

**UNIVERSITAT  
JAUME·I**

## **MARKETING PLAN OF PORCELANICOS HDC**

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## 1 EXECUTIVE SUMMARY

The present work consists of a marketing plan for the company Porcelánicos HDC for the year 2020-2021, which started its operations in 2001 in Vilafamés, Castellón, Spain. Porcelánicos HDC specialises in the production and marketing of ceramic tiles, both floor and wall tiles.

The marketing plan is divided into different parts. A brief introduction about the company can be found, and a diagnosis of the marketing mix that the company currently has is carried out. Moreover, the present study includes a pestel analysis, a SWOT analysis and a micro-environmental analysis. It also considers the objectives and strategies of the company, the marketing mix proposal to achieve these objectives, the budget and the monitoring. Finally, a conclusion will be drawn.

Given the current situation and after the analysis of internal and external factors, the objectives have been set for each department of the company (commercial, production and financial).

- Commercial objective: increasing to 3% the sales by 2021.
- Production objective: Increasing top quality products to 1,5% by 2021.
- Financial objective: Decreasing to 1,2% the debt by 2021.

The present analysis will be helpful to take advantage of the opportunities, to continue growing with the company's strengths, to try to correct the negative points that the company has, as well as to lessen the impact of the threats that the Company has to face. In this case, one of the current problems is Covid19.

To meet these objectives, the company will continue applying with different strategies:

- The strategy of differentiation, taking into account the high quality of its products.
- The strategy of market penetration. It will have to open new markets and to develop new products and markets in order to increase sales.
- An analytical strategy. Changes that the company makes will be kept in a moderate way and in consensus among shareholders and managers.
- A follower strategy. It will carry out its production of new models with its own models and improving the models of its competitors

To achieve these strategies, different actions will be carried out within each department to meet the objectives in a general way. Many of the actions are reflected in the marketing mix proposal.

Regarding budget, the company will make a small investment to achieve the objectives, since the situation that the sector and the world in general are facing means instability when it comes to investing in large projects. In addition, the actions that the company will carry out to achieve its objectives will be monitored by the heads of each department

as well as by the management, making a follow-up so that the established objectives are being fulfilled.

Finally, the ceramic industry is very beneficial when it comes to the economy and job creation in the Valencian Community, especially in Castellon, thanks to the exports carried out by the companies in the industry. It is a very innovative industry since it is very competitive.

## 2 INTRODUCCION

### 2.1 History

Porcelanicos HDC began its operations in January 2001 in Vilafamés, Castellón, Spain. Previously, in 1988, the company had been created by the shareholders of Cerámicas Gaya to make real estate investments, but it was not until 2001 that it was assigned an economic activity.

*Figure 1 Production plant*



Porcelánicos HDC was born as a subsidiary company of Cerámicas Gaya, one of the leading companies in the ceramic industry in those years, which based its production on red body in its production plant in Castellón. However, by creating this new company in Vilafamés, its goal was to make porcelain stoneware, thus expanding its product portfolio. At the beginning of the acquisition, Porcelánicos HDC was only productively independent, since it was administratively and commercially controlled by Cerámicas Gaya.

The link between the two companies disappeared in October 2003 due to disagreements between the partners. Then, Porcelanicos HDC became totally independent both in terms of shareholders and operations from Cerámicas Gaya.

In 2010, due to the crisis that the country was facing and the difficult situation of the construction sector, the company then was not profitable, resulting in large losses for its investors. In October 2010, the Cerlat-Mijares partnership acquired Porcelánicos HDC to continue its expansion in the commercialisation of ceramic tiles. This acquisition was formalised in 2013, when the partners of Porcelánicos HDC accepted the purchase offer from the Cerlat-Mijares Group.

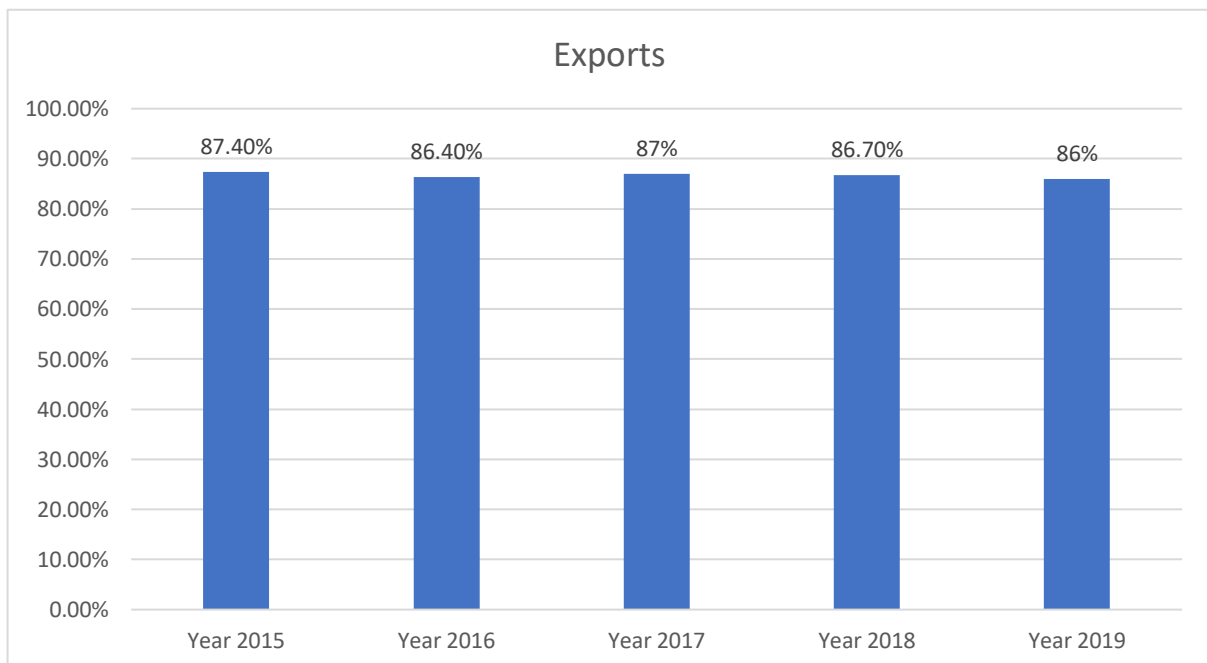
The new shareholders made a capital increase and large contributions to continue with the activity of the company and to solve the problems it had. It differed from the Cerlat

company in the production of larger formats and the use of new technologies when making its products. On the other hand, Porcelánicos HDC was totally independent from the Cerlat company both in terms of production as well as commercial and administrative aspects since the new shareholders entered.

The legal form of the company is a public limited company. Moreover, it has a medium size and it is enrolled in the business register. At the end of 2018, it had a social capital of 6,268,700 euros and a total of 65 employees, having between 85% and 90% of them a permanent contract. It should be noted that the company is not and has not previously been listed on the stock exchange.

Porcelánicos HDC has always had a greater number of transactions at an international level than at a national level. Exports represent 86% of the company's total sales in 2019 as it can be observed in the chart below.

*Chart 1 Exports years 2015-2020*



*Chart 1: Own source*

Currently the plant has modern technologies for production, which ensure a high quality of the final product, as they follow the strict quality, safety and environmental standards established by the European Union. The company is located on 150.000 m<sup>2</sup> of land with more than 30.000 m<sup>2</sup> covered, where a total of 2.000.000 m<sup>2</sup> of production can be reached per year. This production is divided into porcelain stoneware (technical and enamelled) and white body tile.

Regarding the ranking of companies in 2019, the position of Porcelánicos HDC is the following: 43 in the sector, 232 in the province of Castellón and 1,341 at a national level.

## **2.2 Mission**

The mission of Porcelánicos HDC is to satisfy the demand for ceramic tiles by producing and commercialising them, supplying both the national and foreign markets, and ensuring an excellent quality, design and price ratio for the products.

## **2.3 Vision**

The company's vision is to continue differentiating itself by its high quality products, relying on high technology in its production process, as well as to continue progressing and renewing itself in order to become one of the best alternatives for satisfying the customers' needs in the tile market, always in the latest fashion in sizes, colours, tones or models. In addition, it expects to increase its profits, expand its land and continue its brand recognition between 2020 and 2021.

## **2.4 Values**

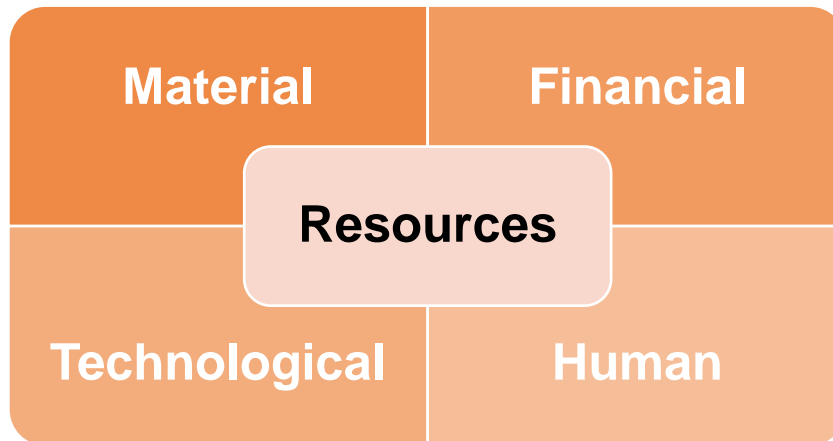
Some of the values for which the company stands out are:

- Responsibility: acting with caution and fulfilling the obligations with the stakeholders.
- Honesty: always being transparent and honest with the stakeholders and guaranteeing the quality of the products. Moreover, there is always coherence between what the company says and what it does.
- Loyalty: showing respect and loyalty to the stakeholders.
- Respect: listening, understanding and valuing, seeking a close and good relationship with the different stakeholders.
- Trust, reliability, commitment and credibility: fulfilling the promises made to the stakeholders.
- Teamwork: people coordinate, interact, as well as help and support each other.
- Integrity: acting according to the ethical concepts of the company.
- Design and innovation: products and services will be tried to be of higher quality.
- Professionalism and dedication both in production and service delivery.
- Flexibility: seriousness and professionalism are complemented by the ability to negotiate.
- Customer orientation: the company tries to give the best possible customer service.



## 2.5 Resources

The company Will manage its resources and capacities in an efficient and effective way in order to achieve its goals, trying if possible to achieve a competitive edge in the tile market. Two types of resources are differentiated, the tangible and the intangible ones.



The tangible resources are:

- **Material resources.** Those refer to the physical assets that the company has in order to carry out its activity. Those include: the raw materials for making products (clays, glazes, etc.), machinery (kiln, grinding machine, fork-lift trucks, etc.), infrastructure (the offices, the warehouse, etc.), furniture (shelves, desks, chairs, photocopiers, etc.), means of transport (company cars and vans) and, finally, the energy (gas, electricity) and the fuel required for production.

- **Financial resources.** Those refer to the monetary assets with a degree of liquidity that the company has, those being very important in order to carry out the activity of the company. Those are classified into two types: own resources (social capital, reserves, etc.) and borrowed resources (creditors' and suppliers' credits, bank loans and bank credits, etc.).

They help the company fulfil its objectives; in fact, the company would not survive without those resources.

Apart from the turnover, the company also receives a subsidy of external promotion for the operation of the activity

Figure 2 Non-consolidated accounts Porcelánicos HDC

Cuentas No Consolidadas	31/12/2018 EUR	31/12/2017 EUR	31/12/2016 EUR	31/12/2015 EUR
	12 meses Aprobado Normal PGC 2007	12 meses Aprobado Normal PGC 2007	12 meses Aprobado Normal PGC 2007	12 meses Aprobado Normal PGC 2007
Ingresos de explotación	13.125.729	13.270.554	13.583.347	12.647.133
Result. ordinarios antes Impuestos	693.754	1.009.001	1.268.299	945.647
Resultado del Ejercicio	624.237	1.003.698	1.220.749	935.876
Total Activo	15.316.423	14.797.112	13.454.159	13.064.703
Fondos propios	8.659.425	8.031.303	7.030.648	5.806.043
Rentabilidad económica (%)	4,53	6,82	9,43	7,24
Rentabilidad financiera (%)	8,01	12,56	18,04	16,29
Liquidez general	1,42	1,28	1,36	1,18
Endeudamiento (%)	43,46	45,72	47,74	55,56
Número empleados	64	60	58	59

Figure 2: Extracted from Sabi (n.d).

As it can be observed in the image above, in 2018, *Porcelánicos HDC* had assets valued in 15.316.423€, the operating income was 13,125,729€ and finally, the outturn for the financial year was 624,237€. Once the results of previous years have been seen, it can be stated that here has been a positive evolution of income and profits. For the year 2019, an increase in income and profits is expected, although accounts have not been closed neither approved yet.

