



Facultat de Ciències Jurídiques  
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# **ORGANIC SAFFRON BUSINESS PLAN**

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## **ABSTRACT**

With this work, we intend to propose the creation of a company dedicated to the sowing, harvesting, production and marketing of organic saffron in Albacete in the province of Castilla de la Mancha, which is intended to be an innovative model in the area, where the client is an active participant in the process from the beginning.

It is characterized by the sustainability, flavour and quality of the product, which is adjusted to the needs of the customer, always in harmony with legality, so that customer satisfaction is sought, in this case in particular hotels, restaurants, chains of supermarkets and food stores.

It is recognized that despite the amount of skills that work in the vicinity of this, the proposed communication plan to make it known, will allow a personalized approach to potential customers which in a short, medium and long term, may need the product either sporadically or for a long time. So the Marketing Plan adjusted to the budget, will undoubtedly allow the feasibility of the implementation of this proposal for entrepreneurship.

Keywords: marketing, saffron, sustainability, ecological sowing, legal norm, entrepreneurship.

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## **1. INTRODUCTION**

This final degree paper presents a Business Plan of the economic productive alimentary sector, more specifically "The saffron". It suits the legal standards established since the harvest to the distribution and commercialization.

Unlike other companies that produce saffron, this one is about the collection of an organic product, since its plantation and collecting happen under organic conditions, without chemical waste. So its flavour is highly natural, increasing other interested markets attention.

Saffron is a product that emerges from the floral stigmas of the *Crocus sativus* L. (Norma UNE 34013 hl; Lewis et al., 1981). It adapts to adverse climatic conditions, so it can be planted in different types of soils, levels and climates. Nowadays its advantages to ecology and the environment are recognized.

Unlike other companies destined to the production of Saffron, this one is characterized by obtaining an ecological product, since its sowing and harvesting is carried out under ecological conditions, without chemical residues.

Therefore, its flavor is highly natural, increasing the interest of the different markets interested in the product.

Currently in Albacete there are 5 companies in this sector that have managed to position themselves and obtain a clear profitability from this crop, however they are family companies that are annually billing around € 150,000 per year. Companies that have a chemical methodology and a rudimentary and backward obtaining.

Saffron cultivation is one of the oldest in Spain, dating back 3,000 years, and it is one of the most efficient and valuable crops of all. Since currently the price of the kilo of organic saffron of denomination of origin labeled in Spain is 200% above its cost, between about € 8,000-10,000 per kilo. We are not talking about the coloring that can be sold in any establishment, but about the pure saffron collected and produced in a natural way, that is why it is known as the "red gold".

It is not the same to buy an essentially 30% product as a 100% product. Our idea is to obtain that 100% of the product, minimizing costs to the maximum and being able to expand our business nationally and internationally.

The recollection and processing procedure to get the saffron as we know it has developed over time. We can say that it is an important part of the cultural tradition of the region, which had a great development of the product before. So the market price is mainly set by the saffron's process of production and its value in different fields, like alimentary, cosmetic and medicinal (Terrado 2007).

More than 20 years ago, Albacete was one of the provinces with the highest percentage of cultivation. However, because of the modernization and the increase of the work field in other areas, this percentage decreased, leaving about 5 companies left, which are still dedicated to this field (Gomez et al, 1987).

That is the company we want to create from this Business Plan, which will not only ecologically harvest the product, but it will also gather, process and pack it in a traditional way, using the traditional manual techniques and also packing techniques which are highly ecologic.

This particular approach pretends to emphasize the distribution and commercialization of the product, since nowadays there is a lot of effort to get one kilogram of saffron. It is necessary to succeed in selling large amounts of saffron, without forgetting small consumers. That is why we considered starting the selling process with the catering sector, which constantly consumes the product to develop food and more recently liquor and drinks.

And our medium and long-term objective would be international, since there is a great demand for this product in other countries where it is marketed at a very high price.

The community of Albacete in Castilla La Mancha has 5 companies that have a similar raising process, but this new company has a strenght: the product is organic from its culture, assuring a better flavour and environmental care.

It's important to have in mind that, for the viability of the project, we have to consider the high cost of the investment to start an organic plantation. Also the process from the harvest to the distribution and commercialization takes approximately a year, so the first two years will not be profitable. Only the clients will slowly get to know the product and familiarize with it.

The distribution will happen in Spain and in the European Union, fulfilling the established legal standards, during the first year. It will be of great importance to the commercialization to individual persons, pharmacies, supermarkets, small businesses of food and species, since it will allow the selling of the product in small grams, the recognition of quality and loyalty of an important market sector that can't be put aside.

We remind you that it will be the Catering sector of Spain, first, and of the European Community, progressively, the competence center of the layout of this Business Plan.

The goals for this Business Plan are:

Main goal:

To draw a Business Plan to commercialize the new organic Saffron in Albacete in the catering sector.

Specific goals:

1. To analyse the internal and external context of the competing market of the new organic saffron industry in Albacete, to the catering sector.
2. To adopt management methods from the harvest to the commercialization, that allow the integration in the market and in the catering sector.

The business idea comes up with the purpose of promoting the saffron and using an already captured market in the catering sector, that has few alternatives. So a product that has a better flavour, due to its high quality from its harvest, will be of a great value to its food and drinks.

This new industry of saffron wants to permeate in the market by being different from other competitors, since it not only harvests, processes and distributes, but it also commercializes with small, big and medium traders, mainly on the catering sector. That, with the naked eye, allows us to project the success of the service in a short and medium term, since it will not only attract the people who love good flavours, but also the ecologists.

To succeed in achieving this aspects, the present paper is divided in the following stages: The first stage is the presentation of the Business Plan, the second stage is the strategic analysis, the third stage is the competitive strategies, and the forth stage is the functioning plans and the economic viability.

## **1.1 Identification**

The organic saffron industry in Albacete, for the catering sector, will be named:

### **The Organic Saffron**

- **The Promoter's profile**

The promoters of the Business Plan are students of the ADE Degree. Apart from having knowledge, abilities and skills developed during the degree, they should have general knowledge about the organic saffron industry.

The promoter will be the person in charge of drawing the project and developing each part of it, according to the acquired knowledge, abilities and skills is Juanma Carbonell Ruiz Nature of business

## **1.2 Nature of bussines.**

The saffron business has been a tradition in Castilla La Mancha, specially in Albacete, where over more than 20 years ago, families dedicated themselves to the harvest, collecting, production and commercialization of this great quality product, worldwide, comparing with others in other parts of the world, like Iran and Morocco.

These markets, which were opening up worldwide, hurt Spanish production at the beginning, since the price of other countries is lower, however the production of these countries is much lower than that of Spain, and they import large quantities of saffron. to their countries where the Spanish DO saffron is highly valued and has a price like 5J or Joselito ham here in Spain. This has led to the falsification of saffron by posing as Spanish, and that is why the DO labels appeared to be able to differentiate this possible scam.

All the work and the process from the flower to the final product take a lot of time, so if what is harvested is not sold, we lose money and man-hours.

The news from Cuenca in (2019), presented that in 2019 the cultivation data of the well-known "red gold" were between 500 and 600 kilos due to the weather conditions in Spain and the obsolete cultivation systems still present in this sector.



However, in 2020 the World Bank of Genetic Resources of Saffron and Related Species located in Castilla La Mancha reports that the production in 2020 was much higher in relation to 1,000 kilos, 1,500 kilos and predicts that in 2021 it will increase.

The utility that is given to this product is more and more, it is not only to obtain color, but flavor and health benefits, as can be found in different investigations of the sector.

Saffron combined with different spices or colorants is not the same as pure and organic saffron extracted in the best fields.

90% of the saffron production in Spain is produced in Albacete. Despite the few advances made in the sector and the obsolete form of extraction and cultivation.

According to data obtained from the INE (2019), it is found that the production of Saffron between 2016 and 2019 in Spain was occupied in approximately 480 kg. In subsequent years, production could reach 2,800 kg, but due to the fact that the companies are family-owned and have been passed from generation to generation, which hinders the motivation and vocation of this crop, in addition to the economic crisis experienced. , the new technological era where farm jobs no longer seem so attractive triggered a drop in kg. However, in 2020 a 50% increase in production is expected.

