



Facultat de Ciències Jurídiques  
i Econòmiques · FCJE

## **MARKETING PLAN**

### **PROPOSAL FOR EXTENSION OF PRODUCT RANGE FOR**

# **ECOALF**

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## **1. EXECUTIVE SUMMARY**

ECOALF is a Madrid based eco-friendly/sustainable fashion company established in 2009 after more than four years of research and development of the first generation of 100% recycled fibres and fabrics with the same looking, texture and features than regular ones.

Led by its founder and visionary Javier Goyeneche, Ecoalf and its homonym foundation are some of the most prestigious and cutting-edge Spanish enterprises in terms of environment awareness and its protection.

Thanks to its vision and hard work, Ecoalf has positioned itself as one of the few eco brands worldwide able to produce, design and retail an extensive range of products from apparel, footwear and accessories to helmets and garments for out of space tourism.

Nevertheless, the company is yet to have a tax year with benefits. The effort in Promotion as well as the development of the materials used to manufacture its products imply an expensive cost structure. Moreover the eco-friendly fashion market is still an emerging market with a reduced number of potential customers so that the demand has not reached the expectations of the company.

Fashion and perfume industries have strong and ongoing bonds. Fashion companies usually choose perfume or cosmetics as non-related diversification as their next business growth step. Actually, many enterprises, both luxury and fast fashion, gain a relevant and constant source of income commercialising branded perfumes and cosmetics (Riera, 2017f)

Even though the perfume industry growth rates are usually low, they keep on expanding year after year, both in Spain and the rest of the world (Riera, 2017e).

The following Marketing Plan studies a proposal of product diversification with the release of a fragrance following the company philosophy. Within some other features, this perfume would be made by natural and eco-friendly components not detrimental to the environment and contained in a recycled and reusable bottle and packaging.

The document includes both an internal analysis of the company and an external analysis of both the macro environment and the global perfume and sustainable niche markets. After acknowledging the situation where the company performs and the company itself, the perfume and its features will be introduced and its marketing objectives and strategies will be set; finally, ten marketing actions and its budget and timeline will be proposed.

To do this, information has been sought almost exclusively online, through third parties and thanks to the information provided by the company in its communication channels. In addition, an interview was conducted with an expert commercial agent of the perfume industry, Jérôme Herrgott.

## **2 SITUATION ANALYSIS**

### **2.1 Internal Analysis**

#### **2.1.1 Presentation of the Company**

Established in Madrid and lead by Javier Goyeneche, its founder, Ecoalf is a Spanish company specialized in sustainable fashion.

Ecoalf designs, manufactures and markets fashion for adults made of recycled waste.

The company revolutionized sustainable consumption through a technology that manages to transform disposable materials into reusable raw material, without renouncing quality and design.

After four years investing in R&D to achieve the first generation of high quality fabrics made by 100% recycled materials, Ecoalf was started up in 2012 becoming one of the most prestigious and leading companies in eco-friendly and sustainable fashion industry within a short period of time.

The idea of a total sustainable brand arose from realizing how terrible is the impact of the fashion industry on the environment and how frustrating was finding an alternative way to produce sustainable fashion by that time.

Ecoalf NDA can be summarized in three simple words:

- Sustainability

Address current needs without compromising those of future generations. A project for the future of our society, with the social, economic and environmental foundations as the core.

- Innovation

The revolutionary technology through constant investment in R&D and collaborative research to achieve the best quality in new materials, fabrics and manufacturing processes.

- Sustainable design

The honesty of a timeless design and the transformation of ideas into actions are the ethos of Ecoalf and give energy and power to always seek new perspectives and ways of proposing things in a sustainable and innovative way.

#### 2.1.1.1 Ecoalf short History, Milestones and Awards

2012

- Opening of the Ecoalf Flagship Store in Madrid.

Innovation, technology and sustainability were the values with which the interior designer Lorenzo del Castillo designed a multidisciplinary space that includes a store, showroom and office using, giving a second life to different waste construction materials.

2013

- Collaboration with BARNEYS NY

Development of a limited and exclusive edition of briefcases for the spring / summer 2013 season with Barneys NY. Collection in 100% recycled nylon of abandoned fishing nets.

- Collaboration with APPLE.

Ecoalf designed for Apple an exclusive collection of sustainable cases for laptops that was present in the 300 flagship stores of the brand around the world.

- Collaboration with Gwyneth Paltrow's brand 'GOOP'

Design of an exclusive line of backpacks and vest in collaboration with GOOP sustainable lifestyle portal, created by Gwyneth Paltrow.

2014

- Collaboration with COOL Hunting.

Josh Rubin and Even Orensten, founders of the leading trends website in US, CoolHunting, and Ecoalf, designed a jacket made out of extremely light and water resistant nylon.

- Collaboration with Helena Rohner.

Ecoalf and Helena Rohner, designer of one of the latest winners of the Spanish Gold Medal of Merit in the Fine Art joined forces to create a jewelry collection made entirely of recycled materials.

- Ecoalf doubles its sales.

The company enters the Japanese and Chinese markets through local partners and Galeries Lafayette. (Chirio, 2018). Ecoalf partners with Nordstrom and Harrods. (García, 2018)

- First Flip Flops collection

Working together with the Technological Footwear Centre of La Rioja, Ecoalf developed the first ever flip-flops made out of used tires without adhesives or coagulants. The project received the Ecoembes' R Award of Innovation



2015

- Creation and launch of the Ecoalf Foundation and the project 'Upcycling the Oceans'.

Collaborating with the HAP Foundation, the Ecoalf Foundation started up 'Upcycling the Oceans' its first project, a worldwide groundbreaking enterprise based on circular economy whose objective is the conservation of the oceans and its dissemination. Working together with fishermen of the 'Levante', trash that is destroying our oceans is collected, classified and turned into top quality yarn to produce fabrics and products.

- Collaboration with EKOCYCLE

Ecoalf designed, along with Ekocycle's Creative Director, the company founded by will-i-am and Coca Cola Atlanta, a limited edition for Harrods, with 8 exclusive fabrics developed out of post-consumer plastic bottles.

2016

- Collaboration with Swatch

Ecoalf designed the new uniforms for the Swiss company Swatch. Made entirely out of 40.807 recycled plastic bottles. This project saved 30 millions of litres of water.

- Seaqual was born/comes into live/becomes a reality

Ecoalf, Textil Santanderina and Antex created Seaqual, a joint venture whose objective would be to become a supplier of recycled materials for both Ecoalf and other companies, vertically diversifying as a supplier for third parties. (Modaes.es, 2016a)

- Ecoalf takes Upcycling the Oceans to the coasts of Thailand

The Ecoalf Foundation, the Thai Tourism Minister and the CEO of PTT Global Chemical reached a three-year agreement to reproduce the Upcycling the Oceans project in Thailand. In addition to raising awareness among citizens and tourists, organizing and coordinating beach cleaning associations in the country, and creating a circular economy, the project aims to complete the project chain by looking for a local industrial partner. (Modaes.es, 2016b)

- Agreement between Ecoembes and Upcycling the Oceans Spain.

Ecoembes, responsible entity in Spain for the management of packaging waste, joins Upcycling the Oceans with the aim of expanding the project to the entire Spanish coast, involving, so far, 3,000 fishermen, 700 boats and 60 ports throughout the 'Levante'.

- Collaboration with Starbucks Reserve®.

Ecoalf partners with Starbucks into its customer-oriented and sustainable project 'Starbucks Reserve' whose objective is to elevate the purchasing experience and to increase the customer satisfaction.

2017

- The famous designer Sybilla collaborates with Ecoalf to create an eco-friendly capsule for the fall-winter collection.

A fun and very feminine collection that combined the lines and color of the designer with the technology and knowledge of Ecoalf in the development of sustainable fabrics.

- Collection for the football club RC Deportivo

The Galician team became the first football team in the world to wear a sustainable collection of fabric generated from garbage from the sea.

- Manor Group acquires the company

The Manor Group investment group, specialized in sustainable agriculture and renewable energy companies, acquired a majority stake in the Spanish company. The objective of the group was to carry the company, which in 2016 had a turnover of 2.68 million euros, "to another dimension".

Until then, most of the capital was held by the Belegar Inversiones and Bejo Ventures companies. (I.P.G, P.R.D. and S.R., 2017)

- Ecoalf opens its flagship store in Berlin

The store is located in a 100% eco-efficient building in the Mitte district, in the center of the German capital. The establishment, which also houses architecture, design and books, is designed to host events, screen documentaries and hold conferences. (Modaes.es, 2017)

## 2018

- Ecoalf becomes a B Corp company

Ecoalf is the first and only fashion brand in Spain to be recognized for its commitment to people and the planet.

- Ecoalf appears in the Spanish prime time

The amateur dressmakers contestants of the successful program 'Maestros de la Costura (Masters of Sewing), broadcasted in prime time on TVE1, had to make garments of different types using the raw materials of Ecoalf. (RTVE.es, 2018) The broadcast had a share of 12.4% and 1,679,000 viewers. (FormulaTV, 2018)

- ❖ Ecoalf was nominated for the prize awarded by the Design Museum in London. Beazley Designs Of The Year in its tenth edition.
- ❖ Land Rover Award in the category of "Technology and investment in R & D".
- ❖ Vocento Award for "The best business values" 2017.
- ❖ El Confidencial-KPMG Award for the best Initiatives in Eco-efficiency.
- ❖ Acotex Award to the "Best Fashion Store" by Borja Oria, President of Acotex.
- ❖ National Fashion Award. Ecoalf receives the National Fashion Award for Entrepreneurship from S.M. Queen Doña Letizia
- ❖ 'Fuera de Serie' Award. Design and Innovation Award of the magazine Fuera de Serie (Diario Expansión - Unidad Editorial). D. Luis Sans, owner of Santa Eulalia.
- ❖ European Environment Prize - European Environment Award to the Company 2014\_Product for sustainable development.
- ❖ BID14\_4th Iberoamerican Design Biennial Award.
- ❖ BID14\_4th Iberoamerican Biennial Award for Design and Sustainability Design.
- ❖ BID14\_4th Iberoamerican Design Biennial Award
- ❖ BID14\_4th Iberoamerican Design Biennial Award for Fashion / Textile Design.
- ❖ Laus Prize - Laus Bronze Award for Graphic Design and Visual Communication.