**Human resources.** Those refer to the company's employees. They are key to achieving the company's objectives, improving the productivity and performance of the company. They must be aware of the role they have to fulfil and of the company's objectives There are 65 employees, approximately 56 of them having a permanent contract. Moreover, many of them have years of experience in the industry and a good education. The hierarchical structure of the company can be seen in the organisation chart below:

Figure 3 Organisation chart Porcelánicos HDC

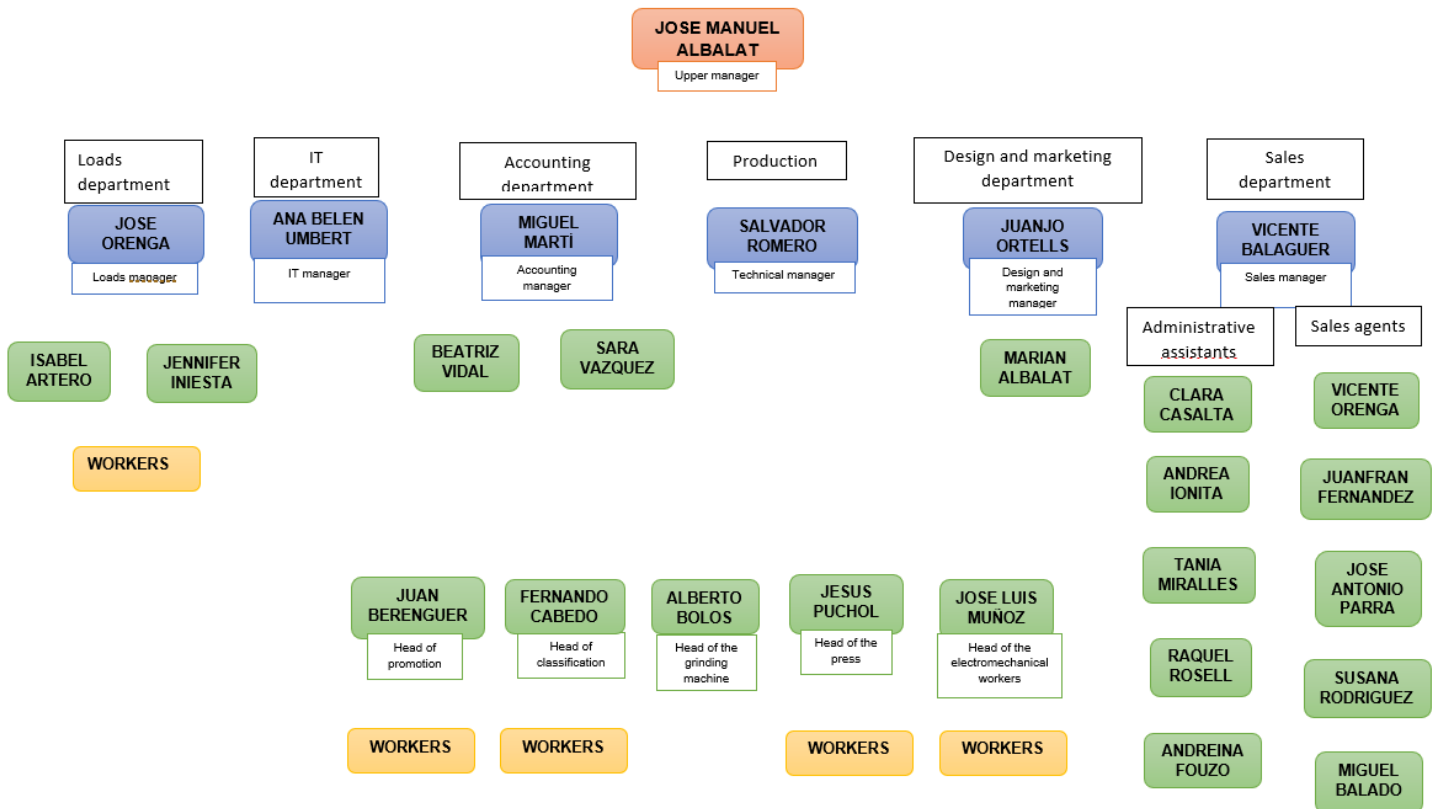


Figure 3: Own source

The intangible resources are:

- **Technological resources.** The increased use of technology during these years is very important to make oneself known, to maintain contact with customers, in order to remain efficient, and to increase productivity. Some of these resources are computers, phones, external memories, antivirus, websites, ERP (Ekon), office automation (Microsoft Office), email (Microsoft Outlook), etc.

## 2.6 Ethics and responsibility

On the one hand, Porcelánicos HDC is responsible in economic and social terms since it carries out its activity taking into account the mission, the vision and the values aforementioned, thus guaranteeing a close customer treatment and a high product quality.

The business' management is responsible for keeping the employees motivated and committed to the company. Furthermore, it ensures that the employees know their role in the company and the company's objective. It is also important to mention that the company avoids excessive hours, underage workers, lack of hygiene and safety, or forced labour, among others.

On the other hand, the company is environmentally friendly, as it can be observed on its webpage:

- The company has a wastewater recovery plant for suppliers.
- The company contributes to the fight against deforestation by introducing the Euro Pallet. Moreover, it has containers for the collection of cardboard, paper, plastic, etc.

This commitment to the environment is reflected in EN ISO 14025:2010 and EN 15804:2012, developed in collaboration with the Institute of Technology and certified by AENOR (Spanish Association for Standardization and Certification), supporting the credibility of environmental compliance and increasing the consumer's confidence in purchasing the company's products.

In terms of energy saving, the company has the LEED certification system, which guarantees that the company saves between 30% and 70% of energy in comparison to a conventional company. It even reduces CO<sub>2</sub> emissions by up to 35%.

Porcelánicos HDC also has an integrated packaging management system (i.e. *ECOEMBES*) and makes annual contributions to sectorial prevention plans. In addition, its products have the polluting waste guaranteed by:

GlobalEPD 002-038 for Porcelain Stoneware and GlobalEPD 002-039 for White Body.

## **2.7 Production process**

Regarding the production process, the company has different activities with which it obtains the expected product after the manufacturing process:

**-Soil selection, distribution and dosage.** The company chooses the materials that will participate in the selection process considering their quality, resistance and behaviour. The company develops quality controls to ground and spray-dried mixtures of feldspars, white clays, kaolin and quartz.

**-Pressing.** The company has high tonnage presses to produce the products with the appropriate pressure and to achieve the required compaction, which must be over 500 Kg/cm<sup>2</sup>.

- **Enamelling** refers to the activity in which enamel and screen-printing are applied mainly in white body, but also in porcelain stoneware if required.

- **Firing.** This process is important to achieve a high strength and a minimum porosity. Temperature must be above 1.200°C and firing cycles must be high.

- **Quality control** consists of checking the quality of the products by examining their planimetry, orthogonality, calibre, finish, etc.

**-Grinding and polishing.** This process was the last to be added by the company, as it was previously carried out in external companies. Thus, the process was more expensive

and there was uncertainty regarding delivery times. In this process, the material is given a grinding or polishing.

**-Storage.** Once the production process is finished, products are packed and palletised, and finally, they are stored according to models in the company.

Figure 4 Production process

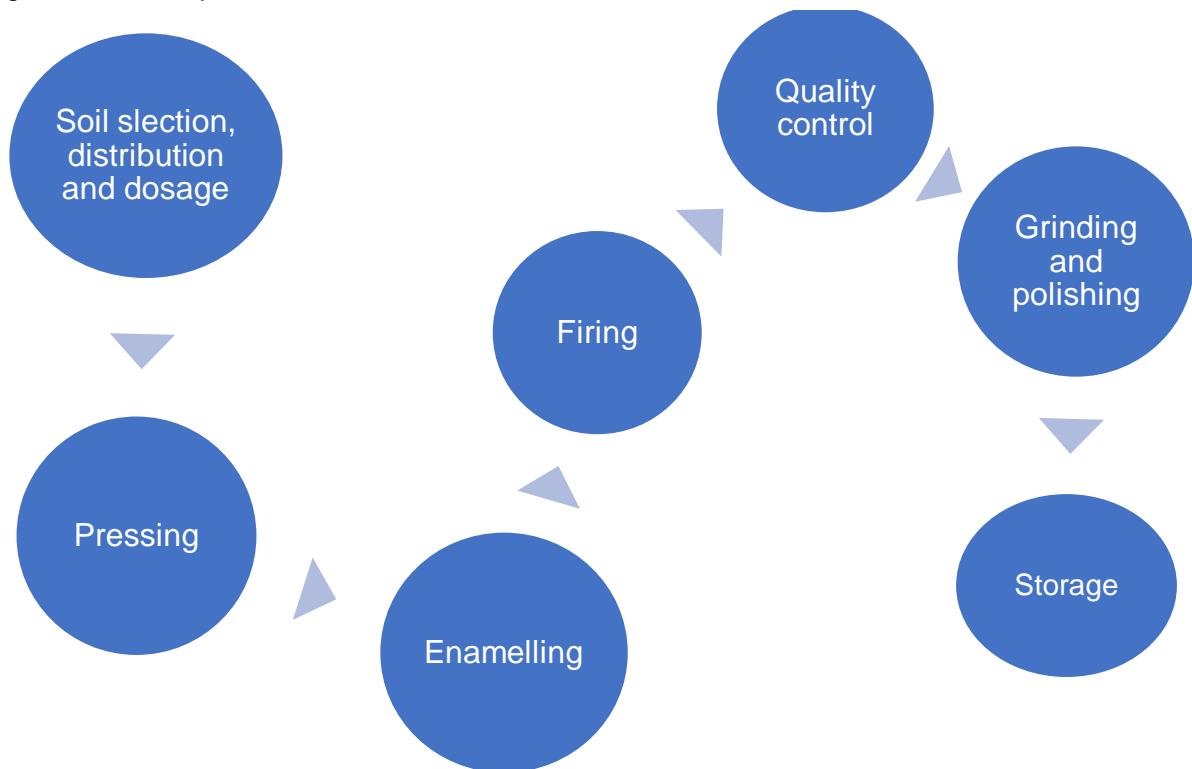


Figure 4: Own source

For the correct manufacture of ceramics, a series of requirements and parameters must be met, which are defined in the European standard EN 1441. It is a quality standard for both the production process and the finishing process.

It includes: definitions, classifications, and the evaluation and verification of the performance and marking constancy of the different types of products.

The first classification of the ceramic is by the method of forming the piece, it can be by extrusion (A) or by pressing (B). While the 2nd classification is by the water absorption of the piece, in this case there are several groups: Ala, Bla, Alb, Blb, BIII, etc..

Table 1 Water absorption

Model	Water absorption ( $E_b$ )			
	Group 1 $E_b \leq 0,5\%$	Group 2 $3\% < E_b \leq 6\%$	Group 2 $6\% < E_b \leq 10\%$	Group 3 $E_b > 10\%$
Method A	Al <sub>a</sub> Group $E_b \leq 0,5\%$	All <sub>a-1<sup>a</sup></sub> Group	All <sub>b-1<sup>a</sup></sub> Group	All Group
	Al <sub>a</sub> Group $0,5\% < E_b \leq 3\%$	All <sub>a-2<sup>a</sup></sub> Group	All <sub>b-2<sup>a</sup></sub> Group	
Method B	Bl <sub>a</sub> Group $E_b \leq 0,5\%$	Bl <sub>a</sub> Group	Bl <sub>b</sub> Group	Bl <sub>ll<sup>b</sup></sub> Group
	Bl <sub>b</sub> Group $0,5\% < E_b \leq 3\%$			
<p><sup>a</sup> All<sub>a</sub> and All<sub>b</sub> Groups are subdivided into two parts (part 1 and 2) with different product specifications. Part 1 includes most of the tiles in this group, part 2 includes specific products that are manufactured under different names.</p> <p><sup>b</sup> Bl<sub>ll</sub> Group includes only glazed ceramic tiles. There is a small amount of unglazed dry pressed tiles with water absorption greater than 10% that are not included in this European standard</p>				

Table 1: Own source

### 3 MARKETING MIX

The main objective of marketing mix is to know the reality of the internal environment of the company. The marketing mix takes into account four variables, known as the 4ps as those are:

#### 3.1 Product

The products that the company produces and commercialises in order to satisfy the customers' needs. As it has been explained before, the company bases its production on technical and enamelled porcelain stoneware and white body tiles.

These products can be floor or wall tiles, they can be ground or unground, they can have different colours and designs (*i.e.* stone, wood, marble, etc.), they be used indoors or outdoors and they can have different sizes (25x33, 90x90, 30x60, 29x29, 60x60, etc.).

The different models of the company can be seen on the website (<https://www.porcelanicos hdc.es/producto/>). In addition, the products out of range can also be found on the website (<https://www.porcelanicos hdc.es/category/fuera-de-gama/>). The latter are sold until the stock runs out.

In this case, we will define the parameters of Bl<sub>a</sub> Group and Bl<sub>ll</sub> Group.

#### Bl<sub>a</sub> Group

- **Porcelain stoneware** is a compact, hard body, coloured and non-porous ceramic, which stands out for its resistance and low water absorption. The technical characteristics of porcelain stoneware are the following:

## Dimensions

Figure 5 Dimensions of the products

ENSAYO / TEST	ENSAYO / TEST	VALOR NORMAS STANDARD VALUE	VALOR MEDIO PORCELÁNICOS AVERAGE VALUE
 <b>Ortogonalidad</b> Rectangularity / Rechtwinkligkeit / Angularité	UNE-EN-ISO 10545-2	+/- 0,6%	+/- 0,3%
 <b>Longitud y anchura</b> Sides / Seiten / Cotes	UNE-EN-ISO 10545-2	+/- 0,6%	+/- 0,3%
 <b>Grosor</b> Thickness / Dicke / Épaisseur	UNE-EN-ISO 10545-2	+/- 0,5%	+/- 2%
 <b>Curvatura</b> Curvature / Krümmung / Courbure	UNE-EN-ISO 10545-2	+/- 0,5%	+/- 0,2%

Figure 5: Extracted from Porcelanicos HDC

## Physical properties

Figure 6 Physical properties of the products

ENSAYO / TEST	ENSAYO / TEST	VALOR NORMAS STANDARD VALUE	VALOR MEDIO PORCELÁNICOS AVERAGE VALUE
 <b>Absorción de agua</b> Water absorption / Wasseraufnahme Absorption d'eau	<b>Porcelánico Esmaltado Bla</b> UNE-EN-ISO 10545-3	≤ 0,5	≤ 0,4
 <b>Resistencia a la flexión</b> Flexion resistance / Biegefestigkeit / Résistance à la flexion	UNE-EN-ISO 10545-4	> 35 N/mm <sup>2</sup>	> 35 N/mm <sup>2</sup>
 <b>Carga de rotura</b> Breaking strength / Bruchfestigkeit / Résistance à la rupture	UNE-EN-ISO 10545-4	Mínimo 1300 N	Mínimo 1500 N
 <b>Resistencia a la Abrasión Superficial</b> Resistance to abrasion / Abriebfestigkeit / Résistance à la abrasion	UNE-EN-ISO 10545-6	Indicado por el fabricante	Clase 3-4
 <b>Coefficiente de dilatación Térmica Lineal</b> Lineal Thermal Expansion Coefficient / Linearer Wärme-Ausdehnungs koefizient / Coefficient de dilatation thermique Linéaire	UNE-EN-ISO 10545-8	10 <sup>-6</sup> k <sup>-1</sup>	< 6,7 * 10 <sup>-6</sup> k <sup>-1</sup>
 <b>Resistencia al choque Térmico</b> Resistance to thermal shock / Temperaturwechselbeständigkeit / Résistance aux écarts de température	UNE-EN-ISO 10545-9	Exigida	Resiste
 <b>Resistencia al hielo</b> Frost Resistance / Frostbeständigkeit / Résistance au gel	UNE-EN-ISO 10545-12	Exigida	Resiste
 <b>Resistencia al deslizamiento</b> Slip resistance / Bestimmung der rutschemmenden Eigenschaft Résistance au glissement	DIN 51130	Indicado por el fabricante	Según modelo
 <b>Dureza de la superficie</b> Mohs surface hardness / Ritzhärte nach Mohs / Dureté de la surface Mohs	UEN-67-101-92	--	≥ 5
<b>CTE</b>  <b>Resistencia al deslizamiento CTE</b> Slip resistance Bestimmung der rutschemmenden Eigenschaft Résistance au glissement	UNE-ENV 12633:2003	Indicado por el fabricante	Según modelo