**Table 1.** Saffron production in Spain between 2016 and 2019.

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>SAFFRON: (Ha)</b>	235,0	238,0	233,0	233,0
<b>SAFFRON: (Kg/Ha)</b>	14,6	11,8	12,1	12,1
<b>SAFFRON: (Stigmas) (Kg)</b>	3.420,0	2.818,0	2.818,0	2.822,0

**Source:** INE (2019)

These data, more than signifying a weakness, is a strength, since the saffron industry needs to innovate to offer artisanal, ecological, quality products and at a competitive cost, seeking in the hotel sector, large consumers that guarantee the harvest. We are facing the only product that has lasted since Ancient Egypt, Mesopotamia, Abraham, Greece ...

The only crop that has lasted due to its benefits and its great demand throughout all time. It takes fresh air and a good Marketing plan to wash the image of this sector so damaged and often seem unattractive if you do not know it in depth.

## **2. EXTERNAL AND INTERNAL ANALYSIS**

### **2.1. External analysis**

The external analysis refers to all those elements that surround the new company and, normally, they are general elements that have influence in all the economic activity and that allow to create oportunities and threats that can be an advantage to improve the productive and commercial processes. When the macro context is presented, we show the political, economic, social and tecnological situation of the country and how this reality can influence this project (Núñez, 2011).

- **Political factors**

Since 1978, politics in Spain is framed inside the democratic government, achieving in the course of time great benefits as social security, which is one of the best and most recognized for benefiting all citizens.

Spain is among the countries of the European Union which operates according to the established norms and conventions, which has allowed the country to recover from the crises, developing in the tourist and educational area.

In addition, it is the world's largest single market with greater foreign orientation, which makes it easier for us to market the product internationally on a small scale. Granting beneficial access to the markets of other countries and counting on great support for expansion and good treatment with other countries.

In Spain, with the tax and labor reforms that have been applied, they are encouraging entrepreneurs and businesses, allowing self-employment and increasing Social Security affiliations. Now in 2020 we are experiencing a global pandemic that we are being affected in all sectors, and that will have consequences in the short, medium and long term.

Our country is promoting aid in all sectors and to new entrepreneurs to be able to face this difficult situation currently experienced. The Castilla La Mancha city council has

promoted subsidies for the saffron sector and for new entrepreneurs in said autonomous community, which is a great help.

This current situation may seem like a bad time to start and develop your business plan, but I think it is a very good opportunity to enter the sector with force and take advantage of this decline and the wear and tear that the various existing companies may present.

- **Economic factors**

### Gross Domestic Product

The Gross Domestic Product (GDP) is the relationship between the economy services and all the products. These calculations have in some way an impact in every productive companies in the country, and the market prices are used, as well as the subsidy and the indirect taxes (Larraín, Sachs y Sachs, 2002).

Next we present statistic data about the GDP in Spain in the last 10 years.

**Table 2.** GDP in Spain in the last 6 years

<b>Year</b>	<b>Annual GDP</b>	<b>Var. GDP (%)</b>
<b>2020</b>	1.206.878M.€	2,5 %
<b>2019</b>	1.166.319M.€	3,0%
<b>2018</b>	1.118.522M.€	3,3%
<b>2017</b>	1.079.998M.€	3,4%
<b>2016</b>	1.037.820M.€	1,4%
<b>2015</b>	1.025.693M.€	-1,7%

**Source:** Expansión (2020)

**Table 3.** GDP per capita in Spain in the last 6 years

Year	GDP Per Capita	Annual var. GDP Per Capita
2020	25.800€	2,8%
2019	25.100€	4,2%
2018	24.100€	3,4%
2017	23.300€	2,3%
2016	22.780€	1,2%
2015	22.518€	-0,2%

**Source:** Expansión (2020)

The GDP shows a remarkable improvement from 2017, succeeding in balancing in 2019 and 2020, regarding the years of the crisis, which shows that it is a productive country again and which has the economic ability to raise business plans, just like the one we are raising with this final work degree.

#### Unemployment rate

In Spain, the unemployment rate is measured by the level of unemployment, in which there is a relation between the level of unemployed people and the actives. That way we can reach the real percentage of unemployed, being the considered age 16 or more.

The average percentage of unemployment is 16,5% for women and men in 2017, being the women the most affected. Many of those people have some help from the government and from education and labour integration programs, however, there's a lot of people in need and few amounts of available places.

#### SMES

An aspect to be considered is the SMES, small and medium-sized enterprises, established with a number of employees that is not more than 250 and with moderate

turnover. Their resources are limited comparing to big companies, but the cost value advantages they offer to their clients are high level.

This data establishes the reality of the creation of new companies in the country.

The medium-sized enterprises have between 51 and 250 employees, having approximately 10 to 50 million euros, while small-sized enterprises have between 11 and 50 employees, earning between 2 to 10 million euros. However, the companies that evidenced the most are the micro-enterprises, that have between 1 and 10 employees and don't earn more than 2 million euros every year.

This shows that in Spain there is good financial and fiscal support in relation to medium and large companies. In Spain, from my point of view, I think there is an excess of expenses in terms of SMEs and the self-employed, in relation to their tax obligations.

So the idea, taking stock of what is best for us, would be to create a Limited Company, since we believe that it is the best in tax terms and what best suits our business.

Currently the State offers us several subsidies for being new entrepreneurs, for the investment of machinery and the project of corporate responsibility with the environment.

- **Social factors**

Spain belongs to the countries whose population has decreased due to high mortality and low natality, which are presented every year. It is said that as a result of the economic recession between 2008-2012, young people in reproductive age have emigrated to other countries, searching for new and better work and life alternatives. Despite this reality, the immigration from other countries, such as Romania, Morocco, Africa and Latin America, allowed the child population to maintain, even in a lower percentage than expected for a productive country.

Data from Statistics National Institute, INE (2018), shows that since 2013 there has been a decline, and in 2015 there was almost the same number of population than in 2009. In 2010 there were 46.486.621 and in 2015 46.436.767, being 2015 the year with less population. The ages that occupy the most part of the population are between 30 and 59 years old, being the productive people of the country.

- **Technological factors**

Data shows that Spain achieves to locate 80,2% of cybernauts from the total

population, according to the social and economic situation, number of inhabitants, family situation, age (EUROSTAT 2016). It also shows an increase over the last years of 1,5 points each year. This data allows us to see that internet activity has increased over the last years, becoming an ideal space for communication. So it is seen as a potential market that allows the promotion of the sustainable network of hotels that we present in this paper.

- **Ecologic factors**

Nowadays, the use of renewable sources with the purpose of taking care of the environment is a topic of interest worldwide, to revert the consequences as we can, such as global warming and climate change.

Spain is one of the countries that shows the most interest in taking care of the environment, by using biodegradable technologies as much as it can. According to data from the Eurostat, the energy consumption was made from clean sources in 16,15% in 2015, using it mainly to public services, such as transportation, heating, electricity and cooling.

The Centro of Sociological Research (CIS) (2018) shows that 54% of the Spanish is interested in decreasing the country's contamination, being the water contamination one of the most important. They also care for the use of pesticides, fires, collecting, classification and waste treatment.

Some measures established by the Spanish to protect the biodiversity are:

-Set up taxes in relation to the contamination of the environment since more and more there are more restrictions and more controls in the care and the contamination with respect to the industry and the environment.

This means a healthier and more sustainable ecosystem that as a consequence in our business means greater production and long-term viability.

This means a healthier and more sustainable ecosystem that as a consequence in our business means greater production and long-term viability.

Increasing protected areas, promoting recycling, the collection of rubble and electrical appliances are measures that are increasingly being carried out in Spain and around the world. Due to the degree of consciousness of humanity in relation to the care of our

planet, all these factors help to contribute on a small scale with our business, and on a global scale with planet Earth.

- **Legal factors**

Nowadays, the norm that applies to the culture of saffron is:

- the Norma I.S.O (International Standard Organization) 3632-1 y 3632-2, whose last version is from 2003. In this norm, it is presented the quality of the saffron, based on the purity of the filament and dust.
- UNE-EN 45011
- Guía ISO/CEI 65:1996

## **2.2 Analysis of the specific environment.**

Following the PEST analysis, we are going to use Porter's 5 forces analysis. Here we detail the 5 forces that influence the long-term study of the market. We will have to evaluate these 5 forces that we describe below:

### **-Rivalry between competitors:**

There are many companies dedicated to the production of saffron and a large percentage of these are family-owned.