### 2.1.1.2 Mission and vision

The mission of Ecoalf is to reduce the negative impact of the fashion industry and the indiscriminate use of natural resources through different types of sustainable innovation processes in order to create a new generation of responsible products with the same quality and design than the best in the market.

The vision of Ecoalf is to reconvert the fashion industry paradigm and become leaders in sustainable fashion worldwide.

### 2.1.1.3 Values

#### COMMITMENT

“With the planet, with the environment and with people. With ourselves, our colleagues and all the people we work with, suppliers, collaborators ...” that’s Ecoalf mantra.

To ensure compliance with environmental and social standards, Ecoalf has created an internal commitment that it shares with all its suppliers, demanding at least one of the following social certifications: BSCI or SA8000.

Human rights: Respect for minorities, to privacy, health, freedom of opinion and expression, security, contribution to the fight against corruption and access to healthy environment and water

Workers rights: Rejection of forced labor, child labor, discrimination and promotion of diversity, for free association or union membership, protection of workers in terms of health and safety, decent working conditions and a living salary

## CONSISTENCY

Coherence between what Ecoalf does and what the company says. Always with a single, unilateral message that transmits our commitment and our values.

## TRANSPARENCY

Transparency guarantees that coherence and gives credibility as a brand for third parties and mainly for our clients. Transparency means being able to tell everything Ecoalf does and how they do it, but in order to tell it, the company does an internal analysis to know our processes and the impact it does generate. The majority of Ecoalf's fabrics are 100% recycled. Recycling percentage is always visible in Ecoalf's composition / care label. Although there is no regulation about it, Ecoalf rather be transparent and give the customer the recycled material percentage.

## EDUCATION AND DISSEMINATION

Ecoalf has participated in more than 100 conferences and forums so far, promoting that scientific knowledge and its technological derivatives are an eminently social product and recognizing the importance acquired by the dissemination and dissemination of science.

### 2.1.1.4 Re-born fabrics

The recycled products used by Ecoalf to create its garments are: plastic bottles, recycled cotton, used tyres, discarded fishing nets, post-consumer coffee grounds, and recycled wool.

- Plastic bottles

During the process, plastic bottles are collected and pass through a series of steps of cleaning and crushing to obtain plastic flakes which, through a mechanical process are converted into rough polyester spun fiber. As a result, fiber is manipulated to obtain the best final quality. Concluding this elaboration, this recycled yarn is then

used to develop every Ecoalf's pieces of products like fabrics, straps, labels, laces and much more. Ecoalf has recycled more than 70 million plastic bottles so far. A padded bomber jacket by Ecoalf is made by 80 plastic bottles and implies a reduction of a 20% in water consumption, a 50% in energy consumption and a 60% in air pollution.

- Recycled cotton

This is how it works: cotton clothes are collected from a factory and shredded then turned onto a porridge-like substance. The porridge is broken down to the molecule level and turned into a fibre substance to be used for thread to make fabrics. Using recycled cotton reduces landfill space, environmental pollution and natural resources consumption

- Used tyres

The tyre is very difficult to recycle as it contains metals, antioxidants and fabric pieces. It took two years to separate those elements and create a clean powder. Recycling rubber tires means that millions of scrap tires are no longer dumped in landfills, or left illegally in lakes, abandoned lots, along the side of the road and in sensitive habitats. Instead, more than 90 percent of these tires are being recycled and reused annually. Recycling saves impressive amounts of energy, which ultimately reduces greenhouse gas emissions. Using recycled rubber in molded products, creates a substantially smaller carbon footprint as compared to using virgin plastic (by up to 20 times). The Ecoalf's flip flops are entirely made out of used tyres.

- Fishing nets

Fishing nets are made by the world's best Nylon quality. Fishermen change their nets every 4-6 years. They are collected in several harbours and carefully selected based on the quality that we need. The transformation process of using recovered fishing nets to make new fabrics requires half of the steps versus a conventional chemical process. As a result significant savings in water, energy and CO2 emissions. The Usuahia Women's Puffer Jacket Burgundy is made out of 235 grams of fishing nets removed from the oceans. Using recycled fishing nets has many benefits: -27% natural resources consumption, prevents marine pollution (since many

of them end up caught on a reef, nets do not only catch fish, turtles, crustaceans, birds or marine mammals, they also destroy hard and soft corals, wiping out complete ecosystems) and reduces air pollution by 28%. Ecoalf has recycled more than 60 tonnes discarded fishing nets so far.

- Post consumer coffee grounds

Used coffee ground is picked up from a well-known chain of diners. The compound is still humid so the first step, when taken to the recycling plant, is to dry the coffee grounds and extract any oil it contains. Then the coffee ground is grinded to a size of nano-powder. This powder is then prepared in masterbatches to be mixed with recycled polyester polymers in order to create yarn.

- Wool

Recycled wool is manufactured from wool fiber that comes from a variety of wool leftover fabrics. This inherent resilience along with durability and high quality make wool a valuable raw material. To start with, the discarded fabrics are collected and divided up according to the composition, color and thickness of the wool. Once this first selection has been carried out, the garments are subjected to a shredding process that takes them back to the state of raw material. The fibre gives life to a new cycle of natural processing which includes spinning, weaving and finishing, the necessary steps needed to create a new fabric.

Each stage is characterized by the execution of specific tests aimed to verify compliance with the regulations covering the Ecoalf standards on quality. Recycling is an ideal environmental option for wool leftover as a part of the natural atmospheric carbon cycle, the carbon in wool comes from plants consumed by grazing sheep, rather than petrochemicals. Using recycled wool saves 50 litres of water per 1 kg of yarn, means -11 Kg of CO<sub>2</sub> per 1 Kg of yarn and reduces air pollution by 60%.

- Materials of animal origin:

- Leather

Ecoalf is not using anymore leather in its collections. Ecoalf decided to stop using them in 2014, because Ecoalf cannot guarantee total



traceability and to ensure the non-use of chrome in the chromium during the leather tanning process.

- Down / Feather

Ecoalf uses responsibly sourced down highly insulated PrimaLoft® Silver Insulation Down Blend filling, which is a blend of 40% PrimaLoft® ultra-fine fibers and 60% water-repellent down that offers warmth equivalent to 650+ Fill Power. Lightweight warmth, loft, packability and comfort of standard goose down, but with outstanding wet-weather thermal performance that dries 4X faster. Veterinary Certificate with “No Live Plucking” and “No Force Feeding” used in sourced downs, Bluesign® Approval.

## **2.1.2 Company Resources**

Two different types of resources, which will able the company exploit the opportunities of its environment, can be identified in Ecoalf depending on their nature.

First, we are going to analyse the company’s tangible resources and within these, the physical ones and then, its financial resources. Next, the intangible resources will be examined.

### 2.1.2.1. Physical Resources

Ecoalf has not any machinery or equipment to manufacture its products itself but it outsources its production.

Ecoalf has currently two physical stores:

Its first store, located at number 116 of Hortaleza street in Madrid, which opened at the end of 2012, and which supposed starting sale offline. This space was conceived more as a reference point of innovation + sustainability and multidisciplinary area where different activities, such as exhibitions, conferences or screenings could be organised rather than as a conventional shop. The headquarters are also located in this space.

As commented before above, its second store was opened in Berlin in 2017, located in a 100% eco-efficient building in the Mitte district following the philosophy of the store in Madrid.

#### 2.1.2.2. Technology

Since its foundation, Ecoalf has registered all its patents of fabrics developed out of recycled trash. From 2009 to 2012 Ecoalf developed 15 new fabrics per year, reaching 38 in 2013 (Laboratorio Ecoinnovación, 2014). Although other companies have already developed recycled fabrics from a wide variety of raw materials, those of Ecoalf are still market leaders in terms of quality, durability, impermeability and resistance to cold.

#### 2.1.2.3. Financial Resources

Up to now, the company has had different sources of funding. Javier Goyeneche was, until 2017, the main shareholder but years before Belgar Inversiones (30.09%) and Bejo Ventures (20.51%) had already invested in the company. However, as commented above, In 2017, Manor Investments acquired a large shareholding. The Luxembourg company holds 60.9% of the shares. In the last financial report available (31/01/2017), Ecoalf declared to have a positive equity of 1.304.182 euros. (Sabi, 2018)

By January 2017, the company had used 477.000€ from a line of credit for import, having 43.000€ still available. Ecoalf has received grants two times: In 2015 the Spanish Institute for Foreign Trade (known as ICEX) granted Ecoalf 7.700 euros for 'export and investment'. In 2016, 7.500 euros were granted to Ecoalf by the Spanish Centre for the Development of Industrial Technology. (Sabi, 2018)

#### 2.1.2.4. Human Resources

According to LinkedIn, Ecoalf has a staff of 36 employees. From the professional social network we can know that all its employees have a high academic and professional profile, all of them are qualified and with at least one university degree.

#### 2.1.2.5. Brand Equity

Although Ecoalf's brand notoriety is almost non-existent in terms of the enormous global fashion and fabrics market, in the eco-fashion market it is one of the most recognized brands and probably the one with a higher communication expenditure. This gives the company a difficult to calculate value but that generates a competitive advantage over the rest. The Promotion actions of the company will be addressed later.

#### 2.1.2.6. Strategic Alliances

Ecoalf has managed to build a successful network of suppliers and distributors. As mentioned above, Ecoalf has numerous agreements with large distributors worldwide such as Galeries Lafayette, Nordstrom, Harrods or Barneys NY as well as other smaller multi-brand retailers, achieving an extensive physical sales network.