Figure 6: Extracted from Porcelanicos HDC



## Chemical resistance

Figure 7 Chemical resistance of the products

ENSAYO / TEST	ENSAYO / TEST	VALOR NORMAS STANDARD VALUE	VALOR MEDIO PORCELANICOS AVERAGE VALUE
 <b>Resis. a productos domésticos de limpieza</b> Household / Chemical / Widerstandfähigkeit gegenüber Chemischen Haushaltsprodukten / Résistance aux produits chimiques à usage domestique	UNE-EN-ISO 10545-13	GB	GA
 <b>Resistencia a las manchas</b> Stain resistant / Beständigkeit gegen Fleckenbilder / Résistance aux tâches	UNE-EN-ISO 10545-14	Min. Clase 3	Min. Clase 3
 <b>Resistencia a bajos concentrados de Acidos y Alcalis</b> Low concentration of acids and alkalis / Niedrige Konzentration von Säuren und Laugen / Faible concentration d'acides et bases	UNE-EN-ISO 10545-13	GLB	GLA
 <b>Resistencia a altos concentrados de Acidos y Alcalis</b> High concentration of acids and alkalis / Hohe Konzentration von Säuren und Laugen / Haute concentration d'acides et bases	UNE-EN-ISO 10545-13	GHB	GHA

Figure 7: Extracted from Porcelanicos HDC

Figure 8 Porcelain products summary

PORCELANICO	PALET PALLET PALETTE	FORMATO CMS SIZE CMS FORMAT CMS	FORM PULGADAS SIZE INCHES FORMAT ZOLL FORMAT POUCES	PIEZAS/CAJAS PCS/BOX STÜCK/KARTON PIECES/BOITE	PIEZAS/M2 PCS/SQM STÜCK/CM2 PIECES/M2	M2/CAJA SQM/BOX QM/KARTON M2/BOITE	M2/PALET SQM/PALLET QM/PALETTE M2/PALETTE	CAJAS/PALET BOXES/PALLET KARTON/PALETTE BOITES/PALETTE	KGS./CAJA KGS/BOX KGS./KARTON KGS./BOITE	KGS./M2 KGS./SQM KGS./QM KGS./M2	KGS./PALET KGS./PALLET KGS./PALETTE	ESPESOR MM THICKNESS MM DOKS MM EPAISSEUR MM	CONTENEDOR 21,5 FULL	CONTENEDOR 24 FULL
PORCELANICO CORTADO	EUR	10 X 33,3	4" X 13"	10	30,03	0,3330	39,960	120	7,00	21,02	840	9,7	25,5	28,5
PORCELANICO RECTIFICADO S COLORES	EUR	14,4 X 29,4	5,7" X 11,5"	12	23,62	0,5080	40,640	80	12,47	24,55	998	10,5	21,5	24,0
PORCELANICO REC MATE S. COLORES	EUR	14,4 X 59	5,7" X 23,2"	12	11,77	1,0195	40,780	40	24,35	23,88	974	10,5	22,0	24,5
PORCELANICO REC BRILLO S. COLORES	EUR	14,4 X 59	5,7" X 23,2"	12	11,77	1,0195	40,780	40	23,20	22,76	928	10,5	23,0	26,0
PORCELANICO RECTIFICADO GENERAL	EUR	14,6 X 59,4	5,8" X 23,5"	12	11,53	1,0407	41,628	40	25,00	24,02	1.000	10,5	21,5	24,0
PORCELANICO CORTADO	EUR	14,7 X 90	5,8" X 36"	8	7,56	1,0584	50,803	48	26,66	25,19	1.280	11,6	16,8	18,7
PORCELANICO RECTIFICADO	EUR	19,5 X 89	7,7" X 35"	6	5,76	1,0413	49,982	48	26,73	25,67	1.283	11,6	16,7	18,7
PORCELANICO CORTADO	EUR	19,7 X 90	7,8" X 36"	6	5,64	1,0638	51,062	48	26,80	25,19	1.286	11,6	16,7	18,6
PORCELANICO RECTIFICADO	ESP	19,5 X 119,2	7,7" X 47"	5	4,30	1,1622	48,812	42	27,24	23,44	1.144	10,3	18,8	21,0
PORCELANICO REC MATE S.COLORES	EUR	29,4 X 29,4	11,5" X 11,5"	12	11,56	1,0372	41,488	40	25,00	24,10	1.000	10,5	21,5	24,0
PORCELANICO REC BRILLO S COLORES	EUR	29,4 X 29,4	11,5" X 11,5"	12	11,56	1,0372	41,488	40	23,63	22,78	945	10,5	22,8	25,4
PORCELANICO RECTIFICADO GENERAL	EUR	29,6 X 29,6	11,6" X 11,6"	12	11,41	1,0514	42,056	40	25,30	24,06	1.012	10,5	21,2	23,7
PORCELANICO REC MATE S. COLORES	EUR	29,4 X 59	11,5" X 23,2"	6	5,76	1,0407	41,628	40	25,00	24,02	1.000	10,5	21,5	24,0
PORCELANICO REC BRILLO S. COLORES	EUR	29,4 X 59	11,5" X 23,2"	6	5,76	1,0407	41,628	40	23,70	22,77	948	10,5	22,5	25,3
PORCELANICO RECTIFICADO GENERAL	EUR	29,6 X 59,4	11,6" X 23,5"	6	5,69	1,0550	42,200	40	25,40	24,08	1.016	10,5	21,0	23,5
PORCELANICO CORTADO	EUR	29,7 X 90	11,7" X 36"	4	3,74	1,0692	51,322	48	26,94	25,20	1.293	11,6	16,6	18,5
PORCELANICO	ST	30 X 60	12" X 24"	6	5,56	1,0800	51,840	48	24,35	22,55	1.169	9,4	18,5	20,5
PORCELANICO ESTRUCTURADO	ST	30 X 60	12" X 24"	6	5,56	1,0800	51,840	48	21,76	20,15	1.044	10,0	20,6	23,0
PORCELANICO ESTR. MOD. BRICK	ST	30 X 60	12" X 24"	6	5,56	1,0800	51,840	48	23,26	21,54	1.116	10,0	19,2	21,5
PORCELANICO RECTIFICADO	ST	32 X 32	12,5" X 12,5"	12	9,77	1,2288	58,982	48	24,20	19,69	1.162	8,5	18,5	20,6
PORCELANICO	ST	33,3 X 33,3	13" X 13"	12	9,02	1,3306	63,869	48	25,50	19,16	1.224	8,5	17,5	19,6
PORCELANICO	EUR	33,3 X 65	13" X 26"	5	4,62	1,0822	43,288	40	23,00	21,25	920	9,7	23,3	26,0
PORCELANICO ESTRUCTURADO	EUR	33,3 X 65	13" X 26"	5	4,62	1,0822	43,288	40	20,75	19,17	830	9,7	24,0	28,0
PORCELANICO 389 RECT GENERAL	EUR P	32 X 89	12,5" X 35"	4	3,51	1,1392	54,682	48	27,27	23,92	1.309	10,8	16,4	18,3
SERIE TOWER 389 RECT SERIE TOWER	EUR P	32 X 89	12,5" X 35"	4	3,51	1,1392	54,682	48	28,36	24,88	1.361	11,6	15,8	17,6
PORCELANICO 390 GENERAL	EUR P	33,3 X 90	13" X 36"	4	3,33	1,2000	57,600	48	28,70	23,92	1.378	10,8	15,6	17,4
PORCELANICO 33,3 X90 SMART Y CLEVER	EUR P	33,3 X 90	13" X 36"	4	3,33	1,2000	57,600	48	26,20	21,83	1.258	10,8	17,0	19,0
PORCELANICO	EUR	45 X 65	18" X 26"	4	3,42	1,1700	56,160	48	26,00	22,22	1.248	9,7	17,2	19,2
PORCELANICO RECTIFICADO	ESP	44,8 X 90	17,8" X 36"	3	2,48	1,2096	36,288	30	32,00	26,46	960	11,0	22,5	25,0
PORCELANICO RECT MATE S. COLORES	EUR	59 X 59	23,2" X 23,2"	3	2,87	1,0443	41,772	40	25,15	24,08	1.006	10,5	21,4	24,0
PORCELANICO RECT BRILLO	EUR	59 X 59	23,2" X 23,2"	3	2,87	1,0443	41,772	40	23,80	22,79	952	10,5	22,5	25,2
PORCELANICO RECTIFICADO GENERAL	EUR	59,4 X 59,4	23,5" X 23,5"	3	2,83	1,0580	42,320	40	25,50	24,10	1.020	10,5	21,0	23,5
PORCELANICO BRILLO	EUR	60 X 60	24" X 24"	3	2,78	1,0800	43,200	40	24,60	22,78	984	10,5	22,0	24,5
PORCELANICO GENERAL	EUR	60 X 60	24" X 24"	3	2,78	1,0800	43,200	40	26,00	24,07	1.040	10,5	20,5	23,0
PORCELANICO	EUR	59,4 X 89	23,5" X 35"	2	1,89	1,0573	50,750	48	26,60	25,16	1.277	11,6	16,8	18,8
PORCELANICO PULIDO	EUR	59 X 89	23,2" X 35"	2	1,90	1,0502	50,410	48	26,45	25,19	1.270	11,6	17,0	19,3
PORCELANICO	EUR	60 X 90	24" X 36"	2	1,85	1,0800	51,840	48	27,22	25,20	1.307	11,6	16,0	18,0
PORCELANICO RECIFICADO	ESP	90 X 90	36" X 36"	2	1,23	1,6200	32,400	20	43,00	26,54	860	11,0	25,0	28,0

Figure 8: Extracted from Porcelanicos HDC

## Blill Group

- **White body** refers to suitable ceramics for decoration which stand out for being high quality coatings and for having different designs. The white body has a high cost compared to the red body.

The technical characteristics of the white body are the following:



## Dimensions

Figure 9 Dimensions of the products

ENSAYO / TEST	ENSAYO / TEST	VALOR NORMAS STANDARD VALUE	VALOR MEDIO POERCELÁNICOS AVERAGE VALUE
 <b>Ortogonalidad</b> Rectangularity / Rechtwinkligkeit / Angularité	UNE-EN-ISO 10545-2	+/- 0,5%	+/- 0,3%
 <b>Longitud y anchura</b> Sides / Seiten / Cotes	UNE-EN-ISO 10545-2	+/- 0,5%	+/- 0,3%
 <b>Grosor</b> Thickness / Dicke / Epaisseur	UNE-EN-ISO 10545-2	+/- 0,8mm	+/- 0,4%
 <b>Curvatura</b> Curvature / Krümmung / Courbure	UNE-EN-ISO 10545-2	+0,5%/-0,3%	+/- 0,2%

Figure 9: Extracted from Porcelanicos HDC

## Physical properties

Figure 10 Physical properties of the products

ENSAYO / TEST	ENSAYO / TEST	VALOR NORMAS STANDARD VALUE	VALOR MEDIO POERCELÁNICOS AVERAGE VALUE
 <b>Absorción de agua</b> Water absorption / Wasseraufnahme / Absorption d'eau <b>BIII</b>	UNE-EN-ISO 10545-3	10%	16%
 <b>Resistencia a la flexión</b> Flexion resistance / Biegefestigkeit / Résistance à la flexion	UNE-EN-ISO 10545-4	> 12 N/mm <sup>2</sup>	> 15 N/mm <sup>2</sup>
 <b>Coefficiente de dilatación Térmica Lineal</b> Linear Thermal Expansion Coefficient / Wärme-Ausdehnungskoeffizient / Coefficient de dilatation thermique Linéaire	UNE-EN-ISO 10545-8	< 9*10 <sup>-6</sup> k <sup>-1</sup>	< 6,7 10 <sup>-6</sup> k <sup>-1</sup>
 <b>Resistencia al choque Térmico</b> Resistance to thermal shock / Temperaturwechselbeständigkeit / Résistance aux écarts de température	UNE-EN-ISO 10545-9	Exigida	Resiste
 <b>Resistencia al Cuarteo</b> Creazing Resitance / Risswiderstand / Résistance aux craquelures	UNE-EN-ISO 10545-11	Exigida	Resiste
 <b>Dureza de la superficie</b> Mohs surface hardness / Oberflächenhärte / Dureté de la surface Mohs	EN-101	≥ 3	≥ 3

Figure 10: Extracted from Porcelanicos HDC

## Chemical resistance

Figure 11 Chemical resistance of the products

ENSAYO / TEST	ENSAYO / TEST	VALOR NORMAS STANDARD VALUE	VALOR MEDIO POERCELÁNICOS AVERAGE VALUE
 <b>Resis. a productos domésticos de limpieza</b> Haushalts / Chemical / Widerstandsfähigkeit gegenüber chemischen Haushaltsprodukten / Résistance aux produits chimiques à usage domestique	UNE-EN-ISO 10545-13	Mín. Clase GB	Clase GA
 <b>Resistencia a las manchas</b> Stain resistant / Beständigkeit gegen Fleckenbilder / Résistance aux tâches	UNE-EN-ISO 10545-14	Mín. Clase 2	Mín. Clase 3

Figure 11: Extracted from Porcelanicos HDC

Figure 12 White body products summary

PASTA BLANCA		PALET		FORMATO CMS.		FORM PULGADAS		PIEZAS/CAJAS		PIEZAS/M <sup>2</sup>		M2/CAJA		M2/PALET		CAJAS/PALET		KGS./CAJA		KGS./M <sup>2</sup>		KGS./PALET		ESPESOR MM			
		PALLETT	PALLETT	SIZE CMS.	FORMAT CMS.	SIZE INCHES	FORMAT ZOLL	STUCKKARTON	PIECES/BOITE	PCS./SQM	STUCKQM	PIECES/M <sup>2</sup>	SQM./BOX	QM/KARTON	M <sup>2</sup> /BOITE	SQM/PALETTE	KARTON/PALLETT	BOXES/PALLETT	KGS./KARTON	KGS./BOITE	KGS./SQM	KGS./QM	KGS./M <sup>2</sup>	KGS./PALLETT	KGS./PALLETT	THICKNESS MM	DICKE MM
REV PASTA BLANCA	EUR		25 X 33,3	10" X 13"		15	12,01	1,2487		67,430		54	20,00	16,02	1,080		8,9	20,0	22,2								
REV PASTA BLANCA	EUR		33,3 X 65	13" X 26"		5	4,62	1,0822		43,288		40	20,60	19,04	824		11,1	26,0	29,0								
REV PASTA BLANCA	EUR P		33,3 X 90	13" X 36"		4	3,33	1,2000		57,600		48	23,57	19,64	1.131		11,5	19,0	21,5								
REV PASTA BLANCA	EUR P		32 X 89	12,5" X 35"		4	3,51	1,1392		54,682		48	22,37	19,64	1.074		11,5	20,0	22,3								

Figure 12: Extracted from Porcelánicos HDC

The test methods indicated in the tables above are defined in the European standard EN 14411. Depending on the type of the product and where the product is to be placed, different parameters will be required. The better the performance of the finished product, the more versatile it will be.

Apart from the high quality of the product, it is necessary to consider, impact that the production of this one has in the environment. For that reason, each day, environmental certificates are more relevant, like the environmental standard ISO 14001, which causes that certain criteria and objectives are fulfilled in the production process to reduce as far as possible the environmental impact.

Eco-labels such as Ecolabel and DAP (Global EDP) are also becoming increasingly important, especially in international trade. Even the contribution of LEED credits is also important and they can contribute to obtain the LEED certificate of any project.