Some of the most important competitors within this sector are:

AZAFRANES LAYRA, S.L. : It is the first company that certified saffron with D.O. protected, it markets throughout Spain and throughout 27 countries.

AZAFRANES MANCHEGOS, S.L: Family business since 1850, we highlight its first grand selection prize 2005, the Saffron from La Mancha.

BEALAR, S.L. : Founded in 1959, it is the largest producer of saffron D.O., homegrown.

AZAFRANES VIRGEN DE LA CRUZ, S.L. : A recently created company, even so these partners have more than 20 years of experience in the sector

### **-Threats of entry from new competitors:**

Currently a new Aragonese company has appeared that proposes an ecological cultivation and production of saffron, but due to logistical problems it is not achieving the success that it had in mind. Customers still want to consume traditional saffron for a lifetime.

**-Substitute products:**

Saffron has such a characteristic flavor and nutritional value that it is impossible to substitute, however many companies adulterate this product in order to give the food the same flavor and color, without being able to measure up to quality.

**-Customers deal marker power:**

It will work with MARIA ARNAU, S.L., SOFIA CULTIVOS, S.L. and ECOINVERN, S.L .. We reached an agreement due to their degree of experience in the sector and their wide portfolio of clients in the market. This facilitates us the ease in the sale of our stock and a wide communication of the product. We also have the idea of making a web page so that customers can see our products.

**-Deal marker power of suppliers:**

Because the company purchases the bulbs in the initial year of their creation, it will not require the service of any supplier for the cultivation of saffron.

## **2.3 Internal analysis**

### **2.3.1 Description of the saffron plant**

The saffron derives from a plant, that has a flower, and comes from the iridaceae family, being made of the roots, a bulb from where it comes the stem. This bulb has a large form and is commonly known as onion. The branches come from the stem and from them come the flowers, where we obtain the saffron (Fernández y Escribano, 2000).

An interesting aspect of this plant is that this bulb has a unique period of one year of life. It is born in Spring and moves until the next one, it has flowers in Autumn, so from



that moment on, another bulb starts to grow on top of the one which is dying. That is how a plant keeps itself active, and it is probable that it reproduces not one, but two or three times because of the pollination. In this case, it is all about the environmental conditions in which the harvest is.

The leaves are directly born from the bulb, making a stem of leaves like green beans grouped in bunches between 6 to 10 leaves each bunch, being taller than the flowers. These flowers are known as “La Flor Rosa del Azafrán”, which is violet blue. It can be found between the bulb and the leaves, it has a flared form, 6 petals and more than one stem. Escribano y Escribano (2000) define the flower of saffron. It is divided in verticilo and it has yellow antennas. The plant has an ovary, which has three orange or reddish-yellow stigmas, which are thin and thicker at the tips; this is what we call saffron.

**Figure 1.** Saffron plant



**Source:** [www.directoalpaladar.com](http://www.directoalpaladar.com)

### **2.3.2 Analysis of the Saffron Market**

The production and commercialization of saffron in Spain is found mainly in the population of Castilla La Mancha, being the main economic source of the product exportation sector.

The norms to guarantee the quality of the product allowed to increase the production and so the value, and the price doubled over the last 10 years.

Statistics confirm that the planted hectares have increased as well as the obtained kilograms and the selling. Next we will present the data from Ministerio de Agricultura, Alimentación y Medio Ambiente (2013).

**Table 4.** Saffron's production development in Spain (toasted stigmas)

Year	Hectares	Kilograms	Thousands of €
2004	87	1.051	1.374
2005	83	820	1.076
2006	116	1.330	1.745
2007	112	1.345	1.899
2008	136	1.843	3.257
2009	143	1.829	5.001
2010	165	2.332	7.014
2011	150	1.954	5.438
2012	155	1.827	5.072

**Source:** Ministerio de Agricultura, Alimentación y Medio Ambiente (2013)

This data shows that the culture of saffron increased significantly since 2004 until 2012, coming from 87 hectares to 155, being 2010 the best year with 155 hectares with harvests of saffron. The performance is equal regarding the kilograms of collected saffron, being 2005 the year with the lowest number and 2010 with 2.332 kilograms. It

is important to highlight that the last 5 years average is approximately 1800 kilograms per year.

The sales increased, being 2010 the best year with 7.014 thousands of euros, since 2008 the price has risen significantly, coming from an average between 2004 and 2007 of 1700 thousands of euros to an average between 2008 and 2012 of 5000 thousands of euros. This data shows that it is a growing industry, which considers a valuable product for its flavour and nutrients, so the human being has advantages.

Castilla La Mancha is the most representative autonomous community in the production of saffron in the country. It is considered to have 95% of the total production of the country. Albacete and Toledo are the cities that produce the most. Next we present the official data from 2013.

**Table 5.** Saffron's production in Spain

Provincias y Comunidades Autónomas	Superficie (hectáreas)			Rendimiento (kg/ha)		Producción (kilogramos)
	Secano	Regadío	Total	Secano	Regadío	
Teruel	3	–	3	7	–	21
<b>ARAGÓN</b>	<b>3</b>	<b>–</b>	<b>3</b>	<b>7</b>	<b>–</b>	<b>21</b>
Valladolid	1	–	1	3	–	3
<b>CASTILLA Y LEÓN</b>	<b>1</b>	<b>–</b>	<b>1</b>	<b>3</b>	<b>–</b>	<b>3</b>
Albacete	17	86	103	9	15	1.443
Ciudad Real	5	–	5	6	–	30
Cuenca	20	–	20	5	–	100
Toledo	–	18	18	–	11	198
<b>CASTILLA-LA MANCHA</b>	<b>42</b>	<b>104</b>	<b>146</b>	<b>7</b>	<b>14</b>	<b>1.771</b>
<b>R. DE MURCIA</b>	<b>1</b>	<b>–</b>	<b>1</b>	<b>8</b>	<b>–</b>	<b>8</b>
S.C. de Tenerife	–	4	4	–	6	24
<b>CANARIAS</b>	<b>–</b>	<b>4</b>	<b>4</b>	<b>–</b>	<b>6</b>	<b>24</b>
<b>ESPAÑA</b>	<b>47</b>	<b>108</b>	<b>155</b>	<b>7</b>	<b>14</b>	<b>1.827</b>

**Source:** Ministerio de Agricultura, Alimentación y Medio Ambiente (2013).

The exportation of the Spanish saffron started in the 90's, progressively increasing over the years. The biggest exporters, representing 75%, are the USA, Switzerland, Argentina, Japan and the Emirates.

Next we present the development of the exportation of Spanish saffron.

**Table 6.** Spanish saffron's exportation development

<b>Data in thousands of euros</b>			
<b>Year</b>	<b>EU</b>	<b>Other countries</b>	<b>Total</b>
2005	6.018,86	14.096,49	20.115,35
2006	7.108,69	15.436,68	22.545,37
2007	12.143,76	16.221,50	28.365,26
2008	23.122,46	15.163,83	38.286,29
2009	27.599,64	12.151,74	39.751,38
2010	28.772,74	21.710,63	50.483,37
2011	17.751,44	18.384,33	36.135,77
2012	17.459,97	22.541,30	40.001,27
2013	16.126,09	19.503,46	35.629,55

**Source:** Instituto Español de Comercio Exterior (2013)

The years with the biggest collection in thousands of years for exportation of saffron to other countries in the European Community were 2008, 2009 and 2010, having almost doubled the previous years. Since 2011 there was a continuous annual average of 17000 thousands of euros.

The exportation performance of other countries outside the European Community is different, keeping a continuous average of 16 thousands of euros every year, being 2010 and 2012 the years when the average increased a little with 21.710 for the first year and 22.541 for the second.

The years with the biggest collecting in exportation were 2010 with 50 483 thousands of euros, and 2012 with 40.000 thousands of euros, the average exportation from the last years is approximately 36.000 thousands of euros.