#### 2.1.3. Company Capabilities

Now that the resources of Ecoalf have been already addressed, it is time to analyse which are the capabilities the company is able to perform with these resources.

### **Corporate Culture**

From the consolidated values that its employees share, Ecoalf manages to develop its activity with coherence, taking environmentalism every nook and cranny of the organization and, at the same time, they are able to communicate it. From its fabrics to the materials utilized in their stores and its involvement in environmental awareness dissemination programmes. Everything done in the company is based on ecological coherence.

#### 2.1.4. Strategic Profile

In the strategic profile, six main groups have been selected, which are: Sales and Promotion, Production, Technology, Finances, Human Resources, and Management. Each of them has been divided into subgroups, which are considered important.

**Table 1: Strategic profile**

	VERY NEGATIVE	NEGATIVE	NEUTRAL	POSITIVE	VERY POSITIVE
<b>Sales &amp; Promotion</b>					
Market Share			✓		
Brand Equity				✓	
Retail				✓	
Advertisement	✗				
Digital Marketing					✓
<b>Production</b>					
Cost Structure		✗		✓	
Quality				✓	
Capacity and Productive Adaptability			✓		
<b>Technology</b>					
R&D					✓
Product Development & Patents					✓
<b>Finance</b>					
Profitability	✗				
Turnover				✓	
Funding dependency	✗				
<b>Human Resources</b>					
Training & Experience				✓	
<b>Management</b>					
Leadership style					✓
Culture					✓

Source: Own elaboration

#### 2.1.4.1. Sales and Promotion

- Market Share.

Even though Ecoalf is still not a mainstream known company in the global fashion industry, the company does have a remarkable market share in the market of eco-friendly fashion, especially in Europe and the US. However, it does not have an overwhelming market share either, which is why it presents a 'equilibrium' position in the strategic profile.

- Brand Equity

As previously mentioned, its brand equity is one of the most valuable resources the company has. Thanks to many different Promotion actions, the company is quite renowned in the Spanish fashion industry, and among fashionistas concerned about the environment. For this reason, Ecoalf locates in a positive position in the strategic profile in terms of brand equity.

- Retail

Ecoalf has a wide network of points of sale. On the one hand, it has two physical stores that it controls and owns, Madrid and Berlin. In addition, it has numerous distribution agreements through stores of all kinds, both department stores and small fashion stores worldwide, becoming one of its main resources. This fact makes Ecoalf having a positive position in terms of physical points of sale.

- Advertisement

Due to its high cost, Ecoalf does not have conventional advertising campaigns. Therefore, it presents a very negative position in this aspect, which however does not mean that it is bad per se, since a company can have a successful communication strategy that prescues from television, newspapers, magazines or radio.

- Digital Marketing

Undoubtedly, this is the main Promotion commitment of the company and dedicates many resources to digital marketing, which is the reason why it presents a very advantageous position in its sector and therefore as a strategic profile.

#### 2.1.4.2. Production

- Cost Structure

In the era of fast fashion, Ecoalf has a less competitive cost structure than many of its competitors. Its costly investment in R&D and Promotion, its small economy of scale, as well as the high quality standards generate high fixed and variable costs. Thus, Ecoalf presents a negative score in this issue.

- Quality

Ecoalf has managed to position itself as a leader in the development of recycled fabrics that also have high quality, durability and other characteristics such as cold resistance and permeability. This is the reason why the firm enjoys a very positive position in this aspect in the strategic profile.

- Capacity and productive adaptability

We do not know what the productive planning system of the organization is. However, we can point out that the company does have a quick adaptation in terms of bringing new materials to the market. On the other hand, it presents stock problems in several products on its website as well as a surplus of stock of others, demonstrating a failure in the planning, either logistic in the case of shortages of stock or a lack of precision estimating the actual demand of each of its products, task of the Marketing department. Therefore Ecoalf presents an average productive flexibility.

#### 2.1.4.3. Technology

- Research and Development

Ecoalf devotes many resources to the research and development of its materials. For a couple of years it has been through the Seaqual joint venture, specialized in this field of textile research. Thus, the company shows a very positive position in R&D.

- Product development and Patents

The multiple efforts of the organization in R & D are turned into facts. To date, Ecoalf has been able to translate its environmental principles into a wide range of fashion and other products. From jackets or flip flops, to space equipment, helmets or jewelry. In addition, as mentioned before, annually registers new patents. Thus, Ecoalf shows a very positive position in this matter.

#### 2.1.4.4. Finances

- Profitability

This is one of the main struggles of the company. Ecoalf has only had one of the seven fiscal years in benefits, generating millionaire losses in 2017 and 2016 (1.151.913 and 1.491.413 respectively). (Sabi, 2018)

Hence, this is probably the worst aspect of its strategic profile.

- Turnover

From January 31, 2014 Ecoalf has more than doubled its turnover until the same accounting closing date of 2017, going from 1,402,892 to 4,142,655 euros.

This is the only positive financial result, which is why it presents a positive position.

- Funding dependency

Suffering losses year after year has caused Ecoalf to have a high dependency on financing, mainly from its shareholders, in order to continue its activity and not declare bankruptcy. The situation is critical unless they can generate profits soon or that the shareholder continues to inject capital. Ecoalf has, without any doubt a very negative perform in this aspect.

#### 2.1.4.5. Human Resources

- Training and Experience

The staff of Ecoalf is characterized by being young, committed, well trained academically and experienced in its own fields. So the company has a positive position in HR.

#### 2.1.4.5. Management

- Leadership style

Even after the entry of Manor Investments as stakeholders of the company, Goyeneche continues to lead the company to the present. His leadership skills are one of the strengths of the organization. The firm has a very positive outcome in this matter.

- Culture

Sustainability, innovation, consistency, commitment and transparency are spread everywhere, becoming a great valuable resource in the company. This is the reason why Ecoalf stands out in its market and it provides a very positive score in the strategic profile in this field.



## 2.2. EXTERNAL ANALYSIS

### 2.2.1 Macroenvironment

Coming up next, a PESTE analysis focused on the most related markets and sectors to ECOALF. The point of this analysis is finding if there are any opportunities or threats from the environment in general terms. Although the general analysis of a company often includes specific analysis in terms of political and legal factors, in this case, this two will be addressed together. Even though the company sells mostly abroad and some other business environments will be addressed, many of the analysis will focus especially on the Spanish business environment since Spain will be the main market of the new product..

Table 2: PESTE Analysis

	Political	Economical	Social	Technological	Ecological
IMPACT	NEGATIVE	VERY POSITIVE	POSITIVE	NEUTRAL	POSITIVE

Source: Own Elaboration

#### 2.2.1.1 Political-legal factors

##### **Spain**

The Catalan crisis, together with the political instability in the state level, are the main political issues that Spain must face. On the one hand, the independent catalan process only and exclusively had a low impact in Catalonia such as a lower growth on tourism compared to the rest of the country and a migration of companies from Catalonia to other nearby autonomies. However, the region had also great economic

index such their exports which increased by an 8.7% during 2017 (La Vanguardia, 2018a). Actually, since May 17th Catalonia already has a President, Quim Torra, and the article 155 is expected to be ceased in the following months.

On the other hand, after the success of the motion of no confidence, the first of the Spanish Democracy, by the PSOE, a halo of uncertainty looms over Spanish politics and it is expected that social, tributary and geopolitical policies will turn to the left.

After the 2010 and 2012 considerable increases in Spanish Value Added Tax (VAT), from 16% to 18%, and from 18% to 21% respectively, to the general range of products, included clothing, footwear and most of the cosmetics and personal care such as perfumes, any other rise on VAT is not expected. Actually, there were some few reductions on VAT for specific products such as glasses and live shows in 2017 (G.G.S., 2018) and the so-called 'Cultural VAT', with a reduction of VAT in cinemas, to be passed in the next months in the following State General Budgets (DÍAZ, 2018).

### **Europe and the rest of the world.**

With respect to the European political situation there are not relevant threats. In Germany, Angela Merkel and Schulz finally reached an agreement the last February (Publico.es, 2018)

In Italy, the Electoral Law Reform will limit the chances of success of populism in the spring elections. In France, even though his government is facing several demonstrations, Macron has set in motion some of his structural reforms (labour reform, public sector transparency reform, among others). (Bankinter, 2017b)

The main political-legal aspect that could negatively affect Ecoalf is the commercial instability between the United States and Asia and the danger that this escalation or commercial war will take place in Europe as well. Although the EU has stayed on the sidelines, it has already threatened Trump with possible new tariffs if there is an increase in tariffs by the United States (Burton, 2018), and if so, sales in the US (one of the main Ecoalf markets) may be affected. On the other hand, although the political situation in Spain is unstable, there is no reason to think that Ecoalf could be negatively affected.

### 2.2.1.2. Economic Factors

The OECD has revised its global economic forecasts. The global growth will rise to 4% both in 2018 and in 2019. Every large economy will remain expanding.

#### **Spain**

According to the Spanish Economy Forecast Panel of 19th March of 2018 by Funcas, the available index concerning the first trimester point out the maintenance of the growth rate. The consensus growth forecast for 2018 is 2.7%, one tenth higher than in the last Panel. This rate is also higher to the expected by international organisms and the Spanish Government and Bank of Spain.

The consumer confidence and the Economic Sentiment indicators of January and February have improved compared to the 2017 fourth trimester average, as well as the PMI. The national demand will contribute around 2.4 index points of the expected growth rate. (FUNCAS, 2018)

The consensus forecast GDP growth for 2019 according to the FUNCAS panel is 2.4%. Even though the contraction of three tenths compared to 2018, the expected rate for 2019 in Spain will be higher to the expected growth in the Eurozone by the ECB and the European Commission. The main cause of the slowdown is the decrease on private consumption.(FUNCAS, 2018)

Regarding the inflation rate, it is expected to keep increasing until the third trimester and then decrease at the end of 2018 with an 1,5% average rate, one tenth less than expected. In 2019, the expected inflation rate is around 1,6%.(FUNCAS, 2018)

According to the membership figures of the Social Security in Spain, the average member enroll growth during the two first months of the year was slightly higher than the average growth during the months before. In terms of equivalent full-time jobs, the increase expected for 2018 will be around 2.4%. However, it will decrease until 2% in 2019.