### 3.2 Price

Price is a powerful competitive instrument, it has great influence on both supply and demand and it is the only element that provides income.

The ceramic tile market in which the company competes is very price sensitive because of the existence of a large number of competitors and similar products.

The price of the products of Porcelánicos HDC is established considering the high quality of the products, taking into account the fixed and variable costs, trying that the customers see unique characteristics in the products, but always searching the benefits of their commercialisation.

Always taking into account the prices of the competition's products to be able to compete, the company constantly seeks how to reduce the production costs to continue competing with its competition. Moreover, the price of the products in the market influences the customers a lot.

The price of the products depends largely on:

- Discounts for quantity. If picking is bought, the price is more expensive, but if the whole pallet is bought, the price will be cheaper than picking, and in case that more than 3 pallets are acquired the discount will be even higher.
- Old models. If a model has been on the market for a long time and the sales department manager considers it to be in decline, a discount will be given to the customer in comparison to when the model was released on the market.
- Special pieces. The company does not produce skirting boards, steps, meshes or trims, but it does offer these products. Another company produces them, thus selling price of these products is raised.
- Special pieces. The company is not a manufacturer of skirting boards, steps, meshes or trims, but it does offer these products. Another company produces them using the company's products, so the selling price of these products is raised.
- Out of range and second quality models as well as clearance tiles. As it has been explained above, there are out of range models that the company still commercialises until they run out, so, as the time goes on, the price will diminish so as to sell them and to increase the space in the warehouse. On the other hand, the second quality products are also sold cheaply and the clearance tiles are even sold more cheaply.
- Advance payment discount.

The prices can change depending on models, customers, areas and countries. It should be noted that the price of the products does not vary depending on each customer, but depending on the frequency and quantities of purchase of each client, a discount can be given.

### **3.3 Place**

Place refers to a marketing tool through which the product is exchanged between the seller and the buyer, making the products available to the consumer when and where needed. The company sells to European, American, Asian and African countries. Porcelánicos HDC uses 2 distribution channels, a short and a long one.

Level 1 channel, *i.e.* short level channel, is used when the producing company, in this case Porcelánicos HDC, sells products to warehouses or retailers and these sell them to the final consumer.

Figure 13 Distribution channel I

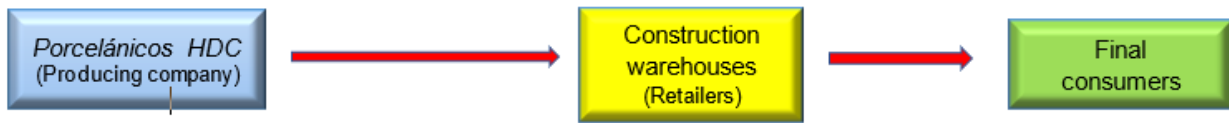


Figure 13: own source

Level 2 channel, *i.e.* long level channel, is when the producing company sells its products to multinationals or shopping centres, and these sell them to warehouses and finally they are acquired by the final consumers.

Figure 14 Distribution channel II

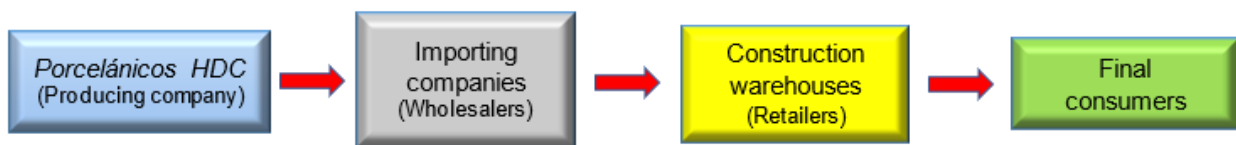


Figure 14: own source

These intermediaries deal with activities such as transport, storage, installation, repair, travel optimisation and marketing.

The intensity of the distribution of products of the company Porcelánicos HDC is carried out by means of the intensive absolute distribution combined with selective distribution, since it tries to sell its products in all the areas, but selecting which client will sell its products in that area. If the client is very profitable, only this one will sell the products in the area, in case the client in a specific area is not much profitable for the company, it will look for several clients to improve the profitability of the area.

The company's sales promotion types are push and pull, encouraging intermediaries to carry out sales and promotional activities, but also encouraging the consumer to go to the intermediary to make the purchase, since the company does not sell directly to the final consumer.

The company Porcelánicos HDC commercialises a wide range of products, both wall and floor tiles, with different designs, formats, etc.

### 3.4 Promotion

It is the marketing mix tool that makes the products known and strengthens the knowledge and marketing of them.

**-Advertising.** The company shows its products in its show rooms and also in the exhibitions of its customers with large panels, hand panels, loose pieces, cradles, exhibitors, and folders. Each client has several catalogues where the company

introduces its products and their specific characteristics as on its. It should be noted that each area has a monthly budget of samples according to the turnover of the previous month. The company places a sticker with the name of the model and the company on the sample pieces.

There are three types of catalogues with which Porcelánicos HDC promotes its products:

- General catalogue: it is annual and shows all the company's collections. Its editions are both physical and virtual.
- Innovation catalogue: it is a periodic catalogue and coincides with the different tile and ceramics fairs that the company attends. Its edition is also physical and virtual.
- Merchandising catalogue: this catalogue is thought as a tool to help the commercial agents. They can find in them different ways to expose the series and formats that the company has. Its edition is also both virtual and physical.

In addition, the company's website is always available to check new collections as well as models which are out of range and eliminated. It is constantly updated. On the website, the company also promotes some collections by means of promotional videos.

Porcelánicos HDC collaborates with several design platforms, offering its products so that housing projects using its collections can be designed.

**-Events**, like tile and ceramic fairs, such as Cevisama (Valencia), Cersaie (Italy) and Covering (USA; odd years in Orlando and even years in other cities in the country, such as Atlanta, Las Vegas, Chicago, etc.) where the company exhibits new models to be launched and models that have been better sold so far. The company will send invitations to its customers to attend the fairs.

**-Visits**. The company's sales agents and representatives visit the customers to offer new products, remove those out of range as well as to inform the customers if there are updates in the price list. They will also make sure that their products are well placed in the customer's exhibition. However, they are always in touch with customers by phone or e-mail

## **4 PESTEL ANALYSIS**

### **4.1 Political factors**

The Spanish government is a parliamentary monarchy, led by King Felipe VI. The Parliament regulates the legislative power as well as controls the executive power. Currently, the Spanish government is a multi-party system. Pedro Sánchez, the leader of the Spanish Socialist Party (i.e. PSOE), was elected president in the elections of the 10th of November 2019 with the support of Unidas Podemos party and other parties with less parliamentary weight.

In the last decade, the political situation in Spain has been uncertain, with continuous changes in the political power, coalitions between parties, a reformist paralysis and a budgetary extension. Therefore, this situation causes distrust and unease when it comes to making investments. Moreover, it generates a downturn in the economy and many projects are paralysed.

This conflict is even worse in some areas of Spain, mainly in Catalonia. It suffers a difficult situation with conflicts and threats, and many multinationals have moved their headquarters from there to other Spanish areas.

ASCER (i.e. Spanish Ceramic Tile Manufacturers' Association) was founded in 1977 in agreement with the 19/1977 Professional Organisations Act (Ley de 19/1977 de Professional Organisations Act) to support, defend and promote the tile sector. According to this association, 80% of the industry's turnover corresponds to exports and only 20% to the domestic market, and this industry is the third one that contributes the largest surplus to the Spain's trade balance.

The ceramic sector, as other industries or industries, pays various taxes. It must be mentioned that, thanks to the tile sector, Castellón has the highest contribution base in the Valencian Community. Thus, we can highlight the Personal Income Tax (PIT), as it can be observed in the image below.

*Figure 15: PIT percentages*

Primer tramo IRPF: paga el 19% de 12.450 euros – 2.365,5 euros

Segundo tramo IRPF: paga el 24% de 7.750 euros (la diferencia entre el primer y segundo tramo) – 1.860 euros.

Tercer tramo IRPF: paga el 30% de 15.000 euros (la diferencia entre el segundo y tercer tramo)– 4.500 euros.

Cuarto tramo IRPF: paga el 37% de 24.800 euros (la diferencia entre el tercer y cuarto tramo) – 9.176 euros.

Quinto tramo IRPF: paga el 45% de 5.000 euros (la diferencia entre el cuarto y quinto tramo) – 2.250 euros.

*Figure 13: Extracted from Finect*

After the publication of the Royal Decree 231/2020, the interprofesional minimum wage (SMIC) has increased to 950 euros in 2020, divided into 14 payments. This is equivalent to 13,300 euros per year, working 40 hours per week. This increase in SMIC has been 5.5% compared to last year, which was also 22.3% higher than in 2018. It should be noted that the minimum wage in the tile industry is 1078.20 euros, being higher than the SMIC.

Aid and subsidies can be obtained for the creation of new companies, such as one-off payment of unemployment benefit, aids for entrepreneur women, aid for innovation, subsidies for technology-based companies, aids for entrepreneurship in the Autonomous Communities, aids for internationalisation and subsidies for the disabled and young people. These aids or subsidies help the companies with their investments, since, as the ceramic industry is constantly changing, they need strong investments to continue developing within the sector.

On the other hand, the situation in other countries influences Spain, as the ceramic industry bases its sales on exports. In fact, protectionist policies in North Africa, e.g. Algeria, Morocco or Egypt, or in other areas such as Saudi Arabia, Pakistan or Ecuador, or the Brexit in the United Kingdom are factors that have determined Spanish exports.

Finally, the weight of the containers to be transported must be up to 29 tons (gross weight). This is the most used and the safest means of transporting materials today.



## 4.2 Economic factors

Spain is among the 5 most populated countries in the European Union and among the 20 most populated countries in the world. As for the tile sector, it is concentrated in the province of Castellón, which has the largest producers worldwide.

For a number of years now, the country has been recovering from the economic crisis in that began in 2008, taking into account events such as the following ones:

- The progressive employment growth, although taking into account that there is a high number of temporary contracts. In 2018, job creation decreased in comparison to previous years.
- The importance of exports, causing an increase in production and, therefore, an employment growth. Many companies, if not most, companies sell more products to the international market than to the domestic market.

It should also be borne in mind that the future of exports is uncertain due to the worldwide overproduction of tiles and the aforementioned protectionist policies that are increasingly emerging.

- Investments have increased since overcoming the crisis that began in 2008, although in a more contained way than in the years before the crisis. However, they decreased in 2018, as they did in the world scene due to the existing uncertainty in the global, European and national markets.
- In recent years, as the employment has grown, the underground economy has been declining.
- The acceleration of the Spanish economy due to the increase in consumption, since the population has sufficient resources to consume goods and services.
- Gross Domestic Product (*i.e.* GDP) growth. This is due to the increase in consumption and a maintenance or slight fall in investments.

Two types of consumers can be distinguished. On the one hand, those who prioritise price over anything else, and, on the other hand, those who seek maximum innovation or quality in the products.

In 2019, the public debt is 97.6%, which is about 1,188,893 million euros. In addition, low bank financing can lead to instability in several industries, and in this case, in tile companies.

The GDP would be a variable to highlight in this section. The annual Spanish GDP has been steadily falling since 2015. In that year, it reached its maximum since the crisis of 2008.



Figure 16 Evolution: the anual Spanish GDP

Fecha	PIB anual	Var. PIB (%)
2019	1.244.757M.€	2,0%
2018	1.202.193M.€	2,4%
2017	1.161.878M.€	2,9%
2016	1.113.840M.€	3,0%
2015	1.077.590M.€	3,8%
2014	1.032.158M.€	1,4%
2013	1.020.348M.€	-1,4%
2012	1.031.099M.€	-3,0%
2011	1.063.763M.€	-0,8%
2010	1.072.709M.€	0,2%
2009	1.069.323M.€	-3,8%
2008	1.109.541M.€	0,9%

Figure 16: Extracted from PIB de España- Producto Interior Bruto (2020)

According to Bankinter's analysis department, it is expected that it will continue falling in 2020 and 2021. As a matter of fact, 2020 will be a very hard year and it is expected to fall by up to 0.5%, which will lead to a rise in unemployment. This fall will keep Spain growing above the euro zone, but closer and closer to it.

The report presented by Bankinter shows that two key aspects of this fall are the depletion in the real-estate sector and the fall of tourism in our country. In the following table, it can be seen how the GDP has been evolving in the different countries of the world and how it is expected to evolve.

Figure 17 GDP estimation

Estimación PIB	2015	2016	2017	2018	2019 est.	2020 est.	2021 est.
España	3,8	3,0	2,9	2,4	2,0	1,6	1,5
Eurozona	1,6	1,7	2,5	1,9	1,2	1,0	1,3
<i>Diferencial España - UEM</i>	<i>220</i>	<i>130</i>	<i>40</i>	<i>50</i>	<i>80</i>	<i>60</i>	<i>20</i>
Portugal	1,5	1,4	2,7	2,1	1,9	1,8	1,6
EE.UU.	2,4	1,6	2,3	3,0	2,2	1,8	1,9
R.Unido	2,3	2,1	1,7	1,4	1,2	1,3	1,5
Suiza	0,8	1,3	1,6	2,5	0,8	1,2	1,3
Japón (año natural)	1,4	1,0	1,9	0,8	0,8	1,0	1,4
China	6,9	6,7	6,9	6,6	6,1	5,8	5,8
India (año natural)	7,4	8,0	8,2	7,2	5,3	6,0	6,5
Brasil	-3,5	-3,5	1,1	1,1	1,0	1,9	2,4

Figure 17: Extracted from Bankinter

National and foreign sales have been steadily increasing for some years now in the tile sector. An interesting fact is that, in 2018, production kept the same compared to the previous year but sales continued to rise.

Figure 18 Industry production and sales

Producción y ventas del sector					
	2014	2015	2016	2017	2018
<b>Producción</b>	425	440	492	530	530
<b>Ventas mercado nacional</b>	574	643	746	824	870
<b>Exportación</b>	2328	2452	2570	2686	2727
<b>Ventas totales</b>	2902	3095	3316	3510	3597

Ventas en millones de EUR y producción en millones de metros cuadrados

Figure 18: Extracted from ASCER

Finally, another important aspect to highlight is that when creating a company in an emerging country, there is a high risk because the sector is consolidated and it needs the latest technology to manufacture innovative products and to be able to compete.

### **4.3 Social factors**

The ceramic industry is one of the best-recognised industries worldwide due to its great management and innovation, although some activities that follow it, e.g.. construction, are stagnant.

Today, the products of each ceramic company are differentiated by marketing, since the quality and design of the products are similar. Thus, those companies that have better marketing activities are in a better position to offer their products. Society has different tastes and needs, which change constantly over time, so companies must adapt to them quickly.

The industry suffered from the 2008 crisis, which led to a significant loss of direct and indirect jobs, especially in 2008 with -3,778, 2009 with -3,693 and 2010 with -1,198, hitting rock bottom in 2013 with a direct employment of 14,300 people. It also led to the closure of more than a hundred companies. Currently, the sector has been steadily increasing in terms of job creation, reaching 15,400 people by 2018. Nevertheless, many employees have temporary contracts and this fact leads to a constant rotation of employees.