The evolution of the sales implies not only thousands of euros, but also the amount of sold kilograms. Next we present the evolution of the exported kilograms over the last years.

**Table 7.** Exported Spanish saffron's kilogram development

Year	Net weight (kg)
2005	22.135,31
2006	21.148,77
2007	18.996,12
2008	17.100,22
2009	8.293,10
2010	9.489,67
2011	11.395,08
2012	14.819,54
2013	13.698,34

**Source:** Spanish Institute of Foreign Trade

This table 8 shows a considerable reduction in the kilograms exported in recent years, with 2009 and 2010 being the years that fewer kilos were exported, an approximate of 8,500 kilograms each year.

However, by increasing the cost of the saffron's kilograms, the amount of collecting sellings was not affected. The fact that generates the mentioned norm to the quality of the saffron reached a significant increase in its price, giving the industry an advantage.

### 2.3.3 Analysis of the competence

Being Castilla La Mancha the biggest producer of saffron, in this area we can find the biggest part of the industry, that is part of the tradition, since it has been used from generation to generation, being most of them family companies.

By denominating the saffron from Castilla La Mancha as a protected product, the international markets opened and they are so big that for now more competence is not necessary. Likewise, nationally, the product has expanded and it has become the interest of small and big traders, specifically the catering sector.

**Table 8.** Competences

<b>Name of the company</b>	<b>Location</b>	<b>Name of the brand</b>	<b>Product and commercialization</b>	<b>Observations</b>
AZAFRANES LAYRA, S.L	Camuñas, Toledo	“CEFRAN”	Spain and more than 27 countries from 4 continents.	It's the first company to certificate saffron as Designation of Protected Origin "Azafrán de la Mancha".
AZAFRANES MANCHEGOS, S.L.	Alcalá del Júcar, Albacete	KARKOM		It's a family company, dedicated to the culture and commercialization of Spanish saffron since 1850. It received the prize "I Premio Gran Selección 2005 el Azafrán de la Mancha".
BEALAR, S.L	Motilla del Palancar, Cuenca	LA ROSERA”		Created in 1959, it's the biggest saffron producer with D.O. "Azafrán de la Mancha", having its own harvest

AZAFRANES VIRGEN DE LA CRUZ, S.L	Lezuza, Albacete	“LIBISOSA”		Recently created company. Besides, it has its own limited harvest. Natural product
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Regarding the organic saffron, the main competition could be the company from Aragón “Azafranes Jiloca”, which pretends to create an organic saffron with lab specialized techniques. However, the flavour they got didn’t please the diners, so its sells decreased significantly.

Now it is necessary to remind that we want an organic product, but its process will be natural. It is organic because its planting is free from fertilization and chemicals.

- **Substitute products**

The substitute products that exist on the market don’t have the flavour and color quality that this one has, so its price is much better. They are used to obtain color, however, they will never get the same look, and also they don’t usually have a lot of flavour.

Substitutes can be safflower, turmeric and paprika, besides the ones which are pre-made, like paella, that has the color, but it’s not a 100% the same.

- **Clients**

That is why we considered to start the selling process with the catering sector, which constantly consumes the product to elaborate food and, more recently, liquors and drinks.

Supermarkets and small traders will have small grams for daily consumption.

Exportation companies to others countries that are interested in the product for its flavour and high quality.

- **Suppliers**

The main supplier will be the first bulbs, from the organic packages and the transports.

#### 2.3.4 Current situation

- **Product**

The culture of saffron will happen following the established rules and the registration of

the brand that allows it to distinguish it from others. This product has a culture that is free from pesticides and chemicals, so it can be considered an organic saffron.

The presentation of the saffron will happen according to the consumer, either in kilogram bags for big consumers, medium kilograms and in sachets for daily consumption.

Even though the Castilla La Mancha product is, mainly, about the flavour and quality, this product, planted 100% naturally, has yet a much bigger flavour and color, that lasts in time, without being affected.

The planting lasts specifically a year, in which it is planted, it grows, flourishes, reproduces and dies, so the planting has approximately 5 cycles or years. After the last one, a new investment on the planting must be made.

**Table 9.** Saffron’s production cycle

CYCLE 1	CYCLE 2	CYCLE 3	CYCLE 4	CYCLE 5
The planting is made, that year’s production is the lowest, given that we want to obtain only what we planted and we should count the losses due to external factors	As soon as the planting has reproduced, we obtain the proper production and accomplish a new reproduction	It’s the year with the biggest production, since the cones or bulbs are as big as the flowers, so the production is high, comparing to the investment year.	It comes down 50%, since the cones are smaller, just like the flower, because it doesn’t have space in the reproduction	It comes down 30%, the bulbs are already small. It’s in this cycle that the flowers are pulled off and the planting happens again

**Source:** Muñoz (1987).

The saffron will be cultivated with the traditional techniques, almost without technology to affect its components. It will be planted on the second half of June, in flat soils, where the pools of water because of the rain won’t affect the reproduction and growing.



It is very important that the soils are totally free from chemicals, substances and other planting wastes. It must be done a proper draining before, the depth must be of approximately 20cm, every 2 or 3 months a plough must be done to eliminate the grass and check the process. The irrigation depends on the climate, since the water can damage the flavour and quality, so the water must be totally neutral, with special characteristics for the organic planting.

When the flower flourishes, the saffron opens and it must be recollected before it dries and withers, for approximately 30 days, from October to November, the threads that were recollected are stored to be processed, in a clean ventilated space, avoiding smashing and contacting with other element that can change its composition. What was recollected is placed on a plate or a hot stove, for the roasting or drying process, it must be pending during the whole process so it reaches the point and the flavour and quality are not lost.

Once it is cooled, it is weighted and stored inside the selected packages, according to the presentation to be sold. Those packages will be organic, according to the dietary special rules to isolate the moisture and the light.

- **Price**

We have 5 different packages to send: packages of 1 gram (2,70€), of 5 grams (13,50€), of 10 grams (27€), of 50 grams (135€) and of 100 grams of saffron (270€). These prices refer to the first year, increasing 50€ every year successively.

- **Distribution**

On the first year, the distribution is personalized, if we know the product and have contact with hotels and restaurants to advertise the product.

At the same time, we will connect with the product suppliers for retail on supermarkets and food stores, for the small grams presentations.

- **Promotion**

This aspect is very important to advertise the product **The Organic Saffron**, so we must use every way possible to call the attention of any possible clients that need this service on a short, medium or long term.

The advertising will develop through periodical and repetitive publications in Twitter, Instagram and Pinterest accounts. We will also make personal visits to companies and

we will hand in flyers and leaflets in places of interest. We will also use banner ads and publications in other websites that have free or paid access.

We must take advantage of the location of the company to make ourselves visible through guided tours to citizens, tourists and students who want to learn about entrepreneurship, saffron or organic planting.

An aspect to consider is the possibility of the clients to recommend their family and friends, in the case of the family presentation. Also the recognition of the flavour and quality of the product in the restaurants and hotels, so the first impression and the first sight are crucial. First to get the clients satisfaction, second to make the client an usual client, and third to get the recommendation of the client to other people.

- **SWOT Analysis**

- Debilities**

- High investment in the shed rent and initial planting
    - Mostly manual work
    - Need of knowledge and experience in the saffron's process
    - High cost product for a medium Spanish family
    - There's almost no investigations about this product

- Fortresses**

- It's different from others for being of organic planting
    - More productive than other companies
    - The price is competitive but better quality and flavour
    - It has the advantage of the legal standards and location
    - Captive international market
    - The promotion is varied and reaches everyone and the technologies act like a support

- Threats**

- The saffron can be replaced by other products with lower price, lower quality and less flavour and color
    - Biggest shipper: Iran
    - Low capacity to overcome environmental and economic problems
    - Internal use is less than in other European countries

- Opportunities**

- It's a sustainable organic product

- High claim, growing sector nowadays
- Good recognition by the international market
- The legal norm supports the quality guarantee of the product of Castilla La Mancha.