The annual average unemployment rate will continue reducing until 15.3% in 2018 -as expected in previous Panels- and 13.7% in 2019.(FUNCAS, 2018)

All in all, the Spanish economy is going through a growth cycle that could become a long-term trend. The employment is recovering, the real estate market continues to strengthen, the economy presents financing capacity, and credit flows and public finances are on track. In this environment, which also has the push of the external markets, the political factor has become the main stumbling block. However, it is expected not to have a destructive outcome, so its impact will be diluted over time. (Bankinter, 2017a)

## **Europe**

Eurozone's expansive cycle strengths and the growth forecasts keep on improving. 2,3% and 2.0% growth rates are expected to 2018 and 2019 respectively. Spain remains as one of the main driver of economic growth. The employment and consumers wealth improvements foster consumption. Moreover, the favourable financial conditions and the improvement of company's benefits encourage the investment.

As for currencies, analysts at Deutsche Bank have maintained their forecast for the Euro which is expected to continue rising versus the dollar during 2018. By the end of Q1 they expect the pair to be trading at 1.22, by the end of Q2 1.24, Q3 1.26 and by the end of the year they forecast EUR/USD to be at 1.28. (Monfort, 2018)

## **Rest of the world**

U.S. will benefit from the Trump's Tax Reform Plan in the short term and will get close to full employment, which could foster a more consistent reaction by the Federal Reserve System than expected.

The Chinese economy is absorbing its over-indebtedness issues in its business sector. Meanwhile, the recovery of some Latin American countries such as Argentina or Brazil economies will strength.

The trade tensions between US and China after the establishment of new american tariffs represent the main global economic risk. However, almost every consulted specialist considers that the international context is positive, both in the EU and the rest of the world, and that the trend will not change in the following months. (FUNCAS, 2018)

Thus, with the exception of the aforementioned commercial war threats, all economic indicators, in Spain, the UE and the US, point to a favorable economic situation for Ecoalf.

#### 2.2.1.3. Sociocultural factors

Sociocultural factors refer to any social and cultural variable that describes the characteristics of a certain population in a place and time. In this case, we will analyze some socio cultural data of the main markets of ECOALF in order to not lose the purpose of the document.

The ageing population phenomena has become one of the most important problems to face in almost any country in the world, especially within the European countries, North America, South Korea and Japan. The world's population is ageing: virtually every country in the world is experiencing growth in the number and proportion of older persons in their population. As the UN warns "population ageing is poised to become one of the most significant social transformations of the twenty-first century, with implications for nearly all sectors of society, including labour and financial markets, the demand for goods and services, such as housing, transportation and social protection, as well as family structures and intergenerational ties". (UN.org, 2018)

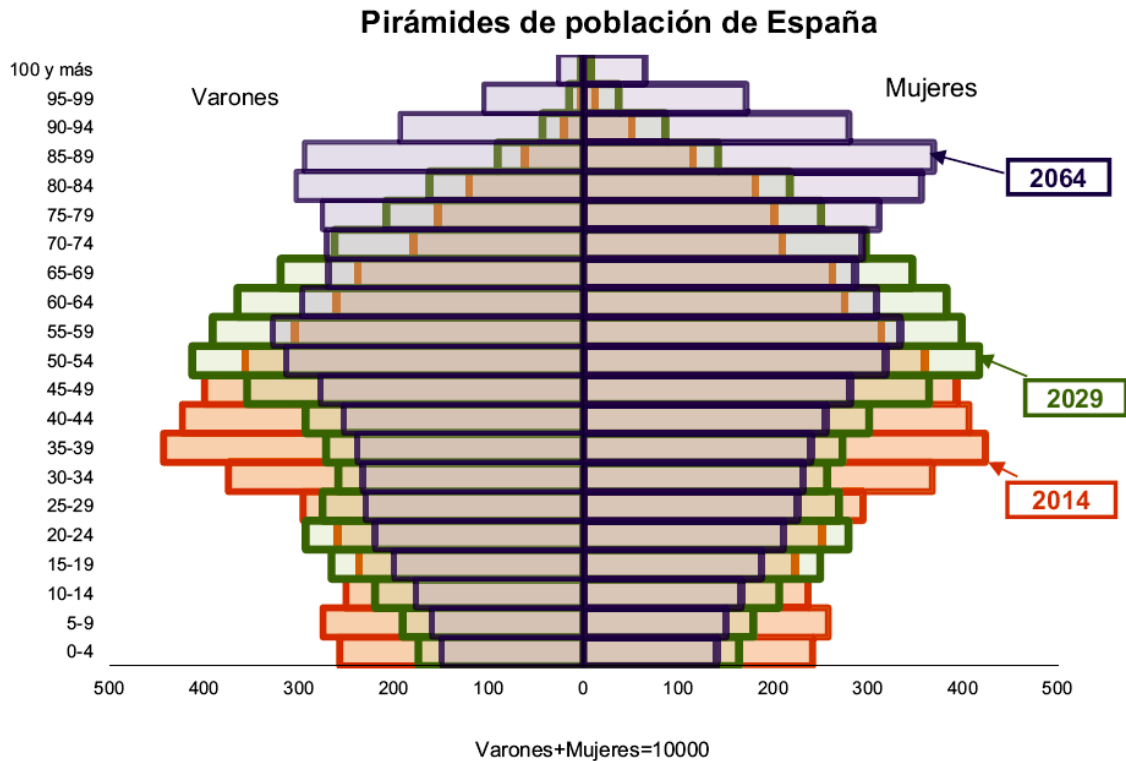
Actually, the IMF forecasts a lower potential growth due to -among other causes- the aging population issue. The institution also considers that is not just a temporary phenomena but a long term trend. In its opinion, it will diminish productive capacity both in the developed countries and in the emerging countries. This will mean two main consequences: the decrescence of the working age group and the reduction of the in labor participation rates. (Calvo, 2018)

In the following graph (number X) we can see the Spanish population pyramid by gender and age in 2014 and the expected one in 2029 and 2064 by the Spanish National Institute of Statistics.

The most striking feature of the pyramid is the transition from a concentrated population around 30 and 45 years of age in this decade (2014 in the graph) to an

older population in the years to come, with elderly as the main social group expected in 2064 (from 70 to beyond years old). As the graph also shows the issue does not ends at the population aging. A drastic decrease on newborns and young people is expected to get worse decade after year.

Graph 1: Population pyramids of Spain



Source: INE

The most important aspect of the commented above is how this new population consumes and is about to consume. It is remarkable that nowadays in Spain the wealthiest population group is the elderly which is not specially known for ecological awareness. However, the millennials are getting older and becoming a more important consumer group. Thus, as the current young and mid-age population becomes older and therefore, with greater consumption capacity, the ecological market demand will grow as well, which will be positive for Ecoalf.

#### 2.2.1.4. Technological factors

In the following lines, we will discuss the technological and R&D sector in Spain since ECOALF develops its recycled eco-friendly clothing in Spain through the joint venture 'Sequal' by Santanderina, Antex and ECOALF itself.

During the economic crisis, which seems to have been overcome at least at the macroeconomic level, as we have discussed above, the discourse "Spain must change its production model" was heard almost daily, but nevertheless, it seems that the message has not penetrated the Spanish society and especially in the business network.

Spain has become an European exception. While the EU today invests 25% more in R&D than before the start of the economic crisis. Spain does a 10% less than before. (Mediavilla, 2018)

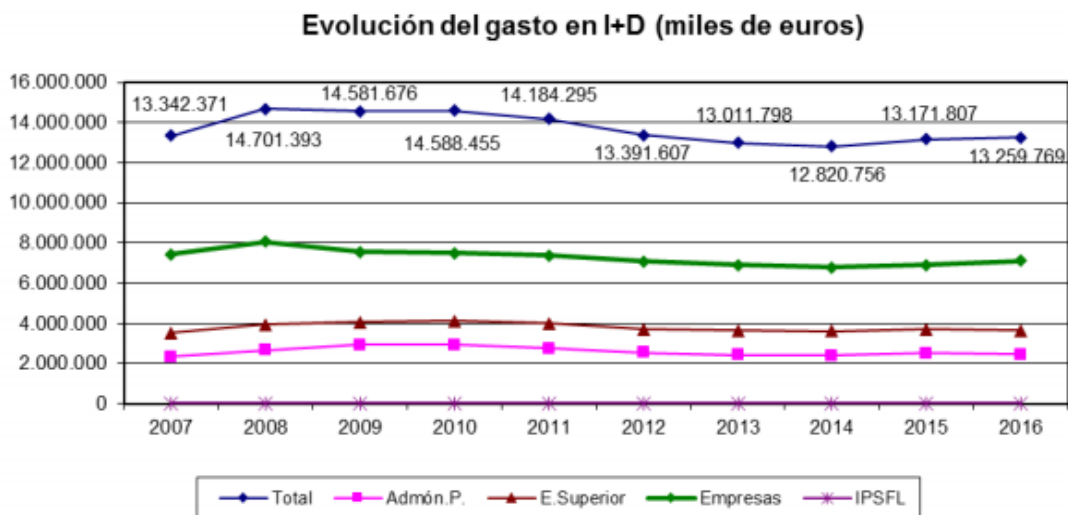
As the annual report for the innovation by the Cotec Foundation alarms, Spain is one of the four European countries that has not reached the R&D investment levels by 2008. This document also reports the low contribution to the R&D investment by large corporations and companies.