Society is recovering in recent years, but people are cautious about making large investments due to the previous crisis and because there are signs of a new one in the coming years.

In addition, the education of both workers and managers is something that the company takes into account when hiring them. The company needs qualified personnel to be competitive, mainly in the commercial and electromechanical areas. A basic concept for the commercialisation of products is the knowledge of languages, mainly English, although Chinese is also becoming important. In general, companies must know the languages of the countries where they operate.

On the other hand, countries like India and China are becoming important in the ceramics industry. Their production cost is lower than elsewhere in the world due to cheaper labour and raw materials. According to the article by Daniel Llorens in 2017, almost 50% of floor and wall tiles are produced in China, and India is an emerging danger since it produces 12.4% of world production.

Companies must also know the climate of the countries where they commercialise their products, since the temperature is a very important factor that can cause problems in the tiles. Heat, although not excessively, is the best temperature so that tiles do not break.

It is also very important that the change in temperature is not very sharp since it would cause that the tiles crack and eventually break.

The issue that is affecting society today is the so-called Coronavirus (COVID-19) is very contagious, the World Health Organisation (*i.e.* WHO) has considered it a pandemic. The first cases of COVID-19 were in China and in a few weeks, it has spread to the rest of the world. Some of the most affected countries besides China are Spain, France, Italy, Iran or Japan, as we can see on the map provided by the broadcasting group *Radio Televisión Española* (RTVE) with the data from the WHO.

Figure 19 Coronavirus map I

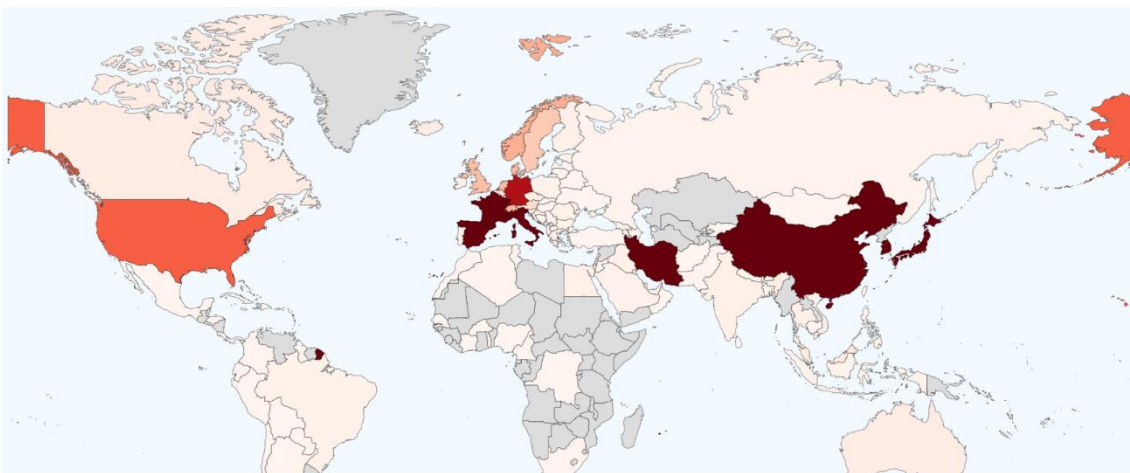


Figure 19: Extracted from Corporación de Radio y Televisión Española (2020)

To the day 13/03/20, 140,000 people have been infected and 3,170 have died, what has led to the closure of schools and universities in some countries, the postponement of holidays, or the closure of centres where large numbers of people may be concentrated. In the tile sector, flights to some countries have been cancelled, as well as sales agents do not want to visit customers and customers do not want to receive these visits either. This situation is causing that a worldwide crisis begins, thus some unstable companies have been closed as it is the case of the company Flybe.

The number of dead and infected people has continued increasing worldwide, and more and more countries are suffering the consequences of the virus. The map provided by RTVE on 12/05/20 on those infected by Coronavirus is the following one:

Figure 20 Coronavirus map II

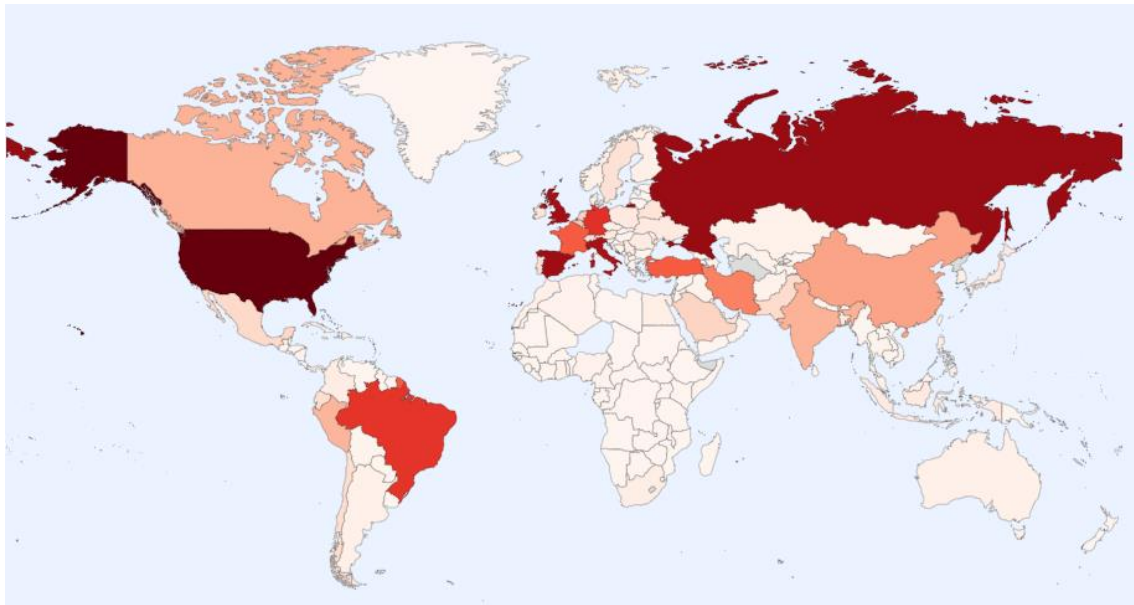


Figure 20 Extracted from Corporación de Radio y Televisión Española (2020)

As it can be observed, Spain is one of the countries with the highest mortality and infection rates in the world. After extending the fourth alarm state, the tile companies have restarted their production, since, in the first periods, the Spanish State forced all those companies that were not of first necessity to close, leading their workers to start an ERTE (i.e. Record of Temporary Employment Regulation).

Spain has started to de-escalate, so the different Spanish areas must fulfil the restrictive measures imposed by the Spanish government. Only those areas that have advanced to Stage 1 will be able to open their establishments with the appropriate security measures, while those that are in Stage 0 will remain having their establishments closed. In the following map, the areas that have moved on to the next stage can be seen. Those are highlighted in light blue, while those that have remained at Stage 0 are highlighted in dark blue.

Figure 21 De-escalation map Spain



Figure 21: Extracted from 20minutos

As it can be observed above, a large part of the province of Castellón has been left in Stage 0, which is detrimental to the large number of companies and establishments located in the area.

ASCER has also announced that the activity will be restarted gradually, but that the companies' activity must continue, as the industry is being threatened by international producers who have not had to stop manufacturing.

As far as the ceramics industry is concerned, it is very affected by its fourth industrial crisis due to the lack of sales of the products. However, it hopes to overcome the crisis successfully thanks to its flexibility in management, innovation in the sector, exports, and survival in changing environments.

In addition, sales in the month of April in the year 2020 have been at 50% in comparison to the same month in the year 2019. In the month of May, sales are rising again without reaching the figures of previous years in the same months. Therefore, it is estimated that the sales of the remaining months will no longer recover in comparison to the previous years.

In April, some companies have tested their workers to find out the number of infected people within the company, since in the event a worker was infected, however, the Royal Decree of 13-4-20, has paralysed the execution of these tests. Business organisations, including ASCER, are requesting that these tests can be carried out. Currently, they can only be carried out under the prescription of a registered doctor.

However, although there are optimistic opinions within the sector, the situation is that around 300 million euros per month have been lost due to the crisis, as announced by the Secretary of ASCER, Alberto Echavarría, in his interview in “HOY es HOY Castellón” on 09/04/20. These losses are due to both the suspension of production and the closure of various markets in which the companies obtained great benefits from their exports, these being the USA, France, the United Kingdom and Germany.

The sector is hopeful about the construction of new homes, as the boom in home construction between 1995 and 2007 is now in its early twenties, many people have already paid their mortgage and can reinvest their capital in new homes or reforms. The latter has been the support of the sector, in 2009 the construction of new homes fell by up to 95% in Spain. As it can be seen, the use of already used houses and where a reform is carried out is greater than that of new houses, as the Laboral Construction Foundation shows

Figure 22 Comparison of the new and used homes

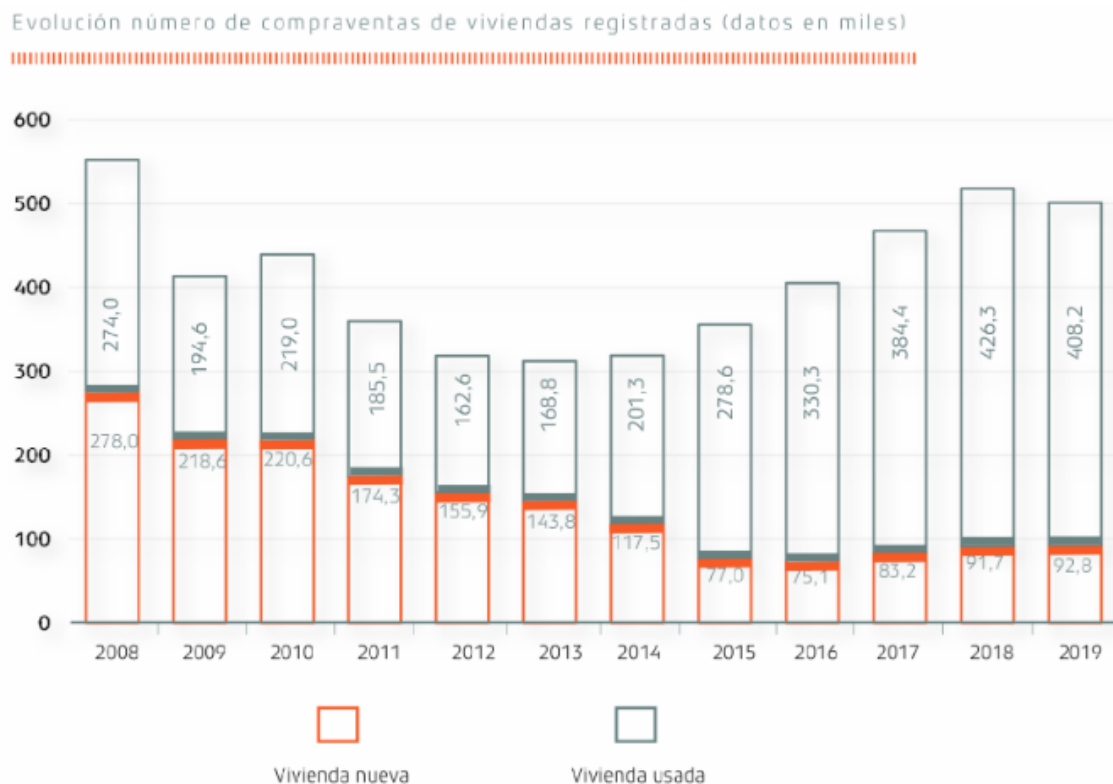


Figure 22: Fundacion Laboral Construcción

On the other hand, the situation is rather difficult for small companies, as their turnover is minimal or zero. Many of the companies have closed due to the lack of support and activity. As it can be observed in the following table, SMEs or micro-SMEs are abundant in Spain, being very important in its economy.



Figure 23 Companies registred in Social Security

	2019	2018	Variación interanual
<b>Total empresas inscritas Seguridad Social</b>	<b>126.261</b>	<b>124.484</b>	<b>1,4%</b>
De 1 a 2 trabajadores	65.189	64.434	1,2%
De 3 a 5 trabajadores	29.672	29.321	1,2%
De 6 a 9 trabajadores	13.837	13.620	1,6%
De 10 a 49 trabajadores	15.917	15.491	2,7%
De 50 a 249 trabajadores	1.526	1.499	1,8%
De 250 a 499 trabajadores	71	71	0,0%
500 o más trabajadores	49	48	2,1%

Figure 23: Fundacion Laboral Construcccion

Moreover, 90% of investment in the industry has a direct impact on domestic demand, so it does not entail any risk to the trade balance, and the construction industry is calling for promoting exports.

ASCER in collaboration with Andimac, ANFFEC, ASEBEC and FUE-UJI provide measures to fight Covid-19 in the industry. Some of the trade measures are the following ones:

- Reactivating the construction market as a motor for other subsequent activities.
- Feeding the construction sector in all senses through the different sales and distribution channels.
- Taking advantage of the power of construction in other areas such as automotive (company vehicles), insurance (customer loans), and other services.
- Taking advantage of the fact that 80% of the resources used in construction are national.
- Taking advantage of the rehabilitation and reform within the construction as support of the sector.
- Facilitating the concession of licenses to individuals and companies.
- Adapting homes for the home office.



- Creating lines of financing with commitments of energetic, acoustic, sanitary and safety improvement.
- Ensuring proper functioning and return to normality by means of inspections, in particular at maritime level.
- Assigning laissez-passer for business trips so that the activity starts as soon as possible.
- In view of the difficult situation of travelling, it is suggested to finance and support digital investment, as well as to promote the training of SMEs and self-employed people to carry out teleprojects and remote management.
- Carrying out fiscal measures such as reducing VAT and the tax burden until the end of the year, exempting taxes for the promotion of rental housing, or creating vouchers or spending coupons to encourage consumption and protect demand.

To conclude, the situation is difficult and, although there is hope of overcoming the situation, there are many companies that will have to close due to the harsh situation of not being able to face their debts. Other companies will survive another crisis but with a high debt, which they will have to pay over the years. However, even if they survive over the years, they can be absorbed by large companies which can take advantage of the debt situation of smaller companies.

#### **4.4 Technological factors**

The ceramic industry is known as innovative and dynamic, always keeping in mind the technological development, as well as the design and the quality of the materials. All of this helps the companies to increase their position regarding their competition, as well to look for opportunities within the market, although for a limited time, since follower companies will quickly imitate this opportunity.

With regard to innovation, ceramic companies are interested in the aid from the CDTI (Centre for Industrial Technological Development) for R+D+I, allowing 0% interest and other advantages to innovate and improve their competitiveness.

As it has been mentioned previously the price is a very influential factor, and it is possible to reduce the cost of production through technological development, leading to a drop in the products' price. Therefore, consumers have a greater interest in them due to their quality-price ratio.