### 3. STRATEGIC ANALYSIS

#### **Main goal**

To create a strategy to achieve the positioning of the organic saffron, which has quality and flavour

#### **Specific goals**

- To achieve knowledge about the organic saffron for its quality, flavour and sustainability
- To be different and to find a place through a close online communication that is fun and creative, letting the client be the main character of the consumption of the organic saffron

The main goal will be achieved in a long term, as soon as the two specific goals are reached. The recognition will be achieved through communication campaigns in different media, digital, televisión, printouts, etc. When people get to know the services, the quality, the team, the costs, they will talk about the product and that way we will achieve to get into the market. That is a goal that takes time and dedication.

The second specific goal will be achieved as soon as the organic saffron is known. What is important here is that it is a highly organic product, that has better quality and flavour than the competition.

#### • **Vision**

Putting **the Organic Saffron in Albacete** in a new Saffron industry in a place that has a great flavour and a low cost. We present the following aims to be achieved in a short, medium and long term.

1. To progressively increase the harvest and production of the product
2. To progressively increase the number of clients inside the catering sector to commercialize
3. To expand the promotion to different places in Spain and in Europe

- **Its mission**

To permeate the catering market with a high quality and good flavour organic saffron.

- **Values**

The **Organic Saffron in Albacete** will have as main values: quality, sustainability, solidarity and respect.

- **Social responsibility**

The **Organic Saffron in Albacete** is projected to be a sustainable company in the future, that not only produces saffron, but also creates economic and social advantages to the community, always adjusted to the legal standards of the sector.

In its Social Responsibility Project, it will establish partnerships with different companies, that will allow it to create training centers to the promotion of the culture of saffron, the processing and casting. Its facilities will have places to promote the selling and different kinds of events.

We believe that due to the adopted capitalist lifestyle and the great freedom allowed around the economy, we are seeing how the planet is being affected at all levels.

That is why we propose that there should be non-profit associations that will encourage and help companies with a high degree of social responsibility, since the easiest thing is to take the path that everyone takes.

### **3.1. Strategic guidelines**

The main strategy is to use the advantages to overcome the disadvantages and to benefit from the strenghts to overcome the debilities. So there will be a plan that will focus of three big areas, that are the main strenghts of the organic saffron:

1. Quality product
2. Sustainable organic product
3. Client satisfaction

The Marketing Plan strategy has three main characteristics that makes it different: a quality product, a sustainable organic product, and most important, to achieve the satisfaction of the client.

To promote the product we will use the usual social media promotions, besides participating in quality and innovative activities. From the Managing and Administration of the company it will be made this part of the Marketing, by hiring trained people if necessary.

As soon as the Operation Plan starts, we will carefully watch its development to review and make the necessary changes as the actions happen.

Because this product is new, we should take some time to see if the strategies are working or not, so we propose to evaluate the results every month, for the first 6 months, without making big changes in the Marketing Plan. But if over the months there is no kind of positioning in the market, we recommend making an overall evaluation of the plan to determine what is going wrong and correct it.

- **Segmentation**

Segmentation is when we divide the population that is interested in subgroups, and classify them by their characteristics, behaviours or needs, with the goal of making the right strategy to each of them, to fulfill their expectations and needs. In the specific case of our product, the segmentation is directed to hotels and Spanish restaurants, supermarkets, retail sales of products from the food and drinks sector, and people in general that use saffron to give flavour and color to their food.

- **Positioning**

The positioning is the place that the **organic saffron in Albacete** occupies, its services in the market and the consumer's perception.

One of the most important aspects is to achieve to market positioning. To create the ideal strategies that allow to obtain what we expect, we have to question: Where can we find the organic saffron of Albacete now?, Where must the organic saffron of Albacete be in a few months?

1. Delimitation of the current positioning: Because it is a new company, it

doesn't exist in the market, so it's not positioned.

2. Delimitation of the expected positioning: We expect, in a near future, to position our product in the market, setting a difference in the competition, guaranteeing quality, flavour and sustainability.

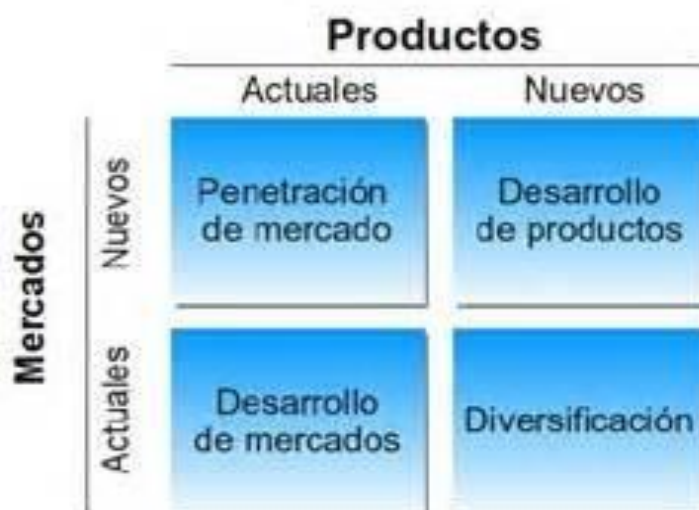
To achieve this positioning, divergent points must be raised that characterize the competition, in the specific case the organic saffron in Albacete, the difference already exists, it's not necessary to create it. This is a quality product that, while competing in price with other companies, guarantees a better flavour and sustainability because it is an organic product.

As soon as the positioning is achieved, it must be evaluated to be able to make adjustments to the proposed Marketing Plan, in order to achieve a greater positioning in the market.

- **Growing Strategy**

To establish the Growing Strategy, the Ansoff Matrix will be used, which determines how strategic growth should be.

Figure 2. **Ansoff Matrix**



Source: Dvoskin, R. (2004).

Because it is a new brand, growth will not exist until it really is positioned in the market, so we will begin with the suggested strategy of market penetration.

In this first moment we want to advertise the organic saffron, so we must establish the appropriate communication channels (to promote) to reach the interested public in this product and that way to be able to introduce it into the market, with the different services that are promoted. Once this is achieved, the Marketing Plan must be reviewed again so we can introduce new elements that allow the development of new growth strategies.

Our ideal communication plan would be to carry out an awareness campaign through social networks, first of all Instagram, which today we consider to be the social network with the greatest influence on the consumer and in a very direct way.

We would make a promotional video in which we would give impetus to the quality and differentiation of the product and to our degree of responsibility with the environment and exhaustive selection of the product.

Later we would also publish this advertisement on Facebook, and on TV. We would seek the empathization of the consumer, and that consumer who is looking for a product in all its essence.

#### **4 OPERATIONAL PLAN**

The operational plan implies all the structural and organizational processes that must be carried out in order to obtain the saffron market and reach the client. So the operations in this particular case will be the actions to follow inside the company, to obtain the client's satisfaction, loyalty and so the positioning of the product in the market.

##### **1. PRODUCT:**

The saffron is a high quality product, it is planted in highly organic soils, which are chemical free, and there is a constant cleaning of the land so that the harvest is not

affected.

It is manually collected and processed, manually bagged and packaged, in the established periods, with ecological packaging, guaranteeing the release of moisture and light in the process.

## **2. PRICE**

The prices will be established according to the real expenses that each one implies and in contrast to the competitive market. In this first moment it obtains the recognition of the organic saffron of Albacete, a margin of low profit, since we must use the capital for the promotion, once the positioning is achieved, this aspect will be reviewed again.

In this moment of integration in the market, we will have promotional prices, which still guarantee a minimum of profit. The prices will always be in review regarding to the competition, to guarantee the positioning we want to achieve.

## **3. DISTRIBUTION**

The distribution is the process for the realization of a certain service, so it will be crucial in this aspect the direct communication with the clients, either personal or online, to make clear their needs in order to satisfy the clients with their requests.

The function of harvesting the sowing, we have an agreement with a company in the area, with our same values and ways of seeing the business world.

We have secured an agreement with a company that is dedicated to the harvesting of the harvest using the old harvesting technique, and thus offering more jobs in areas where these times are scarce. In addition, this company also carries out the storage of the sowing due to its large facilities, in order to carry out a more exhaustive and specialized process with a single company.

In our project, we have thought of hiring 8 autonomous transporters with their respective vans that will be dedicated to retail distribution.



#### **4. COMUNICACION/ PROMOTION**

Its commercialization will happen through different advertising campaigns, being the social networks of great importance to be known. However, visiting the companies will also allow to get known and attract clients in a short, medium and long term.