As the following graph by INE shows, in 2015 the Spanish companies carried out the 52.5% of the investment in R&D, one of the lowest rates of companies investment percentage in Europe, where the average contribution in 2015 was the 63.3% of the investment. Moreover, almost half of the Spanish business expenditure in R&D was executed by S&M enterprises while in France, Italy or the United Kingdom it is about the 20% or even less, like in Germany, where only the 10% of the expenditure in R&D is carried out by SME. (Mediavilla, 2018)

The main problem of the Spanish R&D sector is not the lack of public funding but the low participation of the private sector and special the low number of medium size companies which "are the ones that make most of the R&D effort". The Minister of Economy, Industry and Competitiveness of Spain, Román Escolano insisted on the special interest that both him and the Spanish Government have on 'achieving a strong, efficient and responsible R&D' as "fundamental" for "competitiveness and to consolidate the current growth pattern" and announced a promptly meeting with all the stakeholders that belong to the R&D sector since 'the R&D model must be an agreed-upon matter of State as much stable and long-lasting as possible. For that purpose,

the Government will boost the 'Red Cervera' (funding for Tech Centres and Institutions), the reinforcement of the Spanish model of technological centers, and the release of new type of calls/announcement (buscando palabra mejor), and 'concept checking', trying to push the innovation process towards the business sector. (La Vanguardia, 2018b)

Graph 2: Development of R&D expensure in Spain



Source: INE

Among the Spanish Autonomies, Madrid outstands at the second place in investment in R&D per GDP right after the Basque Country and followed by Navarre and Catalonia. This four were the few ones that scored over the national average expenditure in R&D. (Mediavilla, 2018)

Although perhaps the case of Madrid may be slightly different from the R & D paradigm at the national level, Ecoalf does not benefit from the technological environment in Spain since Spain places last positions of the European R&D investment rankings and therefore there is neither the level of synergies at the business or professional level and / or sufficient financial support from the State to encourage investment in research and development of which Ecoalf can benefit.

In terms of the global technological situation, with greater and faster technological advances, Ecoalf can be seen as benefiting, if it achieves synergies or it is the source



of these advances, or in turn, threatened if it fails to lead the technological race. On the other hand, in terms of the R&D situation, I do not believe that this environment is the best for a company whose one of its main sources of differentiation is technological leadership. Maybe, other environments where R&D ,at a private and public level, is better considered and there is a higher rate of investment, the company could benefit from synergies of hubs or greater public support as well as having greater availability of technological experts. Thus, I consider, the technological environment has a neutral impact in the company.

#### 2.2.1.5. Ecological factors

According to the Environmental Performance Index (EPI), which is prepared by experts of the Center for Environmental Law and Policy of Yale University and the Center for International Network of Scientific Information of the University of Columbia, Spain placed the twelfth position in terms of performance of the environmental policies implemented, from a list of 180 countries. Spain has fallen six places in this list since 2016 when it placed the sixth place of the EPI list that evaluates the performance of environmental issues such as protection of human health and ecosystems. Health, climate, air quality, health, energy, agriculture, intensity of marine fishing, protected species, and many other are the variables valued in this Index. (CIESIN, YCELP and WEF, 2018)

The main conclusion of the report “Opiniones y actitudes: Ciudadanía y conciencia medioambiental en España” (Opinions and attitudes: Citizens and environmental awareness in Spain) published in 2010 by Centro de Investigaciones Sociológicas ("Centre for Sociological Research") or CIS, is that the environmental conscience of Spaniards is characterized by its weakness. This research analyses the environmental awareness level of citizens of a democratic society, focusing on environmental opinions, values and attitudes by Spaniards. If we consider the eco-friendly citizens as someone who does not only follows the environmental legal duties but who also shows moral virtues and practical dispositions towards the environment, it is noted that the ecological citizen of Spain - still does not exist (at least as a main trend). This means a obvious obstacle to the transition of Spanish society towards sustainability. (Centro de Investigaciones Sociológicas, 2010)

The percentage of recycled municipal waste is one of the figures related to the circular economy, ECOALF's economic model. In 2016, Spain barely recycled the 29.7% of all its municipal waste. These figures are way too far to reach the minimums marked by the European Union and unfortunately during the last decade there has been practically no progress. (Planelles,2018). However, Spain stands out in terms of recycling of plastics, the main raw material of Ecoalf (63.8% vs 22.5% in Europe). (Rivas, 2017)

Although the industry that Ecoalf leads is still young, more companies have decided to bet on the circular economy, 'a model that promotes economic growth through the production of sustainable goods and services and that reduces energy consumption as well as the generation of waste'. (Rivas, 2017). Companies such as Toshiba, Samsung or Lenovo are some examples in Spain.

However, and fortunately, in part of Europe, trends are different. Central Europe is the leader in terms of recycling, especially Germany which tops the ranking (66.1%), Austria (57.6%) Slovenia(54.1%); followed by the Nordic countries, such as Sweden 48.9%, Finland (42%) and Denmark (47.7%); among others like France (41.7%), Belgium (53.5%) or the Netherlands (53.1%)

It's remarkable how recycling and environmental awareness is growing in Europe, the main Ecoalf market, and how well chosen was Berlin as a second location for the company's second flagship store.

It seems that the interest in the environment and its awareness is increasing little by little worldwide and consumption habits are becoming more and more ecological, so the Ecoalf potential demand grows as well. These future expectations are great news for the company.

### **2.2.2 Microenvironment**

As this document is a proposal of diversification that consists of penetrating a new market with a new product, the following analysis will not deal with Ecoalf's microenvironment at this time -that is, the sector of ecological fashion- but with the ecological perfume sector since it is the microenvironment that we need to know for the proposal. In addition, the analysis of the perfume sector will be done from the future

perspective of Ecoalf in the sector -as a company that does not manufacture the perfume but as a brand-, so that we find out what are the main weaknesses, and strengths that both the company and the sector show.

### 2.2.2.1 Sector Analysis

Perfumery is a highly seasonal sector, with very concentrated sales in a few periods of the year (such as Christmas, Saint Valentine's Day, the Black Friday, Mother's Day and Father's Day) and with consumers very loyal to brands and fragrances.

Unlike other consumer sectors, perfume does not show double-digit growth, but moves around low but constant values (except for emerging economies supported by the local extension of global brands) (Riera, 2017c)

It is estimated that in 2022 global sales of fragrances and perfumes will amount to 51,000 million dollars according to the study "Fragrances and Perfumes, a Global Strategic Business" report by Global Industry Analysts. The report emphasizes that, together with the pull of emerging markets, other factors that will drive the growth of the sector will be product innovations, the popularization of the niche segments and the transfer of consumers from the mass market to the prestigious perfumery wing (Riera, 2017c)

#### **Main Global Markets**

The United States leads the world perfumery market. According to Euromonitor data, in 2015, Americans spent 7,753.2 million dollars (7,243 million euros) on fragrances. They are followed in the Brazil ranking, where the sector recorded a business of 5,667 million dollars (5,294 million euros). The third position on the podium is held by the United Kingdom, with a size of 2,534 million dollars (2,367 million euros). The top five is completed by France, with sales in 2015 of 2,531 million euros and Germany with 2,320 million euros.

#### **Spain**

The whole of the perfumery and cosmetics industry in Spain has a total of 284 companies and 36,500 workers. The first five companies in the sector concentrate 39.6% of the market share, while the ten largest group 53.7% of the total according to data from the sector observatory of DBK Informa. Within the sector of perfumery and cosmetics, Spain is currently the fifth market of the

European Union, the sixth world exporter and the fourth power in perfumes. (Velert, 2017a)

The perfumery and hygiene market shrank in Spain in 2017. The sector reduced its sales by 5.4% in the country last year, according to data compiled by the consultancy Kantar Worldpanel. The decline in 2017 contrasts with the evolution of the turnover of the drugstore sector, which grew 6% in 2015 to reach a size of 45,700 million dollars (42,954 million euros) and 2.3% in 2016 (Moda.es, 2018).

In the same way that occurs in fashion, the sector of perfumery is heading towards concentration, because the pressure on the prices exerted by large operators erodes the margins of companies with less financial capacity, which should look for size to compete.

Around 65% of Spanish companies are located in the autonomous communities of Catalonia and Madrid. 41% of the Spanish perfumery market is held by three of the giants of the sector. Puig generates 17.4% of sales; L'Oréal 12% and Coty 11.6%, according to data from the Euromonitor market company (Riera, 2017d)

Selective distribution has reigned for decades in the fragrance sales market. Multi-brand points of sale with hundreds of references of diverse brands populate the landscape of Spanish cities. Some examples are Júlia, Douglas, Sephora, Druni, MaxDream, BodyBell. However, there are chains such as Equivalenza, which are committed to selling their own perfumes and thus control all phases of the value chain. This new player does not represent "a direct threat to selective perfumery" but it can reduce market share according to Mel Solé, professor at the Faculty of Economics of the University of Barcelona. (Velert, 2017c)

Whether in small multi-brand chains or in large retailers, the specialized channel continues to account for 50% of the sales of perfumery in Spain, according to Rafael Roche, client business partner of Nielsen. "After several hard years [...] and after a period of reduction in the number of stores and concentration in a few chains, we have witnessed a process of optimization of profitability per m<sup>2</sup> and the channel has become one of the most dynamic ". (Velert, 2017c)

The ecommerce has also made its appearance in the Spanish perfume market. In this sense, Rosa Pilar López, beauty director at Kantar World Panels, points out that "after textiles, the hygiene, beauty and personal care sector is where the Internet has the

most share and within the sector, fragrances is most bought category ". Until October 2016, perfumes reached a market share of 5.6% in the set of sales of electronic commerce. Roche believes that ecommerce can play a very important role as a new channel, although at the moment the weight is relatively low. In addition some pure players like Amazon are gaining ground. Roche believes that traditional retail will be the space in which consumers will smell the products and once they have made the decision, they will search the Internet for the best price (Multi-channel Sales Strategy). "Electronic commerce is the fastest growing channel for this industry, mainly through third-party platforms," says Claudia D'Arpizio, director of the luxury market area of Bain&Company. (Velert, 2017c)

### ***The Perfume Value Chain***

The process of making perfumes has a complex value chain of few actors. The value chain of the sector starts in the production of the raw material, the flowers in the case of natural essences or synthetic molecules in the case of artificial ones. The natural raw material comes from specific flower crops for perfumery. The flower, the seeds, the fruit, the roots, the leaves, the moss, wood and resins are used. Raw materials of animal origin are currently prohibited. In this first phase of the value chain there are multiple suppliers, specialized in the exploitation of different types of plantations. The French region of Grasse, for example, is one of the epicenters of the production of flowers for the production of fragrances. (Riera, 2017a)

The next link consists of the distillate and then it continues through the industrial process of obtaining the fragrance. In most cases, the distillation is obtained by steam. The technique itself consists of separating the solids of the different aromatic plant components by evaporation. The essences can also be obtained by expression, extraction or maceration.