New technologies have also helped companies to make themselves more known and to be more open to the market, for instance, with websites or news, with social networks,

as well as through the visualization of the companies' product portfolio in easier ways. The ceramic industry has also developed new raw materials for the production of products due to the current shortage of some of them.

The investments carried out help the companies to have the best technology of the sector, and this helps to reduce the expenses in personnel, since their work is limited to the monitoring of the machine's correct use. Companies also tend to invest heavily in R+D+I in frits, glazes and ceramic colours in an attempt to increase product quality, new designs, formats and uses.

For the technological development, this sector relies on the Institute of Ceramic Technology (ITC), which responds to the diverse needs of the sector with technical and scientific infrastructures and equipment to generate new projects and improve its strategic position.

The different new uses given to tiles is an interesting topic nowadays. They are used for the façade, to decorate different parts of the house, to cover the interior of swimming pools, as furniture, or even as a decorative dish in restaurants with a high prestige.

#### **4.5 Environmental factors**

Nowadays, a current topic is the green issue, *i.e.* helping to preserve the environment. As a matter of fact, due to the pollution of the planet, laws are becoming increasingly strict. The increase in waste causes the industry to reuse resources for production, thus helping to reduce both water and energy. Moreover, the extraction of raw materials can also be harmful for the environment.

The shortage of raw materials, the increase in energy costs and the price of materials will consequently increase the price of the final products.

Companies are increasingly aware of complying with ISO (*i.e.* International Organisation for Standardization) standards, which are the basis of the quality management system. These standards manage the risks, help to continuously improve processes, and improve the ability to produce both products and services that meet the internal and external requirements of the organisation for the subsequent satisfaction of customers.

All this will have an influence on:

- A greater commitment to quality.
- Improving the organisation and, therefore, achieving greater profitability.
- More competitiveness, as a result of improved efficiency.

These standards stand out for the protection of people and the environment, as well as for the remarkable quality of the products.

**4.6 Legal factors**

The World Development Indicators show international statistics on how the World Bank is performing according to its database, in which the strength of legal rights index is 0 the weakest and 12 the strongest.

Chart 2 Strength of legal rights index

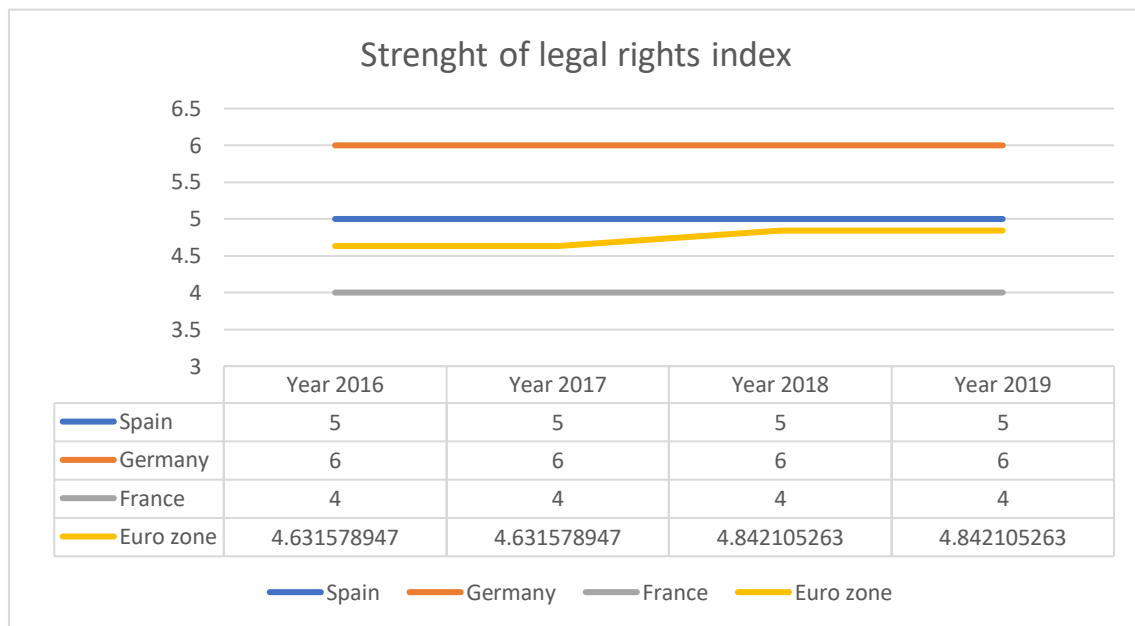


Chart 2: Own source

As it can be observed in the chart, Spain is above Europe, as Germany, albeit the latter to a greater extent, but France is below the euro zone. The Strength of Europe’s legal rights index has grown over the years so that it has moved further and further away from France by almost one point. On the other hand, Spain has moved closer and closer to the euro zone, reaching a difference of 0.2 points, whereas the difference was approximately 0.5 points a few years ago.

**5 MICROENTORNO**

**5.1 Demand**

The turnover of the tile sector increases slightly. In 2018, it grew 3% compared to 2017, while in 2019 it started following the steps of the previous year, although from the middle of the year it has remained constant. This slowdown is due to the global economic downturn, protectionist barriers in North African countries such as Algeria, and to developments in the Middle East.

According to Ascer, this increase in 2018 is due to the increase in sales in countries such as the USA, France, Greece and the domestic market. The president of Ascer, Vicente Nomdedeu, has also complained about the costs of natural gas, which assume an increase in the price of the final product. All this will be useful for the company to continue competing with its competitors. He has also highlighted the emergence of high-efficiency cogeneration, with up to 28 plants installed, and microwave ovens, which are not capable of firing the industry's current production yet. In addition, in his speech at Cevisama, he also said that Spain is the second largest exporter of ceramics in the world, the leading European producer and the third largest contributor to the balance of trade.

Spain and Italy stand out for the production and export of ceramic tiles, which is the third Spanish industrial sector that contributes the most commercial surplus to the country. Because of its constant innovation, the ceramic industry has a slight increase in demand even though there are countries that are emerging in this sector such as China.

Currently, it can be said that those medium or small companies which have difficulties in investing or innovating are being acquired by larger companies.

The counsellor of sustainable economy, Rafael Climent, stated in his presentation at the Coverings fair on 10/04/2019 that "The United States has a great potential to become the largest client of Spanish ceramics, now only surpassed by France". In 2018, tile sales to the United States were around 259.4 million euros, thus growing 10.9% over the previous year.

Europe is its main customer, but the tile sector supplies up to 187 different countries. Among the main destinations we can highlight, in this order, France, the United States, the United Kingdom, Germany and Israel. Some places have decreased their purchases such as Saudi Arabia (25%), Jordan, United Arab Emirates or Asia as a whole (14%). On the other hand, Germany (9.3%) or Africa as a whole (11.5%) have increased their purchases. It is worth mentioning that Algeria, which has been a great market for the tile sector, is very close to reopening its borders.

As it has been mentioned above, the demand continues to grow thanks to the new uses given to the tiles and they have also been developed to be applied in different areas which by the climatic conditions it was not advisable to apply them. Moreover, there are different formats so that customers have customised pieces.

The fact that the greatest number of sales are for the foreign market may be due to the widespread growth of ceramic tile producers in Spain or to the prioritisation of price over quality, thus buying from cheap companies or looking for substitute products for the tiles. Tiles have different uses and sizes, so each customer places them in a different location. Some of the places where customers have placed them are: in the different rooms of the home, bathrooms, gyms, mortuaries, terraces, etc.

The purchase of the tiles is carried out in the following way:

- 1) The customer makes the order by mail to the sales agent or the administrative assistant of the area.
- 2) The person in charge of the administration processes the order and gives the loading order to the loads department.
- 3) The loading department is in charge of preparing the order of the material with the specific tone and calibre if requested, and of carrying it out in a maximum period of 2 days.

## **5.2 Competition**

Competition is something companies have to deal with when producing and commercialising products, taking into account prices, costs, customers, etc. Among the infinite number of porcelain tile producers, the following ones are highlighted as Porcelánicos HDC's direct competition, with data from 2018:

- Realonda
  - The company is located in Onda and it is in the 32nd position in the ranking of companies in the ceramic tile manufacturing sector. It has 28 years of experience in the sector and 71 employees. In 2018, the operating income was 13.125.729€, while the income statement was 1.191.296€, the highest among the companies we are comparing, and the total assets are 27.110.447€.
  - On the other hand, regarding the financial área, it can be said that its economic profitability has decreased from 10.84% in 2016 to 5.66% in 2018, as well as its financial profitability that has decreased from 12.53% in 2016 to 6.52% in 2018. It should also be noted that liquidity has remained almost at the same level, as it was 6.45% in 2016 and 6.82% in 2018. Finally, it has the lowest debt compared to its competitors, which has been between 10% and 15% for years.
  - The audit in 2018 was approved without any anomaly
- Fanal
  - The company is located in Onda and it is in the 26th position in the ranking of companies in the ceramic tile manufacturing sector. It has 27 years of experience in the sector and 91 employees. In 2018, the operating income was 22.814.928€, the highest of the companies we are comparing, while

the income statement was one of the lowest with 185.457€, but the total assets are still higher than the other companies with 38.695.380€.

- On the other hand, regarding the financial área, it can be said that the economic profitability is very small, because it has not exceeded 2% since 2016, reaching 0.61% in 2018, while the financial profitability has decreased from 2.74% in 2016 to 1.12% in 2018. Like Realonda, liquidity has remained at the same level, although it is much lower as it has been between 2% and 3% in the recent years. Finally, the company's debt remains between 45% and 50%.
- The audit in 2018 was approved without any anomaly.

## ○ Undefasa

- The company is located in Alcora and it is in the 34th position in the ranking of companies in the ceramic tile manufacturing sector. It has 27 years of experience in the sector and 85 employees. In 2018, the operating income was 16.341.874 €, while the income statement was 389.969 €. The total assets are 38.191.964 €, so among the companies we are comparing, this one would be in an intermediate position.
- On the other hand, economic profitability has decreased from 3.32% in 2016 to 1.99% in 2018, as well as its financial profitability that has decreased from 5.38% in 2016 to 3.29% in 2018. It should also be noted that liquidity has been between 2.5% and 3% in recent years, while its debt is around 40%.
- The audit in 2018 was favourable, but with uncertainty.

## ○ Cerpa

- The company is located in Onda and it is in the 31st position in the ranking of companies in the ceramic tile manufacturing sector. It has 26 years of experience in the sector and 84 employees. In 2018, the operating income was 19.583.115 €, while the income statement was negative, with a loss of 589,436€. The total assets are 38.191.964 €. As it can be observed in the financial data, it is a company which bases its production on obtaining a large number of meters by selling them at a low price.
- On the other hand, economic profitability is negative from 3.04% to -1.25%, as well as its financial profitability that has gone from 9.57% to -

5.21% in 2018. Liquidity has increased from previous years from 1.25% to 1.66%, while the debt is of 76.04% in 2018, a much higher number than its competitors

- The audit in 2018 was approved without any anomaly.

All this information is summarised in the table below so that it can be perfectly understood.

Table 2 Comparación competidores

<u>Realonda</u>	<u>Fanal</u>	<u>Undefasa</u>	<u>Cerpa</u>	<u>Porcelánicos HDC</u>	
28	27	27	26	21	<b>Years of the company</b>
16.763.902€	22.814.928€	16.341.874€	19.583.115€	13.125.729€	<b>Operating income</b>
1.191.296€	185.457€	389.969€	-589.436€	624.237€	<b>Income statement</b>
27.110.447€	38.695.380€	23.980.228€	38.191.964€	15.316.423€	<b>Total assets</b>
71	91	85	84	65	<b>Employees</b>
5,66% → 11,04% → 10,84%	0,61% → 1,67% → 1,4%	1,99% → 2,09% → 3,32%	-1,25% → 2,94% → 3,04%	4,54% → 6,82% → 9,43%	<b>Economic profitability</b>
6,52% → 12,4% → 12,53%	1,12% → 3,31% → 2,74%	3,29% → 3,51% → 5,38%	-5,21% → 8,51% → 9,57%	8,01% → 12,56% → 18,04%	<b>Financial profitability</b>
6,82% → 7,96% → 6,45%	2,39% → 2,48% → 2,32%	2,57% → 2,42% → 3,01%	1,66% → 1,25% → 1,25%	1,42% → 1,28% → 1,36%	<b>Liquidity</b>
12,81% → 10,92% → 13,43%	45,28% → 49,5% → 48,94%	39,59% → 40,35% → 38,39%	76,04% → 65,42% → 68,17%	43,46% → 45,72% → 47,74%	<b>Debt</b>
Approved	Approved	Favourable with uncertainty	Approved	Approved	<b>Audit</b>

Table 2: Own source

As it can be observed in the table above, there are 3 figures from the economic profitability to the debt. The first numbers refer to the percentages of the year the 2016, the second numbers refer to the percentages of the year 2017 and the last ones refer to the percentages of the year 2018.

All these companies have similar product ranges such as wood, marble, stone or metal. They also attend trade fairs such as Cersaie, Cevisama or Coverings to exhibit their products to the public.

### 5.3 Positioning

With regard to the company's positioning in relation to the competition, it stands out for its price-quality ratio, which is fundamental in the ceramic tile manufacturing market, since both the products and the services are similar in the different companies of the industry.