An informative communication will be made to present the organic saffron of Albacete, its characteristics and advantages, for this first phase. Different means of transmission will be used to reach as many potential clients as possible.

Internet: social media will be used as a tool:

- Webpages
- Twitter
- Instagram
- Facebook

It will also be advertised in other websites connected to the world of legal advice and through YouTube videos of 5 minutes or more, where the presentation of the organic saffron of Albacete will be made, its facilities and services, having an emphasis on some innovative concepts we will make different banners.

Once the Operational Plan has started, its development will be revised to review and make the necessary adjustments as the actions happen.

As the organic saffron of Albacete is new, we should take some time to really establish if the strategies are working or not, so we propose to evaluate the obtained results every month, for the first 6 months, without making big changes in the Marketing Plan, but if after some time there is not any kind of positioning in the market we recommend to make an evaluation of the whole plan to determine what is going wrong and correct it.

## 5. HUMAN RESOURCES

The structure of the spite is oriented in its creation by the statutes referring to the statutes of a legal entity, so that despite having a management structure, each person fulfills independently and autonomously its role in the company, constantly organizing, executing and evaluating in team to improve each time and obtain better income.

3. **Executive and financial director:** whose role is the promotion of the organic saffron of Albacete, the selection of collaborators, the reception of client proposals, budget planning of common expenses (rent, services, marketing and secretarial payment), the presentation of budgets, collections and payments and all the fiscal actions necessary to carry out the daily action of the company.
4. **Administrative:** it will be the person in charge of receiving calls, requests via web, organizing visits, receiving and sending documentation among other things.
5. **Commercial:** this person is responsible for personal sales, to respond in the website and carry out the exportations, this person can access the company once the initial investment is recovered and the second one is always guaranteed.

It is important here to define that contracts will be made in relation to the production and demand of the sector. Our business plan considers that at the beginning the production will be 35% of the total to be achieved, and over the years as production increases, the assets of the company will increase.

Regarding the organization chart of the company, we see in figure 4, that our business structure has a simple base.

An executive director who is in charge of studying all the actions that are carried out and looking for strategies to continue increasing in effectiveness and production, without losing the essence of this company.

The administrative part that is in charge of all the accounting, management and tax matters of the company.

The commercial part, in charge of making the image and brand of our product more knowledgeable and faithful to our consumers.

**Figure 3.** Albacete organic saffron chart



## **6. MARKETING PLAN**

The Marketing Plan was structured based on the vision and mission of the company and the goals, strategies and positioning required, so we propose the following proposal:

- **Web image and development**

The organic saffron of Albacete has a web page, which has the image of the procedures to obtain the saffron, and also the weekly promotions that can be offered and upcoming events.

It has telephone numbers to be contacted and contact potential clients, so we will have a list of hotels, restaurants, supermarkets and marketers who may be interested in the product.

- **Social media**

The social media we will use for the promotion is Facebook, which allows interaction with the clients, address requests and complaints, as well as receive opinions. It is a good channel to achieve not only the promotion of the restaurant, but also for the diners who have tried it and use it in their food to give their opinion and recommend it.

It will also be advertised in other social media such as Twitter, Instagram, YouTube, and in this last one, we will open a channel, where we will tell every week the process of planting, organic planting, entrepreneurship, etc.

We will make different banners and promotion through Google with paid articles. Promotional campaigns will be used, in the first months it will be every month, so that we can recognize the impact of this advertising tool in visiting of potential clients in different social media. Once the 6 months have passed, the campaign can be done for three months, with periodic review of the results.

- **Support**

We proposed that the manager is in charge of carrying out the Marketing Plan and putting it into practice, working closely with the administrator. These two people will be in charge of proposing each of the actions and executing them, to obtain the proposed goals.

It will be crucial to have specialized people for the design of the logo and the page, and in terms of social networks it will be handled by the manager and the administrator is in charge of the communication plans that require costs.

It is important to plan quarterly tastings and free samples of the product of a small grams, to have the attention of individual clients and at the same time that they demand from restaurants the use of an organic saffron of quality and insuperable flavour.

- **Reputation**

A crucial aspect to take into account will be the reputation of the organic saffron of Albacete, which is achieved digitally through different social media. All these social networks allow clients to interact and give their opinion, so through the different tools, the reputation and comments part will be seen once the social network is opened. This will also happen with the web page, the Google map.

It is very important to achieve the required score by the regulation of the quality of saffron in Castilla La Mancha to achieve the recognition of the quality of the product and the positioning of the brand.

- **Promotions and advertising**

The promotion and advertising of the organic saffron of Albacete will be carried out with the main goal of positioning the product and achieving the client satisfaction through a quality product at competitive prices.

To achieve this positioning and recognition, it will be necessary to have advertising companies, which will be carried out every month and in special cases, tastings and events that help to make known the product and its quality, communication and advertising must be permanent, adding distinctive elements that allow it to adapt to the new needs of the emerging society.

The means that will be used are mainly digital, web page, social networks, emails, Facebook, Twitter, and campaigns, among others, likewise we will do special programming for tasting, promotional dishes, charity events, among others.

- **Campaign via email**

A database will be built with those who have visited social networks and have shown some interest in the product, so we will prepare a promotional bulletin monthly, which will be sent to the list of clients, according to their authorization (this makes it possible to guarantee that the emails reach the clients and not that they are stored in the spam folder). The privacy of the clients will be protected when we send the email, so the addresses can not be viewed by any of the other clients who have also received the message.

It is important that the monthly bulletin sent is made to highlight the potential of the restaurant, putting it in advantage with the competition, so that the suppliers, products, facilities, table services, events and, above all, the presentation, customer satisfaction, through images or short videos will be discreetly presented.

- **Campaign via ordinary email**

The ordinary email will form an important part of the marketing strategies to be used, since it will keep the client always in communication with the company, one of the proposals to be implemented is to send special invitations to events, tastings, in which they present a discount for being a potential client.

In the case of periodic campaign designs, we will use this way to keep the client informed and deliver publicity bulletins that can be shared with family and friends.

- **Community | Participation in NGO's**

The organic saffron of Albacete raises the collaboration with NGO, churches, sports clubs, among other organizations, specially lending their spaces for educational purposes, since this will serve as propaganda for close people to know the process of organic cultivation of saffron.

## **7. ECONOMIC PLAN AND VIABILITY**

### **a. The investment:**

For the development of this project, we will have the following infrastructure:

- **Land:** one of the contributions made by the shareholders is a farm that has 14,000 m<sup>2</sup>, valued at 51,750 euros. Fulfilling the processes of sustainable cultivation, the farm has its own water well, which has the necessary capacity to irrigate the cultures.
- **Warehouse:** rental of a warehouse of 145 m<sup>2</sup>, which functions as warehouse and at the same time it's where the office is located. It is estimated that the works will be carried out for the value of 12 thousand euros to condition the areas. The office will have an arrangement of 40 m<sup>2</sup>. Distribution:
  - Administrative area, attention to the public and bathrooms with 40m<sup>2</sup>
  - Warehouse distributed in 105 m<sup>2</sup>, where the implements and materials necessary for cultivation will be stored, saffron processing area for commercialization and subsequent sale (packaging)

- **Furniture:**

**Table 10.** List of furniture

Office furniture	Warehouse
<ul style="list-style-type: none"> <li>✓ <b>One</b></li> <li>✓ <b>Two chairs</b></li> <li>✓ <b>One folder</b></li> <li>✓ <b>Two shelves</b></li> </ul>	<ul style="list-style-type: none"> <li>✓ Four shelves</li> <li>✓ Four boards with ponies to install portable tables</li> </ul>

*Source: own elaboration*

- **Teams:**

**Table 11.** Teams

Teams	Stock
<b>Computing</b>	<ul style="list-style-type: none"> <li>✓ One computer</li> <li>✓ Internet</li> <li>✓ One desk phone</li> <li>✓ One mobile pone</li> <li>✓ Multifunction fax with printer</li> </ul>
<b>Tools</b>	<ul style="list-style-type: none"> <li>✓ heaters and refrigerators to regulate the temperature</li> <li>✓ moisture and ventilation controllers</li> <li>✓ precision balances</li> <li>✓ Irrigation material (valves, dispersers, etc.)</li> <li>✓ Tools for cultivation: rakes, hoes, shovels, wheelbarrows.</li> </ul>

*Source: own elaboration*

- **Raw material:** the purchase of Bulb is essential to start the planting process, so the first investment will be 45,000 euros, the amortization of this investment is amortized in 5 years. The Bulbs after the fifth year are doubled in quantity of raw material and in value. The initial investment will be of 5000 kilograms at a cost of 9 euros per bulb

- **Cash and Bank (current assets):** at the cash and bank it will be available for 25,000 euros.