Fragrance manufacturers are responsible for designing and producing odors by mixing the different essences. This is an activity that is very concentrated in a few actors due to the high degree of specialization, professionalization and investment in R&D it entails. In fact, the three largest groups in this sector, Givaudan, Firmenich and International Flavors & Fragrances, trace their origins back to the 19th century. The producers are those who receive the essences and through the mixtures, they

make their own scents. These selections end up characterizing them, to the point that brands, when they go in search of a supplier for their perfumes, know exactly the notes they will find in each other. The search process for the fragrance still has a craft, creative, search component. But once the fragrance that the brand seeks is found, the industrial production begins. (Riera, 2017a)

Perfumery groups, those that manage brands, work only closely with this last phase of the production chain, with which they develop hand-in-hand perfumes. They do not intercede either in the cultivation or in the molecular extraction of an aroma or in the search for essences. These companies, such as Coty, L'Oréal, Estée Lauder, Puig or Puig have teams made up of noses and marketing experts to define the guidelines that a perfume should have. They are those that determine the values of the brand and link them with a series of olfactory notes.

Extensive documents (briefings) are developed in which the elements that you want to transmit with the fragrance, the consumer to whom it is addressed, the communication that you want to give, your differentiation in the market or your positioning, among other elements., are exposed with precision.

The manufacturers receive the perfume guidelines and make their proposals. The brands evaluate and choose them. Once the fragrance has been reached, the homologation with the supplier is carried out. (Riera, 2017a)

The creation and production of all the elements of the packaging is just as important as the design and manufacture of the fragrances. This process opens a second value chain that has its own links and actors, such as the manufacturers of glass bottles, the suppliers of the caps and even the pumps of the vaporizers, until finally reaching the authors of the packaging , design and production of interior and exterior cartons, always related to the brand and all its communication strategy. Unlike other consumer sectors, in the perfume industry, the development of bottles, stoppers and packaging is, in most cases, an expensive and longer process than the creation of the perfume itself, according to Mylène Thioux, international director of perfume development at Equivalenza. (Riera, 2017b).

Finally, part of the margin of the product is added in the last link of the chain: the distribution. Perfumery groups also do not control distribution, with a few exceptions, such as LVMH, owner of Sephora and some retailers such as Equivalenza. The rest depends on the commercialization of its perfumes by third parties, independent retailers or small and medium chains. This last step before reaching the final consumer also records a percentage on the price, which in most cases is agreed with the same perfume company. (Riera, 2017b)

#### 2.2.2.2 Customers

According to Francisco Álvarez, CEO of Sephora in Spain, first, customers are more informed nowadays. Second, it's not just about "how much I can get for my money", but about the experience and all the auxiliary services. People no longer want a brand or a saleswoman to tell them what to do or buy. (P.Gestal, 2017) According to Luis Labiad, president of the Association of Perfumery and Cosmetics (Apce), the consumer has become more demanding, in general, he asks for a series of responses to what he buys. The perfume customer is also more knowledgeable about the sector. That client demands a series of efforts to improve, such as the conditions of purchase, quality and price adjustment that were not previously. Selling the same things at the same price is no longer valid. (Velert, 2017b) According to Val Díez, General Director of Stanpa, the National Association of Perfumery and Cosmetics, the emergence of millennials is a stimulating phenomenon because it is a very demanding type of consumer with the brands and the articles that it consumes. Values such as diversity, honesty, respect for nature or ethics are the differentiation features that make a perfume a success. Companies have to demonstrate that these values are present in it and all their communication has to be truthful. (Riera, 2017b)

However, there is not a specific segment in terms of age or gender in what refers to the ecological perfumery niche. It's more related to the level of ecological commitment of the customer. Ecoalf and the ecological perfume sector share the same target.

### 2.2.2.3 Competitors

#### Levels of Competence

There are four levels of competition from the customer's perspective:

Product form: In this first level of competition we find all direct competitors of Ecoalf because they also sell the same product with the same attributes, ecological perfumes. Among those competitors are Lush, Pacífica (US and Canada), Equivalenza, Thierry Mugler, Aimée de Mars, among others.

Product category: In this second level of competition we find to all companies that sell the same product but with different attributes, that is to say, perfumes. There are thousands of brands that sell perfumes. Among these, there are some luxury ones such as Chanel, Dior, D&G, Armani or Loewe; Fashion retailers like Zara; and many other small companies.

Generic product: In the third level of competition we find all those products that satisfy the same need, but without need to be a perfume, that is to say, substitute products such as cosmetics, make up, deodorants, parapharmacy, hair products, among others.

Consumer budget: Finally, in the fourth level of competition there are all products that try to get the same budget from consumers of Ecoalf perfume, which is everything that is aimed to its customer, from the Ecoalf fashion line, to any other item valued similarly.

#### ***Main Competitors***

Although there is a large number of sellers of organic perfumes, specially online, we can find two similar companies to Ecoalf in terms of size, business style, similar market penetration (Spain and Europe) and product characteristics: Lush and Equivalenza.



## **Lush**

Lush Ltd. is a cosmetics retailer based in Poole, Dorset, United Kingdom. The company was founded by Mark Constantine, a trichologist and Liz Weir, a beauty therapist. Established in Spain since 2003 the company has already opened 16 stores in the country: 5 in Madrid, including its first Spa in Spain; one in Valencia, Santander, Bilbao, Sevilla, and Palma de Mallorca; and other 6 in the metropolitan area of Barcelona. The company has 105 stores in UK, 50 in France, 41 in Germany among other hundreds worldwide. Lush's digital presence is a solid one, driven largely via social media. Its successful sparky and fun online communication strategy has managed to achieve the surprising amount of 105K followers in lushspain, 11.3K in lushfuencarral and 8.9K in lushvalencia. The American account already has more than 4M followers on Instagram. Betting on a higher in-store and online customer experience and launching new products quite often the company has become very popular among eco friendly customers, vegans and cosmetics lovers. (Saltzman, 2017) Its current wide product range include: Bath bombs, jelly bombs, body scrubs, bath oils, bubble bars, shower gels & jellies, shower moisturisers, soaps, face, cleansers & scrubs, face masks, moisturisers, make up, toners, shaving, lip scrubs & balms, toothy tabs & mouthwash, spot treatments, body lotions, massage bars, hand care, foot care, deodorants & dusting powders, sun care, shampoo, conditioners, body sprays, perfume and solid perfume.

Its perfumes are 'Revolutionary perfumes inspired by art, music, and poetry' according to their website. Their prices range from € 25 to € 49 for a 30ml bottle. All have the same format and 'basic' design of the bottle.

The products have a certain authenticity since they're "fresh" and "handmade"; they're also cruelty-free, meaning never tested on animals; its products are 'naked' as they say, which means minimal or any packaging; and they have an ethical approach regarding suppliers too. (Saltzman, 2017)

Their classical black jars can be recycled and the company asks its customers to bring them back to a store after ending the product in order to recycle it.

In Spain, Lush sends their products by courier; right now they work together with SEUR. The shipping rates are as follows: for packages less than 2kg to the peninsula, the standard shipping is € 4.95 and € 9.50 for urgent shipments. The delivery of urgent shipments is made the next working day before 13:30. Orders placed in the peninsula are delivered within 24/48 business hours.

Strengths of Lush:

- Its extensive number of offline stores worldwide.
- Its large range of products of all kinds from cosmetics, to perfumes or make up.
- Its successful social media.
- Its competitive prices
- Its well known brand (brand equity)
- Its successful, well organized and socially designed website.
- Committed and coherent values present in many aspects of the firm

## **Equivalenza**

Equivalenza is a Catalan company that disrupted in the market with a innovative business model: retailing a quite wide range of mono-brand fragrances in franchises at competitive prices. The products are organized in olfactory families and have more than 100 fragrances.

In addition to perfume, Equivalenza distributes cosmetics and aromatic products at affordable prices. From 8.95 to 21.95€ they sell 180 different perfumes in 30ml, 50ml and 100ml bottles. They achieve this reduced prices by reducing the investment in 'marketing' with respect to the big brands: with an economic 'packaging' and investing in communication and advertising for a single brand, and not for each of their references. Nevertheless, Equivalenza does not sells online.

The proof of the success of the Spanish firm of perfumery is the enormous expansion that has lived in just six years. In addition to the headquarters in the Catalan town of l'Hospitalet de Llobregat, it has business locations in Italy, Brazil and Mexico. The Equivalenza fever has spread throughout the world and there are already 750 stores in more than 20 countries. There are more than 630 only in Europe, mostly in Spain, Portugal and Italy, where there are over 570 stores.

The company sells in bulk and the bottles are reusable. A business model that enhances environmental sustainability, apart from saving. (El Confidencial, 2016)

Strengths of Equivalenza:

- A wide network of stores worldwide, especially in Europe and within Europe, in Spain.
- Very competitive prices
- 180 different perfumes from very different kind of fragrances.
- Reusable bottles.

### 3. SWOT ANALYSIS

Once the macro-environment, the company's micro-environment and the company itself have been analysed, we have enough information to acknowledge the opportunities and threats in its environment and how the company can face them depending on its strengths and weaknesses.