Figure 24 Positioning map

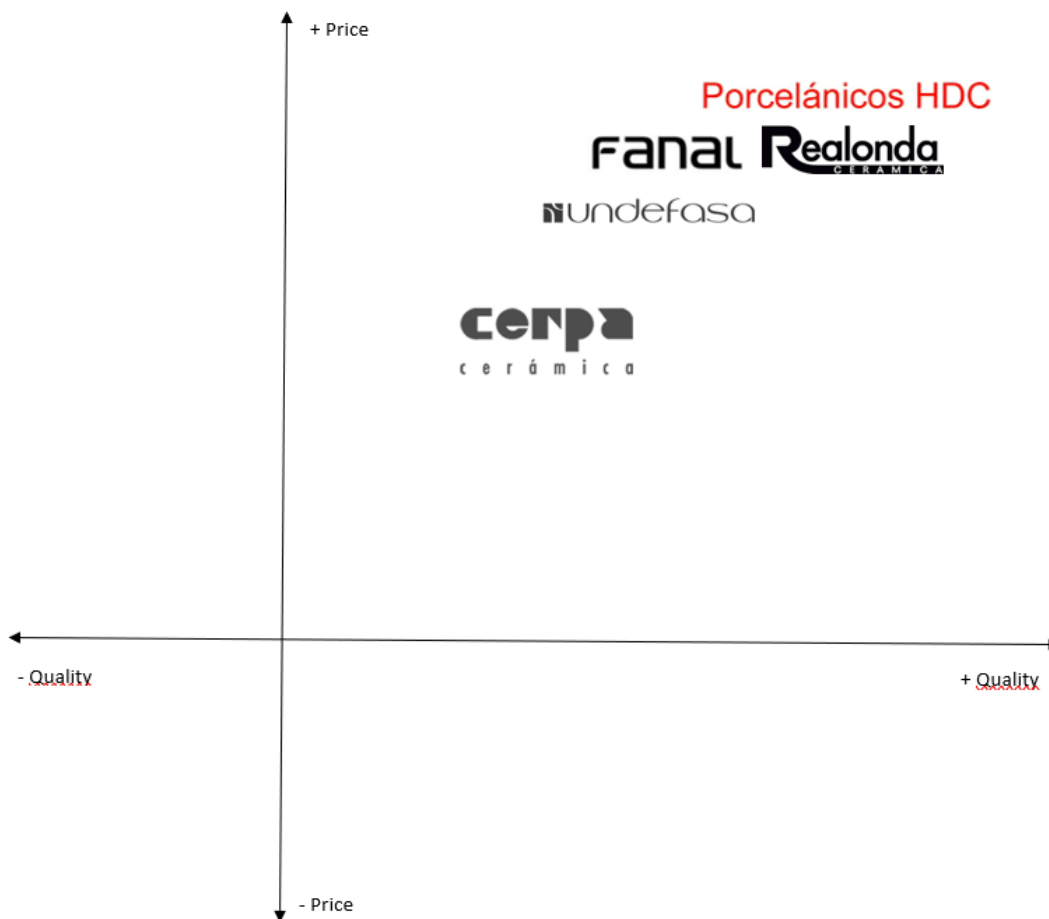


Figure 24: Own source

As it can be seen in the image, Porcelánicos HDC has the highest prices, although it has a similar quality to Realonda. Undefasa and Fanal are a little below but not excessively because they have similar prices and quality to the other two companies. Finally, we can see that Cerpa stands out for its strategy of cost leadership, as it tries to sell its products cheaper than its competitors.



## **5.4 Segmentation**

It refers to the method by which the company divides its customers into different groups. Porcelánicos HDC divides its customers geographically and according to the market potential.

### - Geographically

The company differentiates customers by countries. Each country has some initial letters and then numbers, an example of a customer would be: Lithuania LTLT001 or Portugal BPBP005. These codes help the company to classify its customers by the country where they are located, but there are 2 exceptions. On the one hand, the Spanish clients which are also differentiated by autonomous communities. Instead of starting with initial letters, they start with a number. A client could be: Catalonia 0101005 or Navarra 1212097. On the other hand, the Italian and French customers, which are many, being the French market the one that brings more benefits, are divided depending on the area: France H1H1... and H2H2... while in Italy, A1A1... and A2A2...

### - Market potential

As for the market potential, the company distributes the markets to the sales agents according to their potential. The markets are distributed in such a way that each sales agent acquires 1 or 2 large markets and countries where the tiles sales are lower. Some of the countries with the largest market are France, the United States or Germany, while countries with a smaller market are Albania, Bosnia or Macedonia. However, the company and mainly the sales agents try to increase the number of sales in the latter. In addition, higher-priced or new products are often purchased by countries with greater potential, while out-of-range or lower-cost models are purchased by countries with less potential.

## **5.5 Target public**

As it has been mentioned in previous sections, the company sells its products both to importing companies and to warehouses, which will be in charge of delivering the products to another warehouse or company, or, on the other hand to the final consumers. Only if you are an employee, you Will be able to directly from the company, otherwise it is impossible for an individual to purchase the company's products.

In case an individual contacts the company to buy a product, the company will put the individual in contact with the customer's area distributor.

## **5.6 Porter Analysis**

### **5.6.1 Rivalry between companies**

Currently, the situation of small and medium companies is difficult because large companies are so superior that acquire them to be part of them, taking advantage of any unstable situation for this acquisition.

This causes large companies to reduce their production costs as they also acquire companies from earlier stages of tile production such as raw material or glaze companies.

### **5.6.2 Bargaining power of suppliers**

Suppliers are in a strong negotiating position. The company has had loyal suppliers for many years and, as they are very competitive suppliers in the sector, Porcelánicos HDC takes advantage of this to have a competitive edge.

### **5.6.3 Bargaining power of customers**

The existence of many competitors means that the customer has a strong bargaining power, making it possible to reduce prices and establish the conditions that s/he thinks are appropriate. Thus, the company is more flexible.

The flexibility of the company will be reflected in the conditions that each country or area requires, since, as it has customers in different countries, the conditions of each country will vary.

### **5.6.4 Threat of new entrants**

The entry of new companies to the industry is rather scarce, since, although there are not many entry barriers, the tile sector is saturated. As for tile warehouses, which act as intermediaries between manufacturers and customers, it is more common that new ones arise, although this is also rare.

It could be said that, with the development of new uses for tiles, substitute products are the threat rather than new companies producing tiles. New entrants could also be those companies that are on the verge of bankruptcy and are acquired by larger companies to have a second brand of tiles.

**5.6.5 Threat of substitute products**

Nowadays there are many substitute products. Some of them are paints, plastic, marble, carpets, parquet, ground glass, vinyl floors, natural stones and wood, as well as powder and resin agglomerates.

These products are easy to acquire, well known and economical and they can fulfil the function of tiles. These products are becoming more and more popular because, as it has been mentioned earlier in the paper, tiles today have new and different uses.

But some of these products may not be safe in some establishments or places, such as ground glass in a shopping centre. On the other hand, they may not be resistant in some conditions, such as outdoor parquet.

**6 SWOT ANALYSIS**

Table 3 SWOT analysis

	Positives	Negatives
Internal	<p><b><u>Strengths</u></b></p> <ul style="list-style-type: none"> <li>- Management and employee experience</li> <li>- Specialisation of the tasks</li> <li>- Loyal suppliers</li> <li>- Good financial management</li> <li>- Taking advantage of US and French market</li> <li>- High level of top quality production</li> <li>- Extensive product portfolio</li> <li>- Large Surface area and good image</li> </ul>	<p><b><u>Weaknesses</u></b></p> <ul style="list-style-type: none"> <li>- Asian markets</li> <li>- High Price</li> <li>- Drop in sales</li> <li>- Absence of social networks</li> </ul>
External	<p><b><u>Opportunities</u></b></p> <ul style="list-style-type: none"> <li>- Oceania market</li> <li>- Countries with protectionist measures reopen their borders</li> <li>- Reconstruction of countries at war</li> <li>- Changing environment</li> <li>- Innovation and technology</li> <li>- Ecological interest</li> <li>- Industry concentration and production increase</li> <li>- The number of trade fairs is growing</li> </ul>	<p><b><u>Threats</u></b></p> <ul style="list-style-type: none"> <li>- Changing environment</li> <li>- New competitors and substitute products</li> <li>- Economic crisis</li> <li>- Scarcity and increase in the Price of raw material</li> <li>- Increased legislative pressure</li> <li>- Market saturation</li> <li>- Protectionism in some markets</li> <li>- Dumping</li> </ul>

Table 3: Own source

**6.1 Internal analysis**

**6.1.1 Weaknesses**

- It does not fully enter important markets like Asia.

- High price in comparison to its competitors. As it has been seen in the positioning above, it has a higher price for its products than its direct competitors do.
- A slight decrease in sales in comparison to the previous year.
- It is not present in social networks in order to publish the latest developments or information about the company. In addition, new truck drivers have difficulty to access the company.
- High employee turnover. In recent years, there have been employees in whom the company had great confidence and have left the company.

## 6.1.2 Strengths

- Long experience of the managers in the tile sector, as they have been working for several years in the tile industry either in the same company or in other companies.
- Specialisation in the tasks of the production process, with the work activity being very simplified.
- It has loyal suppliers who always keep the company up to date in order to remain competitive.
- Good financial management has led the company to reduce over the years the debt that the company had in its initial stages.
- The sales in markets such as France or the USA lead the company to obtain great profitability.
- The proper management of the production process has led the company to maintain its top quality production at around 95% by 2018. In addition it has also led the company to have very innovative facilities and machines on the market.
- The variety of models, sizes or formats leads the company to have a wide range of products suiting the customers' preferences or tastes.
- A large production plant, with a closed space for part of the production and a large uncovered area.
- The company image. It has a good reputation for the customers and the competition.

## 6.2 External análisis

### 6.2.1 Threats

- The changing environment can be both a threat and an opportunity, since one product can generate a great benefit for the company, but the creation of other models can generate losses, as the customers' tastes and needs change.

- New competitors and substitute products such as vinyl.
- Economic crisis, usually due to the Coronavirus.
- As time goes by, raw materials are becoming scarcer and consequently more expensive.
- The national market saturation.
- Increased legislative pressure.
- Closure of markets due to protectionist policies in several countries such as Algeria and Saudi Arabia.
- Complaints in some countries about dumping. To date, dumping on the Spanish industry has not been successful, as it has been in countries such as Pakistan or Morocco. Nevertheless, it is still a threat to the sector.

## 6.2.2 Opportunities

- Markets that are yet to be exploited like Oceania.
- Countries with protectionist measures are about to reopen their borders like Algeria.
- Countries devastated by war may start buying products to build houses or public centres.
- The changing environment helps in such a way that the first companies to innovate have a competitive edge, so Porcelánicos HDC tries to anticipate its competitors with new designs.
- A highly innovative sector.
- Customers' interest in the environment.
- High concentration of the ceramic industry.
- Steady growth in ceramic tile production.
- Fast technological evolution.
- Growth in the number of fairs.

## 7 OBJETIVES

In order to establish the marketing objectives, the SWOT analysis developed in the previous section must be taken into account, trying to maintain or improve the strengths and improve the weaknesses, in addition to taking advantage of opportunities and dealing with threats. In order to do this, we have divided the objectives into 3 categories: commercial, production and financial.

- **COMMERCIAL OBJECTIVE.** The company will try to increase its sales up to 3% in 2021, being this the lost percentage since 2016 regarding sales, without taking into account this year 2020 which will harm the company and the whole sector in general. Currently, the world situation is critical because of the Coronavirus crisis, which has led many countries in an alarm state. Therefore, the recovery of the economy will be a costly process, so it would be favourable to maintain or slightly increase the number of sales in the years to come.

Figure 25 Evolution of sales

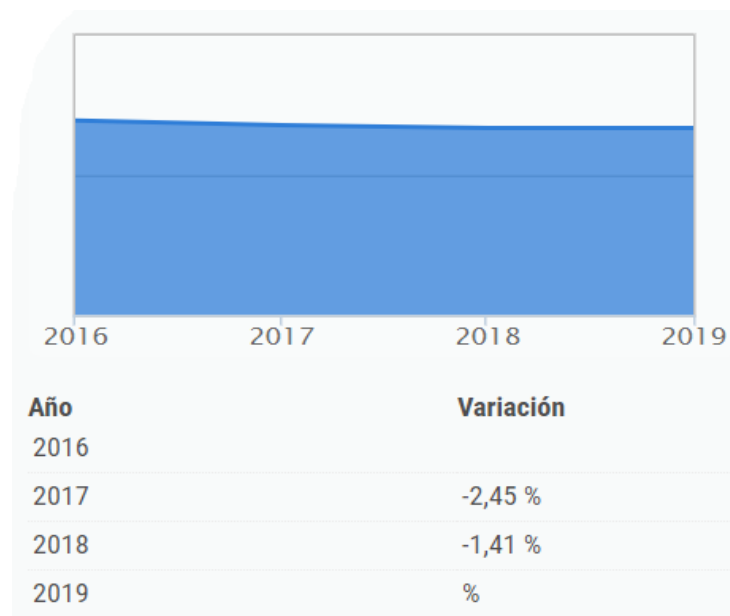
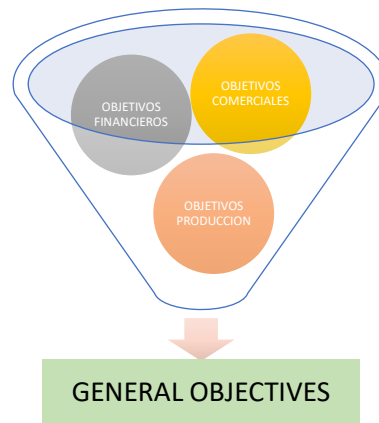


Figure 25: Own source

- **PRODUCTION OBJECTIVE.** The company expects to continue increasing the top quality production, which in 2019 was 94.5% of the total production, thus being able to obtain a greater profitability of its products. Therefore, in 2021, the objective would be to increase top quality production by 1.5%.
- **FINANCIAL OBJECTIVE.** The company expects to maintain the debt in 2021, since, as a crisis is striking the whole world, it will be very difficult for the company's debt not to increase like that of many other companies. Therefore, the company will try to reduce its debt to 40% in 2021, which currently is at 41.2%.



## 8 STRATEGIES

The company will try to design, implement and set a strategy to achieve the objectives described above, thus achieving a competitive edge over the competition in the established time. The company bases its strategy on differentiation due to the high quality of its products and its innovative designs. This is the strategy that the company will follow during this time as well, since it has given good results so far.

In addition, the company will carry out several expansion strategies at the same time such as the following ones:

- Market penetration. The company will try to increase the number of sales through its current customers as well as new customers. The company will have to invest part of its profits in trying to open new markets in other countries where the company has no customers.
- Product development. In this sector, innovation is essential not to fall behind the competition. Products are getting more resistant, larger and even thinner. Therefore, the company has a wide range of products which will be further expanded.
- Market development. The tiles are adopting more and more different uses. Previously they were only used as floor and wall tiles, but nowadays they are also used in home furniture, countertops, or facades.

The company's position in the market is that of a follower since it is not in the first position in the market nor can it dispute it. Therefore, the company must carry out a great marketing program to try to approach the challenging companies, but without forgetting its position. Porcelánicos HDC seeks to imitate or improve the products of leading and challenging companies, but always being aware of its characteristics and limitations. An



example of a leading company would be Porcelanosa, while a challenging company would be *Pamesa*.

According to Miles and Snow's strategy and the company's undertaking, Porcelánicos HDC has an analytical strategy, since it makes more moderate changes than a prospecting company, it has a stable and limited line, as well as it is efficient and cautious in dealing with the ceramic tile market.

The crisis that is currently striking the world means that the objectives and actions to be achieved are not very large, and large losses are foreseeable in the tile sector and in the world in general.

To achieve the different objectives the company will carry out different actions:

## **8.1 Strategies to meet the commercial objective**

- Opening new markets and trying to expand into others where the company has little impact between 2021 and 2022, so the company will try to penetrate in those markets. It could try to penetrate in some countries such as in Northern Europe (Finland, Sweden or Norway,) where the most used formats are small, eastern countries such as Russia and countries of the former USSR, or countries in the Far East, where the designs are those used in the European market.

On the one hand, the new markets will have to be assigned to one of the company's different sales agents. It could be that s/he wants to acquire a market because s/he knows the language or s/he wants a higher economic compensation. If there is no volunteer, the company would designate a sales agent for this market. In the event of good operation and work saturation, another sales agent would be hired, although this would take place once the company had recovered economically due to the current situation.