The initial project will have an investment of 142,850 euros, with an annual amortization of 13,220.00 euros. On the following table 13 we can see the investment of the start-up of the company.

**Table 12.** Cost and amortization of the infrastructures and facilities of the Albacete organic saffron

INVESTMENTS	ACQUISITION PRICE (€)	AMORTIZATION (%)	AMORTIZATION ANNUAL SHARE
Farm	51.750,00		-
Work	12.000,00	20%	2.400,00
<b>Furniture</b>			
Oficce and warehouse	1.500,00	20%	300,00
<b>Teams</b>			
Computing	2.400,00	20%	480,00
Tools	5.200,00	20%	1.040,00
Bulbs	45.000,00	20%	9.000,00
Current assets	25.000,00		-
<b>Total, investment</b>	<b>142.850,00</b>		<b>13.220,00</b>

*Source: own elaboration*

## b. Financing

For financing, the main partner in addition to providing the land makes a contribution in cash for 25,000 euros which make up the availability for the payment of expenses before obtaining any benefits. So the capital contribution will include land 51,750.00 + 25,000.00, making a total of 76,750.00.

For the initial investment there would still be 66,100 missing, which would be requested to the bank at a 3% annual rate of 5 years. So it would be remaining fixed monthly payments of 1,187.73 and anual of 14,252.77 euros. We present these values in the following table 15



**Table 13.** Amortization calculation of the loan

<b>Co</b>	<b>66.100,00</b>
<b>i</b>	3,00%
<b>n</b>	60
<b>Paid</b>	Postpayable

*Source: own elaboration*

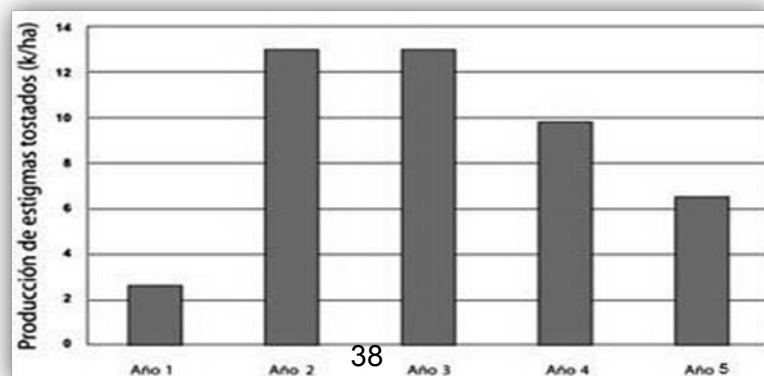
**Table 14.** Saffron's production

YEARS	PENDING CAPITAL	INTERESTS	AMORTIZED CAPITAL		ANNUITY
			ANNUAL	ACCUMULATED	
Initial	66.100,00 €				
1	53.660,11 €	1.812,88	12.439,89	12.439,89	14.252,77
2	40.841,85 €	1.434,51	12.818,26	25.258,15	14.252,77
3	27.633,71 €	1.044,63	13.208,14	38.466,29	14.252,77
4	14.023,83 €	642,89	13.609,88	52.076,17	14.252,77
5	0,00 €	228,93	14.023,83	66.100,00	14.252,77
<b>TOTAL</b>		<b>5.163,83</b>	<b>66.100,00</b>		<b>71.263,83</b>

*Source: own elaboration*

The following figure shows the production per kilogram of saffron according to the Libro Blanco del Azafrán en España.( See figure 5 )

**Figure 4.** Production of toasted stigmas in kilograms per hectare



*Source: Libro Blanco del Azafrán en España*

Based on this information we can make a projection of what is estimated to be produced during a period of 5 years.

**Table 15.** Kilograms of saffron produced a year

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Production in kg	12	28	32	25	15

*Source: own elaboration*

### c. Sales projection

To calculate the sales projections, the production in the table above will be taken into consideration. The initial and promotional price per kilogram will be 2,500 euros, the following years will be adjusted according to the needs of the production and the market. After 5 years we will proceed to the sale of the bulbs, which we estimate that have a value of 9 euros. By that time the bulbs must have doubled 5,000 Kg as the initial investment, it is estimated to have 20,000 Kg.

**Table 16.** Total saffron sales

SALES		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<b>Saffron</b>	units (kg)	12	28	32	25	15
	price (€)	2.500,00	2.650,00	2.700,00	2.800,00	2.900,00
	income	30.000,00	74.200,00	86.400,00	70.000,00	43.500,00
<b>Bulbs</b>	units (kg)					20.000,00
	price (€)					9,00
	income					180.000,00
<b>Total income</b>		<b>30.000,00</b>	<b>74.200,00</b>	<b>86.400,00</b>	<b>70.000,00</b>	<b>223.500,00</b>

*Source: own elaboration*

### d. Projection of expenses:

For the projection of expenses, everything that implies a disbursement of money

attributed to the commercial activity of the company is taken into account. In the case of the organic saffron in Albacete the following things were taken into account:

- People expenses are determined by an annual investment rate of 30%.
- The rent of the ship is estimated at 7,000 euros every year for the first 5 year contract.
- Other corresponding expenses:
  - Electricity and water: 230 € / month
  - Telephone and internet: 60 € / month
  - Office supplies: 25 € / month
  - Insurance of the plantation 250 € / month
  - Fees and taxes: 1,620 € / year. Quarterly taxes as model 303, corporate tax.
  - Phytosanitary products against pests and diseases: 165 € / year
- Independent professionals' services: we hire 6 professionals in the last two weeks of October, for the tasks of collecting flowers and rose monda. They are distributed like this:

**Table 17.** Professional services

People	6
Days	14
Hours	8
Price per hour	9,00
Total, per year in euros	6.048,00

**Source:** own elaboration

- An annual increase in expenses of 2% is estimated
- The amortization of the investment is 13,220.00 euros every year
- Bank interest expenses on the loan are taken into consideration

**Table 18.** Expense projection in 5 years

Expenses	Year 1	Year 2	Year 3	Year 4	Year 5
People (autonomous-shareholder fee)	9.000,00	22.260,00	25.920,00	21.000,00	67.050,00
Rent ship	2.000,00	2.000,00	2.000,00	2.000,00	2.000,00
Electricity and water	2.760,00	2.815,20	2.871,50	2.928,93	2.987,51
Telephone and internet	720,00	734,40	749,09	764,07	779,35
Office supplies	300,00	306,00	312,12	318,36	324,73
Insurance	3.000,00	3.060,00	3.080,00	3.100,00	3.120,00
Taxes and fees	1.620,00	1.670,00	1.700,00	1.820,00	1.920,00
Phytosanitary products	165,00	168,30	171,67	175,10	178,60
Professional services	6.048,00	6.140,00	6.230,00	6.350,00	6.460,00
Amortizations	13.220,00	13.220,00	13.220,00	13.220,00	13.220,00
Financial expenses	1.812,88	1.434,51	1.044,63	642,89	228,93
<b>TOTAL, EXPENSES</b>	<b>40.645,88</b>	<b>53.606,41</b>	<b>56.957,00</b>	<b>51.717,35</b>	<b>97.437,13</b>

*Source: own elaboration*

e. Result state:

**Table 19.** Result's provisional account

Result state	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<b>Sales</b>	<b>30.000,00</b>	<b>74.200,00</b>	<b>86.400,00</b>	<b>70.000,00</b>	<b>223.500,00</b>
People expenses	9.000,00	22.260,00	25.920,00	21.000,00	67.050,00
Rents	2.000,00	2.000,00	2.000,00	2.000,00	2.000,00
Other expenses	14.613,00	14.691,90	14.772,38	14.854,47	14.938,19
<b>EBITDA</b>	<b>4.387,00</b>	<b>35.248,10</b>	<b>43.707,62</b>	<b>32.145,53</b>	<b>139.511,81</b>
Amortizations	13.220,00	13.220,00	13.220,00	13.220,00	13.220,00
<b>EBIT</b>	<b>-8.833,00</b>	<b>22.028,10</b>	<b>30.487,62</b>	<b>18.925,53</b>	<b>126.291,81</b>
Financial expenses	1.812,88	1.434,51	1.044,63	642,89	228,93
<b>BAI</b>	<b>-10.645,88</b>	<b>20.593,59</b>	<b>29.443,00</b>	<b>18.282,65</b>	<b>126.062,87</b>
Impto on B° (25%)	-2.661,47	5.148,40	7.360,75	4.570,66	31.515,72
<b>Result</b>	<b>-7.984,41</b>	<b>15.445,20</b>	<b>22.082,25</b>	<b>13.711,98</b>	<b>94.547,16</b>

*Source: own elaboration*

**Table 20.** Treasury's provisional account

Treasury	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Sales	30.000,00	74.200,00	86.400,00	70.000,00	223.500,00
People expenses	9.000,00	22.260,00	25.920,00	21.000,00	67.050,00
Rents	2.000,00	2.000,00	2.000,00	2.000,00	2.000,00
Other expenses	14.613,00	14.691,90	14.772,38	14.854,47	14.938,19
Financial expenses	1.812,88	1.434,51	1.044,63	642,89	228,93
Loan return	12.439,89	12.818,26	13.208,14	13.609,88	14.023,83
Impto on B°	0,00	-2.661,47	5.148,40	7.360,75	4.570,66
<b>Annual treasury's balance</b>	<b>-9.865,77</b>	<b>23.656,80</b>	<b>24.306,46</b>	<b>10.532,02</b>	<b>120.688,38</b>
<b>Available</b>	<b>15.134,23</b>	<b>38.791,04</b>	<b>63.097,50</b>	<b>73.629,52</b>	<b>194.317,89</b>

*Source: own elaboration*

**Table 21.** Annual balance sheet

BALANCE	INITIAL	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<b>ACTIVE</b>						
Inmobilized	117.850,00	117.850,00	117.850,00	117.850,00	117.850,00	117.850,00
Amortizations		-13.220,00	-26.440,00	-39.660,00	-52.880,00	-66.100,00
<b>TOTAL NON-CURRENT</b>	<b>117.850,00</b>	<b>104.630,00</b>	<b>91.410,00</b>	<b>78.190,00</b>	<b>64.970,00</b>	<b>51.750,00</b>
Active for BIN		2.661,47				
Treasury	25.000,00	15.134,23	38.791,04	63.097,50	73.629,52	194.317,89
<b>TOTAL CURRENT</b>	<b>25.000,00</b>	<b>17.795,70</b>	<b>38.791,04</b>	<b>63.097,50</b>	<b>73.629,52</b>	<b>194.317,89</b>
<b>TOTAL ACTIVE</b>	<b>142.850,00</b>	<b>122.425,70</b>	<b>130.201,04</b>	<b>141.287,50</b>	<b>138.599,52</b>	<b>246.067,89</b>
<b>PASSIVE</b>						
Social capital	76.750,00	76.750,00	76.750,00	76.750,00	76.750,00	76.750,00
Reservations			15.445,20	36.903,79	47.825,68	169.317,90
Negative results		-7.984,41	-2.836,01			
Loans	66.100,00	53.660,11	40.841,85	27.633,71	14.023,83	0,00
<b>TOTAL NON-CURRENT</b>	<b>142.850,00</b>	<b>122.425,70</b>	<b>130.201,04</b>	<b>141.287,50</b>	<b>138.599,52</b>	<b>246.067,90</b>
Suppliers						
<b>TOTAL CURRENT</b>		<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>
<b>TOTAL PASSIVE</b>	<b>142.850,00</b>	<b>122.425,70</b>	<b>130.201,04</b>	<b>141.287,50</b>	<b>138.599,52</b>	<b>246.067,90</b>

*Source: own elaboration*

#### f. Viability plan

The viability plan is a tool that allows analyzing the situation of a company in its implementation and in its planning, evaluation and control of a company in functioning. The analysis can determine, through projections, if the company will obtain the expected benefits or what changes are required to be made.

For the business plan of this work, the ratios of Net Present Value (NPV) and the Internal Rate of Return (IRR) will be used, since it is a company with long term profits.

i. Calculation of the NPV

The Net Present Value (NPV) is a financial procedure that calculates the present value of a certain cash flow in the future, which are originated by an investment.

It is considered an acceptable investment when the value resulting in the mathematical operation is bigger than 0%. For the calculation the future cash flows of the project are used, so the value of the initial investment is subtracted, so that the obtained value is the net present value.

The formula for the calculation of the NPV is the following:

$$VAN = \sum_{t=1}^n \frac{V_t}{(1+k)^t} - I_0$$

- First of all we find the cash flows ( $V_t$ ), which are obtained from the annual treasury balance.

**Table 22.** Cash flows

<b>CASH FLOWS</b>	<b>15.134,23</b>	<b>38.791,04</b>	<b>63.097,50</b>	<b>73.629,52</b>	<b>194.317,89</b>
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*Source: own elaboration*

- $I_0$  is the initial investment, 142,850€.  $V_t$  is the cash flow in each period "t", "n" is the number of years of the investment, five years, and "k" is the discount rate with which we are comparing, which an investor can request for an alternative project with a similar level of risk. The discount rate "k" that we use is the weighted average cost of capital (WACC).
- $K_e$  is the opportunity cost rate of the shareholders, in this case we use the Spanish 5 year bond, whose rate is 1.5%. CAA is the capital contributed by the partners, 76,750.00€. D is the financial debt incurred, 66,100.00€.  $K_d$  is the cost rate of financial debt, 6%. And T is the tax rate, 25%. Remaining:

$$CMPC = K_e \frac{CAA^{45}}{CAA + D} + K_d(1 - T) \frac{D}{CAA + D} \quad [0]$$

$$\text{CMPC} = 2,89 \%$$

With this we can calculate the NPV with the following formula:

$$\begin{aligned} \text{NPV} &= [15.134,23/(1+0,035)^1] + 38.791,04/(1+0,035)^2 + 63.097,50/(1+0,035)^3 + \\ &73.629,52/(1+0,035)^4 + 194.317,89/(1+0,035)^5 - 142.850 \\ &= -33.832,40 \text{ €} \end{aligned}$$

ii. Calculation of the IRR

The Internal Rate of Return (IRR) is an indicator that allows to determine if the company is viable.

$$TIR = \sum_{T=0}^n \frac{Fn}{(1+i)^n} = 0$$

- **Qn** is the cash flow in n
- **n** is the number of periods.
- **I** is the value of the initial investment

The IRR shows an internal performance value of the company expressed as a percentage, and comparable to an interest rate.

For the company we calculated

$$\begin{aligned} \text{IRR} &= [(15.134,23)/(1+k)^1 + 38.791,04/(1+k)^2 + 63.097,50/(1+k)^3 + 73.629,52/(1+k)^4 + \\ &194.317,89/(1+k)^5 - 142.850,00 \end{aligned}$$

$$k = 4,43 \%$$

The obtained result shows that it is a viable investment.



## **8. CONCLUSIONS**

This final degree paper arises from a real need and interest, to bring new ideas of entrepreneurship to the saffron sector in Albacete, so the creation of a new organic saffron in Albacete must be competitive with others in the area of the great trajectory and tradition.

An internal and external analysis was made, through which the needs of the country, the region, the competition, the costs established to establish the strategies that favor competitiveness and the expected positioning were approached.

So, it was possible to establish a Marketing Plan with all the necessary details to be able to promote the organic saffron of Albacete, using different tools that allow it to be known by a bigger amount of people and so to increase sales in a short period of time.

We can conclude that, as the business plan has been created, this is viable, since it guarantees in a short period of time, the increase in productivity and product quality, it is important to take into consideration that one of the aspects that will allow success will be propaganda and positioning

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