Figure 1: SWOT Analysis



Source: Own Elaboration

## **Strengths**

- Leadership in innovation and quality:

Ecoalf is leader in the fashion made out of recycled materials market and its final products show the same good qualities as the conventional ones. The company was once called the “Green Moncler” brand, as sign of its high quality features. Moreover, Ecoalf keeps on leading the green fabrics innovation race. Since 2017, partnering along with Antex and Santanderina, Sequal, a joint venture, has become a supplier of fabrics from recycled raw materials for Ecoalf and third companies.

- Commitment

Ecoalf has proven to have a coherent and shared business culture. Through its commitment, transparency, passion and consistency, the company has become a cutting-edge institution in terms of environmental awareness.

- Brand Equity

Thanks to its presence in social media and tv shows, partnerships along with NGOs and many collaborations with companies and celebrities, the company has become one of the most well-known companies regarding both the eco-friendly fashion industry and the environmental awareness and its care. The company not only does well, it communicates it, which is crucial.

- Staff

The staff of Ecoalf is characterized by being young, committed, well trained academically and experienced in its own fields. Actually, some of the Ecoalf managers are recognized experts in the fashion market.

- Retail

Besides the two physical stores that it controls and owns, in Madrid and Berlin, the firm managed to have numerous distribution agreements through stores of all kinds, both department stores and small fashion stores worldwide, becoming one of its main resources.

## **Weaknesses**

- Critical Financial Situation

Although they have increased, their income does not grow enough to improve their results (Ecoalf has not yet had benefits); this situation is leading the company into a critical financial situation where having constant funding dependency has become the normal.

- Expensive cost structure

Due to its bet on quality and Promotion, the company has expensive costs that withdraws competitiveness capability in terms of price competition.

- Missed accuracy in terms of positioning.

The firm positions itself in a hybrid spot between differentiation in design and quality and at the same time offers a fairly low price in the sector. Therefore, it is priced too low considering its performance in design and quality in the eco fashion sector from recycled materials, and at the same time they do not offer a price low enough to compete with fashionable generalist products ( not ecological).

- Reduced number of own physical direct distribution channels.

Although last year Ecoalf opened to new store, this time in Berlin, the company does only have two owned stores so far.

## **Opportunities**

- Prosperous economic situation

All the economic parameters in Spain, Europe and globally point to a prosperous long-term situation. There is no apparent reason why to think that there will be an upcoming recession.

- Rise of environmental awareness.

Specially among Ecoalf main markets, customers are showing a higher and growing awareness in terms of environmental care. This means a growing potential demand for the company because the awareness is becoming into demand of eco-friendly products too.

## **Threats**

- The bigger the market, more companies join it.

As the ecological products markets grows, companies off all kind penetrates it. Most of the main generalists retailers (Zara, H&M, Mango, C&A,etc) and many other prestigious and luxury companies have joined the eco-friendly fashion niche.

- Commercial War threats

As the situation between China and the US gets tense and threats have already been point out to the UE, the chance of a commercial war among the main global potential powers, and Ecoalf main markets as well, is still a possibility.

## THE PROPOSAL: OCEAN PERFUME BY ECOALF

The next part of the document will deal with the proposal itself. First, it explains the objectives, segmentation, and positioning planned in relation to the perfume. Later, the product itself is described, as well as other Promotion (Communication), Price and Place actions.

This part of the document also includes an organizational calendar of the actions to be carried out, as well as a financial plan, including the budget, and the control measures.

### **4. OBJECTIVES**

The following objectives are meant to be integrated within the overall mission, vision and values commented at the section 2.1.1.2 and 2.1.1.3; and the objectives of the organization. Since we do not know what the company's objectives are for 2018, some are almost exclusively related to perfume, since that is the purpose of this document. Even though objectives should be set following the SMART acronym criteria (Specific, Measurable, Assignable, Realistic and Time-related) most of its factors cannot be applied properly due to the lack of strategy related internal information. So those proposed below are 'wide' objectives to be more specific as the degree of information known to the organization is more accurate.

- **1. Gain profits from the perfume within a year.**

This one is the main objective of the perfume. Be profitable. As we will see in the Financial Plan, there is a certain amount of perfumes to be sold to achieve this goal.

- **2. Achieve a rate of the bottle reuse greater than 10% in one year.**

The perfume is meant to have the lowest impact in the environment as possible. Its bottle reuse is part of this goal. As the reuse habit is not common now and many customers are not used to this practice, a 10% reuse rate would be a great goal to start with.

- **3. Increase the number of items sold in each purchase.**

We unknown the average amount of items sold in each purchase. This means the number of units, of any kind of category of product, that each customer acquires in every purchase either online or offline so we cannot set a quantitative number to be accurate. This goal is specially interesting since the larger the purchase, the lower the cost per unit for the company.

- **4. Achieve global benefits in the 2018 financial year.**

This should be the main objective for the company globally. The main issue the company should face is its inability to gain benefits. Its new popularity especially after appearing at the Maestros de la Costura tv show and its larger range of products, including the perfume will aid the company to gain benefits in 2018.

- **5. Attract a X% of new customers in 2018**

We hope that the expansion of the product range will attract new customers to the company. Again, by not knowing internal CRM data of the organization, we can not establish an appropriate figure.



## **5. STRATEGIES**

To achieve the objectives explained above, a strategy, related to the perfume, must be set.

In the following lines, the strategies that the company has followed until today will be addressed. In addition, it will be approached if the introduction of the perfume in its catalogue has modified or not the same ones.

### **5.1. Growth and diversification strategy**

In its first years of activity, from 2009 to 2012 (when the first store opened and the direct sale of fashion products began) Ecoalf was exclusively dedicated to collaborating with companies to provide products similar to those sold today but for brands, such as the collaboration with Apple for Ipad cases. Therefore, its growth and diversification strategy was fashion products and complements for companies (these were its final customer).

However, as of 2012 they expanded their market to the general public as well as to companies, to what I would call public sensitive to the general environment or 'ecofriendly' and the products they offered were also diversified: from clothes and shoes to all kinds of accessories, flip flops, and even sails, helmets and space equipment. This shift could be considered as a diversification by the company.

However, this perfume would be an example of product development strategy since the perfume is not a type of product belonging to its current product range but it is designed to be sold to the same market: the 'eco-friendly customers'.

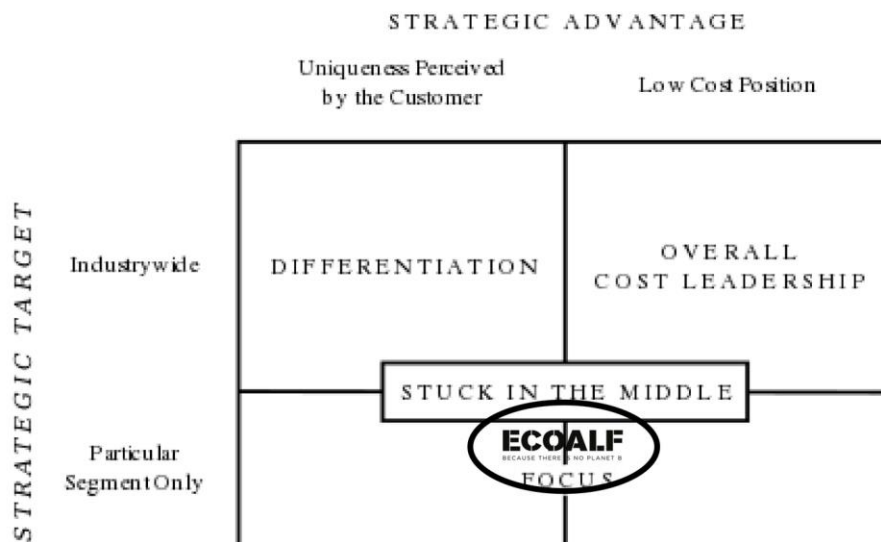
In addition, with the candles, Ecoalf would have already penetrated the smell industry. Thus, the perfume could not be considered a new diversification neither at the market variable nor the product variable.

From another perspective of strategic analysis, this perfume would be an example of external growth since the perfume is the result of a strategic alliance with another company from which both win and Ecoalf takes advantage of the productive capacity, the management of the chain of supply and other services related to perfume management to grow.

Moreover, Ecoalf would become a first-mover, in terms of marketing strategy, since 'Ocean' would be the first perfume in the market to be eco-friendly considering all the production process and to have into consideration the 3 R's (to be recycled, reducing the materials to be made, and being able to be reused)

## 5.2 Competitive Advantage Strategy

Figure 2: Ansoff matrix



Source: own elaboration from the work by Denis Fadeev

Following Porter's Three Generic Strategies Theory (Stonehouse and Snowdon, 2007), Ecoalf clearly follows a focus strategy since the company is dedicated to satisfying the needs of a very specific market niche: eco-fashion. However, it should be remarked that Ecoalf may get too close to the 'stuck in the middle' zone and this might be the reason why it does not manage to take off completely commercially and continues to lose. The company needs to lower prices or increase them.