On the other hand, the company will propose a monetary incentive to the sales agents in order to increase the number of sales in different countries where the company has a lower number of sales. In this way, the sales agent increases his or her involvement in these markets. It should be said that the sales agent should not forget his or her large markets, as they are also targeted.

- Continuing with customer loyalty. Therefore, the company must take into account the potential of each customer and the volume of purchase in recent years to see with which customer it wants to build loyalty. To build customer loyalty 2 activities will be carried out: more frequent visits to the customer to be more in touch with him or her, and to make volume discounts so that the customer feels unique to the company.

- Increasing the promotion of the company. The company should offer objects with its logo, but these objects should not be very expensive and they should be useful in the customer's work or daily life. The objects that the company has chosen to promote itself taking into account the customers' work are metros, pens and pen drives. For customer's daily life, the company has chosen a mug and a backpack. The company believes that the objects will be useful for its customers, helping to strengthen a producer-customer relationship, which can be beneficial for both parties. It should be noted that these objects with the company's logo will also make that the customers always bear the company in mind.
- The company will also try to create new formats, which it does not currently create, such as small and large formats. However, its investment will be carried out later because of the crisis that is striking the world.

## **8.2 Strategies to meet the production objective**

- The company will continue to rely on its suppliers of raw materials, to whom it demands the best quality of its products for the subsequent production of the tiles. In addition, it will search machinery to be at the latest fashion in the production stage, trying to lower the cost of production while maintaining the level of quality. However, it will be difficult to acquire it at this time due to the economic crisis that is coming.
- As the company knows the importance of the employees to obtain a great top quality production, it will get involved with them by:
  - ❖ If first quality production is established in the range of 96% to 99%, then all workers involved in the production process will receive a monetary incentive of 200 euros at the end of the year, being the material waste in the production process less than 10%.
  - ❖ Workers will be taken more into account so that they have a better attitude when carrying out their work. The company will set up a suggestion box where workers can make suggestions to the management anonymously, and it will assess whether they are feasible.
- In order reduce the number of workers who leave the company, the person in charge of the IT department in the company will adopt a new function, she will also be in charge of the human resources department, which does not exist currently. Thus, the company will seek that the employees are involved with the company, and that being hired is not a transition period until getting a new job. This person will be in charge of receiving CVs and looking at them, as well as keeping an eye on the job boards and web pages where CVs of many candidates

are posted. All this will prevent any temporary or permanent leave, and positions will be covered quickly with profiles already studied and not in a rush. Finally, the head of each department will carry out the interview to deepen the knowledge of the job position.

### **8.3 Strategies to meet the financial objective**

- To not increase the debt of the company the financial department will depend largely on increased sales and on trying to reduce expenses without having to lay off any worker. The company will reduce expenses in this way:
  - ❖ In the event that an employee leaves the company, the company will take advantage of the allowances for hiring young people, disabled people or people over 50 when hiring another employee.
  - ❖ Benefiting from tax advantages such as: those related to occupational risks, purchase of computers or investment in machinery. It will help the company to recover costs.
  - ❖ Not making investments in this period, if they are not much needed, as this will lead to an increase in the debt.
  - ❖ The correct management of payments and collections will also help the company when it comes to saving. The fact that the company carries out a correct financial management means that the company must take care that the clients pay in the stipulated time and that the company makes its payments in the stipulated time so as not to have any type of penalty that increases the debt.
  - ❖ A correct management of the company's stock will help to save on expenses.

## **9 PROPUESTA MARKETING MIX**

### **9.1 Product**

Regarding the products, the company will continue innovating with 3 or 4 new series per trade fair that it attends as it has been doing in recent years. These trade fairs are Cevisama, Covering and Cersaie, and it is there where many companies of the industry show their new products to the public.

However, customisation is a very important issue for the sale of tiles, so the company plans to make an investment to manufacture models of different formats, including series that have several formats. In this way the customer can buy the model that best fits his

or her needs. The company already offers different measures and it has polished and rectified products. This expansion of the product portfolio with new models, series and formats will help the company to increase its sales in the future. The increase in sales will also support the objective of reducing the company's debt.

It should be said that the smaller models which have to be cut will be made on demand and by means of the grinding and polishing machine that the company has. In this way, the company tries to waste the least possible amount of the product.

## **9.2 Price**

As far as prices are concerned, the company intends to keep them as they are now. However the passage time will be taken into account and some models will decrease in price or become out of range, which will cause an even greater decrease.

On the other hand, Porcelánicos HDC will continue to encourage the purchase in quantity, offering offers by volume, since a high part of its sales are picking and it increases the cost of products. For this reason, the company will make quantity purchases more attractive and persuasive. Thus, the sales agents and the administrative staff of the commercial department, in case that the order is near being a whole pallet, will try that the customer buys those few meters. In this way they will save work to the loads department and money to the client.

By studying its competitors, the company has observed that it can keep or increase the price of the products without the sales being affected. So, if it keeps the prices of the products, it can increase its sales. Moreover, by selling complete pallets, work will be saved to the loads department and workers will be more efficient in other activities related to their work place.

## **9.3 Place**

Porcelánicos HDC will expand its distribution system by means of an urgent load service, which will be based on the company agreeing a contract with a transport company so that this company is available in case of an urgent load and can give an efficient service to the customer. This service will have an additional economic cost, this being the price charged by the transport company to the company. Porcelánicos HDC will not obtain any benefit apart from having the customers satisfied.

In addition, the company is considering that, if in this period the losses are not huge, investments in a new loading dock will be made in the future, so the loading of materials will be speeded up. Thus, this time will be used to relocate material or prepare orders in

a faster way, since in case of not being an urgent order the loading order has a deadline of 2 working days.

This will help to build customer loyalty, so sales may increase, and as a result it will help to reduce the company's debt.

## **9.4 Promotion**

Marketing is a key issue in companies nowadays, so this section will be the one with the most actions. This is because many companies have similar quality products or similar models, so they are differentiated by the way in which they promote products.

- The first action that the company will carry out, and at no cost, will be to create a profile of the company in social networks such as Facebook or Instagram. In this way it will show the news of the company, current product environments or simply information about the company.
- The second action has to do with the website, which will look for new sections such as "Create your space", "Trade Fairs" and "Surveys".

In the first section, "Create your space", the company will buy a 3D program so that customers can see how their homes or rooms can look like by creating them themselves with the different products of the company.

In the second section, called "Trade Fairs", the company will upload a video of the stand at the different trade fairs it attends (Coverings, Cevisama and Cersaie), and several weeks before, customers can claim their invitation to each fair through this section. However, the company already sends invitations a month before each fair.

In the third section, called "Surveys" the company will include present a form to know the opinions and the level of satisfaction of the customers to continue improving in its production and customer service.

Moreover, there would be a direct link to Twitter and Facebook in the website where the customers could see the news and comments from other customers.

Finally, the information offered by the company about its history is scarce so it will be extended so that anyone can know it. In addition, interesting information for customers will be included and other languages apart from Spanish, English, French or German will be added since the company commercialises its products in many other countries.

- The company will also offer products with its logo such as pens, meters, cups, backpacks or USBs to its customers. It will cause that customers always bear the company in mind at home or at their work place. These products will be explained

in the next section, *i.e.* the budget. In addition, the company will continue sending invitations to its customers so that they can attend the trade fairs and learn about its new products.

- It will also continue attending the main trade fairs, which are Cevisama, Coverings and Cersaie. The company also wants to continue with its innovative stands which attract the attention of the public as well as both current and potential customers.

Those actions do not imply a great investment since a global crisis is coming and the future is unpredictable and it is convenient to save and make the investments for the survival of the company.

This increase in promotion will help the company to make new clients and thus increase its number of sales, this being the objective of the commercial department and the financial department, thus decreasing the financial debt.

## **10 BUDGET**

The actions established by the company in order to achieve the objectives also have an economic cost, which must be taken into account to control the investments made by the company.

Table 4 Actions and Budget

Actions	Budget
Introduction to new markets	Northern Europe = between 1200€ and 1500€ Eastern Russia = between 1500€ and 2000€ Far East countries = between 4000€ and 5000€
Sales agents with new markets <ul style="list-style-type: none"> <li>- Incentive to increase sales in markets with less incidence</li> <li>- Salary increase for the acquisition of new markets</li> </ul>	Sales goals in these markets will be made more attractive, until sales increase.  An increase of 150 euros in the monthly salary of the sales agent that acquires the market will be carried out. In the case of hiring another sales agent, the costs would increase to 70,000 euros per year.
Building customer loyalty <ul style="list-style-type: none"> <li>- Increased number of visits</li> </ul>	Once normality is restored in the country, the sales agents will take one more trip per year to each area assigned to him or her in order to strengthen relations with the company's customers and gain new ones.
Items with the company's logo	Meters = 220€ Pens = 65€ USB = 333€ Cups = 280€ Backpacks = 280€  Total cost = 1,180€
New machinery for new formats	This issue will be dealt with once the company and the sector have overcome the global crisis. However, the company will continue to take into account the most innovative machinery in the sector in order to be able to acquire machinery for the production of new formats in the near future.
Production workers incentive	120€ at the end of the year = 5400€ per year
Buying a suggestion box	30€
HR position	Salary increase of 100 euros per month = 1200 euros per year

Table 4: Own source



1st action: Introduction to markets where the company does not operate.

The budget would be around 20,000 euros per year, taking into account that between 2 and 3 trips per year will be carried out to these areas. The number of trips to these markets will be lower for now than to other markets because the benefits at the beginning are small. The trip to Northern Europe and Eastern Russia would take one week, while the trip to Far East countries would take 2 weeks to take advantage of it, as to America. Although there are sales agents for the North of Europe and the East of Russia, the sales and the commercial trips are scarce. For this reason, it is wanted to intensify the sales in these areas, besides to opening the market of the Far East.



2nd action: Sales agents in the new markets.

The company will reward the sales agent who manages the new market with an increase in the fixed monthly salary of 150 euros, in addition to the variables for meeting the individual sales goals. In the event that the company hired another sales agent, the costs would be about 70,000 euros per year, thus being a high cost for the company in this dramatic scenario of the pandemic.

3rd action: Building customer loyalty.

The sales agents will introduce 1 more commercial trip to each area in their trip schedule in order to strengthen the customer-seller relationship, to meet their objectives, and as well as to make new customers for the company.

4th action: Promotion.

The company will acquire objects with its logo in order to promote itself. This will make that its clients bear the company in mind at their workplace or at home. The budget for the products has been carried out in the company "Serigrafias Libra" which is located in Onda, Castellón. The company will acquire a total of 500 items from each object. The total cost will be of 1,180 €.



## 5th action: Machinery for new formats.

Porcelánicos HDC has an investment in mind to produce both large and small formats. However, with the coming of the crisis this action will remain suspended until this dramatic situation has been overcome. The company will begin to consider different options for the acquisition of this machinery between the end of 2020 and during 2021.



## 6th action: Staff.

As it has been mentioned before, in case production is highly classified as top quality (if it is between 96% and 99%), an incentive of 120 euros will be given to the production workers at the end of the year, being a total of 5.400€. In addition, a mailbox will be bought so that any worker can make suggestions to the company's management.



## 7th action: Human Resources position.

As it has been said before, the person in charge of the human resources position will be the person currently in charge of the IT department and s/he will receive a salary increase of 100 €, being a total of 1.200€ at the end of the year.

So it would be said that the budget for the actions of the marketing plan would be approximately of 20,500€ apart from variable costs (in percentages), trying that the objectives are fulfilled and being able to obtain greater performance for the company. Therefore, in future years the company will be able to continue investing in new projects and objectives, such as expanding itself, as well as growing or improving its qualities and costs.

Therefore, it could be said that this marketing plan is acceptable and it has a low risk since in case of meeting the objectives, greater benefits will be obtained.



## 11 MONITORING

Monitoring plan is one of the most important elements of the marketing plan, since once the objectives, strategies and actions are established, it is necessary to follow up if they are being fulfilled. It will be based on the 3 objectives established by the company:

### **Objective 1: Increasing sales to 3% in 2021**

In order to achieve this objective, the company will have to make a follow-up, which will be registered in the commercial programme so that both the management and the whole commercial department know the total number of sales, the sales in each area, the income and the benefits of each market.

Monitoring the  
number of sales

#### Method of monitoring:

Sales in each area will be constantly monitored as orders must be registered in the commercial programme, so the situation in each area can be seen at any time. In addition, each sales agent will hold a meeting at the beginning of the month with the commercial manager to encourage and motivate the sales agent to achieve his or her objectives and even exceed them.

Apart from the control over the number of sales, a control over the actions that the company will carry out to achieve the objective is made. This control over the actions will be carried out in order to know if they are helping the company to increase its sales to 3%, being this its commercial objective.

Action:  
Opening new  
markets and  
encouraging sales in  
these markets

#### Method of monitoring:

On a monthly basis, by means of the commercial programme, it will be checked whether the new markets are being profitable. In the programme, the number of sales and the amount of euros that the market or country brings to the company will be seen. In case the markets are not profitable, the company should take the appropriate measures.

Action:  
Building customer  
loyalty and  
increasing  
promotion

Metodo of monitoring:

Every six months the company will check on those clients who have increased their loyalty, so it will be checked if they have increased their number of purchases from the company. Loyalty will be intensified on those customers that the company considers to be potential by promoting the company with objects with its.

Action:  
Manufacture of new  
formats

Method of monitoring:

Once the company acquires the necessary machinery to create both large and small formats, the company will review in its commercial programme if these new formats have helped to increase sales.

## **Objective 2: Increasing top quality production to 1.5% by 2021**

The production of top quality material in Porcelánicos HDC is very high although the company wants to continue increasing this percentage until reaching 96% or more. In order to achieve that, a strict control over the production will be carried out.

Monitoring the  
material qualities

Method of monitoring:

The production department will make a report to the management about the production made in that month including: the amount of meters produced and the different qualities of each material (porosity, marking, resistance, calibre, orthogonality, planimetry, finish, etc.)

The actions taken by the company to achieve this goal will also be monitored so that by the end of the year the goal the company wants to reach in order to continue growing is met.

Action:  
Latest machinery

Method of monitoring:

The company will be constantly looking for the most innovative machinery in the industry in order to acquire it, reduce its production cost, and improve the quality of its products.

### **Objective 3: Reducing the company's debt to 40% by 2021**

The last objective is the financial one, which is not less important, since the company will have to reduce its debt with third parties in order to continue being independent and to continue investing in other projects in the future. In order to do this, the company must control which expenses are being reduced and how they will affect the company in the future. Finally, the reduction of the company's debt will be difficult due to the global crisis, so if the current debt is kept or if it does not increase to 50%, the management will be satisfied with the results, since now loans will be needed to cover some losses that the crisis has brought to the company.

Monitoring the  
reduction of  
expenses

Method of monitoring:

The reduction of expenses will be monitored monthly. The financial manager will show to the upper manager the most convenient cuts in the company, emphasizing that none of the employees will be dismissed.

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