement it and put it into practice. The strategy, in order to be effective, has to implement through concrete actions. Equally important is to appoint a leader for being the enforcement arm and overseer of the proposed and marked action plans, than to control if the established deadlines, staff allocation, material and necessary financial resources are fulfilled. And finally, establish a hierarchy so that all this can be paid due attention, as well as the dedication and involvement of all. To ensure the successful implementation of the strategy, we have to analyze the exchange rate that will happen and how to control it.

In an action plan, an order must be carried out. Firstly, we have to define clear projects, actions and initiatives that are going to be carried out, as well as its leader will fulfill them. The leader of each objective must have clear the implementing actions. The final objective is having a list of strategic projects the company wants to undertake in the following years. After having a clear idea of the projects and objectives, dates must be established in order to achieve the fulfillment of them. For this purpose, it is vital for the leaders to perform a prioritization exercise of projects, establishing the importance and urgency of each, and thus ensuring that the projects of greater strategic importance and which cause less effort of implementation will be carried out before.

Then, the actions that are to be taken are defined in detail, detailing the action, the responsible department and within this the responsible for each actions and finally the priority of the project and the time horizon. Last, but not least, it is necessary monitoring and tracking results in order to know these and the causes that provoke them. Due to the fact that the environment is changing, we must also review the action plan, as well as its objectives; in this way we also compare the set objectives with which they are being made. This will help us to observe the objectives, to be able to analyze variances, if any, and to be able to correct them with the new necessary actions.

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Then, we find the chart and also the flow chart of Diesvic:

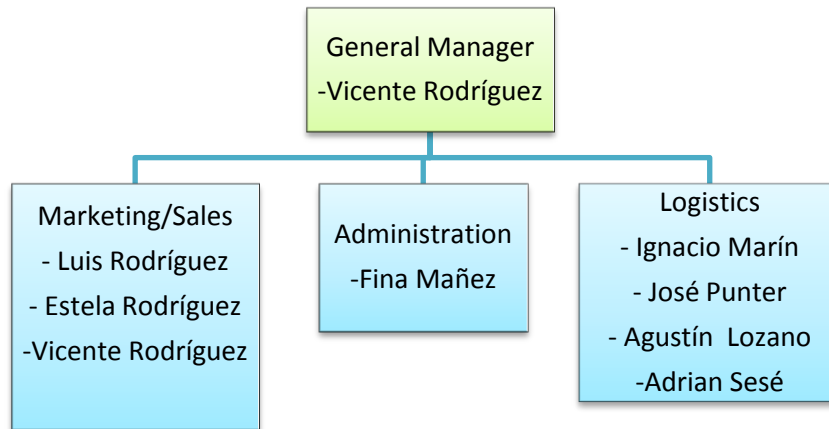


Figure 15: Organization chart of Diesvic

Source: Own elaboration

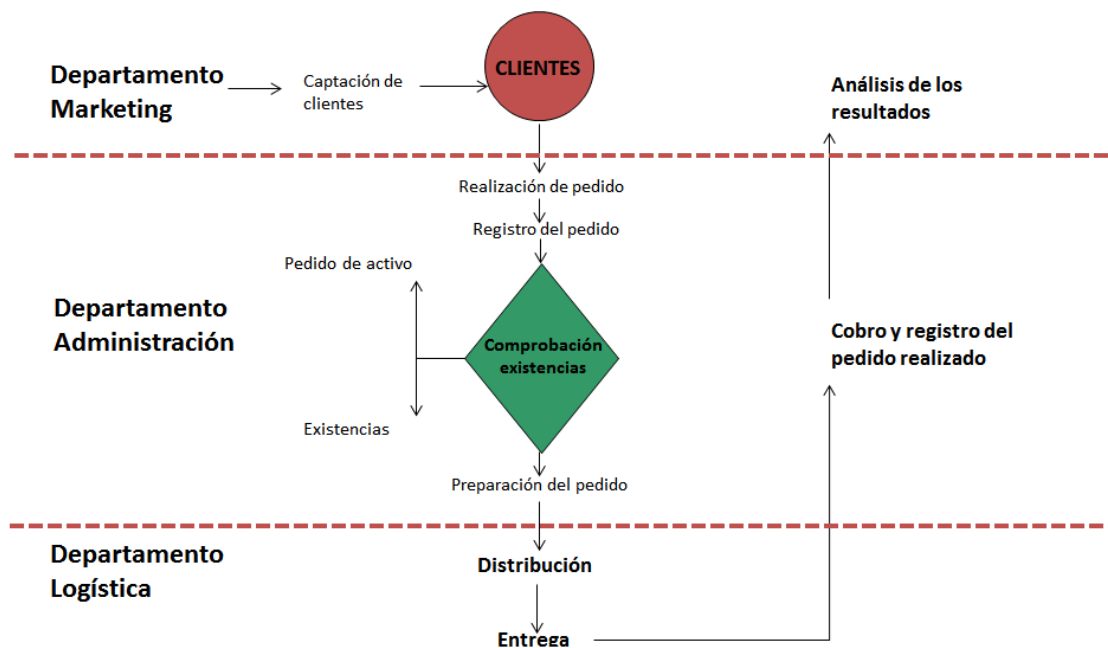


Figure 16: Flow chart of Diesvic

Source Own elaboration

8. CONCLUSIONS AND IDEAS FOR IMPROVEMENT

Although I consider the cohesion between the structure and the strategy very hard, I have thought some proposals that would be interesting for the enhancement and extension of the company.

On one side, a further definition of roles and objectives could be studied from the Administration and Finance Department, because there would be greater ease towards the attainment of them and would mark a specific way forward that would make possible the improvement of the company day by day.

Another purpose is the adoption of an operational and mechanical structure that is better adapted to the characteristics of the enterprise and sector, always having in mind a differentiation strategy that gives the recognition and visibility it is pursuing.

Finally, it would be interesting to consider the adoption of a divisional structure for the future, which would allow the company the possibility to achieve diversification and expansion. In this respect, it is worth mentioning that the current company is already studying the creation of a new business line that would be on a path towards the strategic growth direction the company is looking for. This new business line would be by including food products, pickled and fresh, in the company's portfolio, as for example conserves of all types, cold cuts, dry sausage and cheese of several types and backgrounds. This new business line will offer the client a greater range of products. The company will do the same route, but with that, it will increase the profitability of freight.

CONCLUSIONS:

After having conducted an investigation on the sector and the environment of the company Diesvic and having detailed the implementation of the strategic plan, I can value much more the theoretical education the degree in Business Administration offers, since, as being part of Diesvic, I already knew the practical part and after my studies I also know the theory, but separately. The realization of this project has obliged me to contrast both sides, giving me the opportunity of being able to study the theoretical and empirical part together. Since in the career we usually do not have the opportunity to observe the business reality or apply the theory into the real world, I have the chance of doing it in my own company, something which I am sure that will help me very much in my future.

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