## **6. SEGMENTATION.**

### **6.1 Market Segmentation**

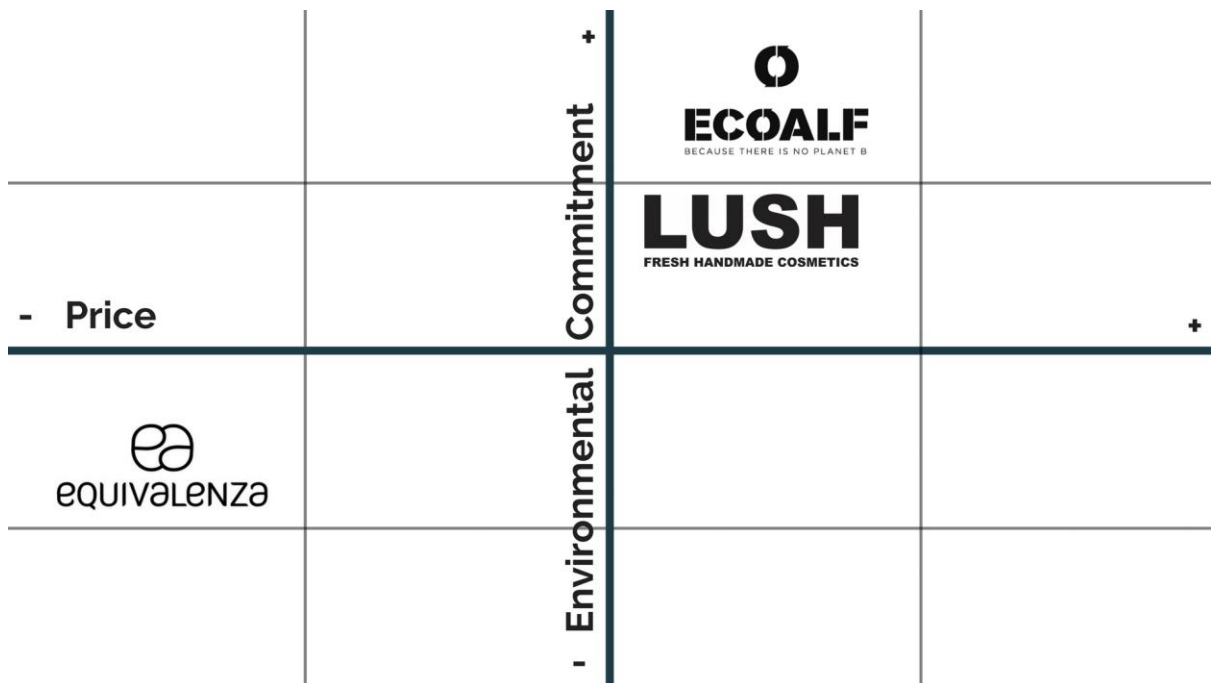
The target audience of Ecoalf can essentially be summarized as: people with medium and high income (environmentally conscious or not), and businesses. The main target audience of Ecoalf has always been the eco-friendly customers. The company's values and philosophy has managed to attract customers with similar beliefs. However, the Ecoalf client profile is much wider. A large part of its clientele is not eco-friendly but it is attracted by the company and its products due to other factors, such as the high quality of its garments and accessories or the good brand positioning and the price band that place it as prestigious brand. On the other hand, many companies have collaborated with Ecoalf for the development of joint products, equipment, uniforms, etc.

For the perfume, its main target group would be the eco-friendly group. Due to the lack of presence in other points of sale, as it happens in the case of clothing and accessories, the product will not reach the rest of not eco-friendly customers. In addition, the added value of the perfume, essentially its protection of the environment, will only be perceived and interesting for that customer who has the same values as the company.

## 6.2 Positioning

Ecoalf fragrance will compete in the conscious perfume market, where many companies already perform. (?) Among the companies before analysed, this is the positioning of the three companies in the market.

Figure 3. Positioning Map



Source: Own Elaboration

The two variables chosen for the positioning are: the price of the product (X) and the degree of commitment to the environment (Y).

As we can see in the graph. Equivalenza is the only company below the environmental commitment axis since the company does only have the reusable bottle action in terms of environmental care. Equivalenza is also in the left side of the price axis since its products are very competitive in terms of price. The case of Lush is quite similar to Ecoalf. Lush has a high level of environmental (and some other ethics values) commitment and its price is right under Ecoalf. Finally, Ecoalf presents the highest rate in terms of environmental awareness and care but its price is also the highest among the companies selected.

## 7. ACTION PROGRAMS

### 7.1. Summary of action plans

Table 3. Summary action plans

ACTIONS	OBJECTIVES
<b>Action 1</b> Ocean Perfume	3. Increase the number of items sold in each purchase. 4. Achieve global benefits in the 2018 financial year. 5. Attract a X% of new customers in 2018
<b>Action 2</b> Promotion prices during specific dates.	1. Gain profits from the perfume within a year. 3. Increase the number of items sold in each purchase. 4. Achieve global benefits in the 2018 financial year. 5. Attract a X% of new customers in 2018
<b>Action 3</b> 10% discount voucher after returning a Ocean perfume bottle	1. Gain profits from the perfume within a year. 2. Achieve a rate of the bottle reuse greater than 10% in one year. 4. Achieve global benefits in the 2018 financial year. 5. Attract a X% of new customers in 2018
<b>Action 4</b> Distribution offline: Madrid and Berlin stores	3. Increase the number of items sold in each purchase. 4. Achieve global benefits in the 2018 financial year. 5. Attract a X% of new customers in 2018
<b>Action 5</b> Distribution online: ecoalf.com	1. Gain profits from the perfume within a year. 2. Achieve a rate of the bottle reuse greater than 10% in one year. 3. Increase the number of items sold in each purchase. 4. Achieve global benefits in the 2018 financial year. 5. Attract a X% of new customers in 2018
<b>Action 6</b> Distribution online: Amazon	1. Gain profits from the perfume within a year. 3. Increase the number of items sold in each purchase. 5. Attract a X% of new customers in 2018
<b>Action 7</b> Email Marketing	1. Gain profits from the perfume within a year. 3. Increase the number of items sold in each purchase. 5. Attract a X% of new customers in 2018
<b>Action 8</b> Samples	1. Gain profits from the perfume within a year. 3. Increase the number of items sold in each purchase. 5. Attract a X% of new customers in 2018
<b>Action 9</b> Events	1. Gain profits from the perfume within a year. 3. Increase the number of items sold in each purchase. 5. Attract a X% of new customers in 2018
<b>Action 10</b> Instagram campaign	1. Gain profits from the perfume within a year. 5. Attract a X% of new customers in 2018
<b>Action 11</b> Facebook and Twitter	1. Gain profits from the perfume within a year. 5. Attract a X% of new customers in 2018

Source: Own Elaboration

## 7.2. Product decisions

- **Action 1: Ecoalf Ocean Perfume**

Objective to which it contributes:

- **3. Increase the number of items sold in each purchase.**
- **4. Achieve global benefits in the 2018 financial year.**
- **5. Attract a X% of new customers in 2018**

### Description:

The product consists of a 100ml fragrance composed exclusively of water with a concentration of essential oils of ecological origin and macerated with alcohol of 85° ensuring a durability of the fragrance of between 4 and 6 hours. The fragrance would be the same developed by the prestigious Patrick Douenat for the Ocean candle: a fragrance with a fresh and marine aroma, with notes of ozone and saline touch.

### Concept

The idea is to get the Ecoalf perfume to channel its values and also be the culmination of environmental sustainability covering the so-called 3 Rs: Reduce: with a minimalist packaging; Reuse: the bottle of perfume would be the first in the world to be reusable and refillable. It would be the first bet on circular economy by Ecoalf applied to its products; and Recycling: the composition of the materials of the bottle and packaging would be made out of recycled materials. Moreover, the fragrance would be made by natural organic essential oils.

## Bottle

Figure 4. Proposed design for the bottle.



Own elaboration

The bottle will be one of the most distinctive elements of the perfume itself. The first idea was using recycled plastic -since PET plastic is one of the raw materials most used by Ecoalf- to build it but this material can not be used for this purpose since the alcohol of the perfume can make alterations of the composition of the plastic through time so its use is not recommended. The raw material chosen is recycled glass. The design is contemporary and with a plastic vibe due to the chosen color: a light blue.

### 7.3. Price decisions

To set the Ecoalf Perfume different strategies and methods have been applied. The first step has been estimating the perfume cost. Then, the competitors' prices and the value perceived by customers have been taken into account. Finally, a margin has been added to assume some other factors like the impact of third parties and the adaptation and promoting prices.

The price should be, obviously above its cost. As we will see in the X point, the unit cost given a production of 2500 units is 23.70 €. Once we have the cost price, we must take into account the following factors: The price after taxes should be at least, 2.5 times its cost price, which means 59.25€ to assume, for instance, the Amazon margin and the decrease of the price through promotions of any kind (like in Mother's Day, Sales or Black Friday).

The VAT for the category of products whom the perfumes belong is 21% in Spain and 19% in Germany (the two physical stores) but we are only going to consider a 21% VAT. Thus the retail price should be around 71.6925. This price would be well set around the usual branded perfume range in the market. I have set regular price (excluding promotions and discounts) of 69.95€. For that final price, psychological price setting strategies have been taking into account. For instance, a price with odd numbers is usually more appealing to the customer. This is a usual price setting strategy took into account by Ecoalf as its products show. Moreover, this price would perfectly be set in the range of the competition in terms of amount of perfume and its eco-friendly features.

The price before taxes, which means Ecoalf real income would be 57,81€ per perfume sold.

More information about the pricing and the cost accounting is addressed below in the section 8.2.



***Action 2: Promotion prices during specific dates.***

- **1. Gain profits from the perfume within a year.**
- **3. Increase the number of items sold in each purchase.**
- **4. Achieve global benefits in the 2018 financial year.**
- **5. Attract a X% of new customers in 2018**

As previously mentioned, promotional prices are planned to be set at specific dates. These are: the release week, both for online and offline purchases; the weekend between the Black Friday and the Cyber Monday (both included); Winter Sales, and in the longer term, Mother's and Father's Days. The discount would be a 10% discount to be increased according to other sales objectives in the future.

***Action 3: 10% discount voucher after returning an Ocean perfume bottle.***

- **1. Gain profits from the perfume within a year.**
- **2. Achieve a rate of the bottle reuse greater than 10% in one year.**
- **4. Achieve global benefits in the 2018 financial year.**
- **5. Attract a X% of new customers in 2018**

Each time a customer returns the bottle of an Ocean perfume will be rewarded with a 10% discount voucher for the next purchase of another Ocean perfume. This initiative is conceived to promote, on the one hand, the return of the bottles so that the customer participates more actively with the circular economy of Ecoalf, to build loyalty and trying to promote the purchase of more perfume units. The discount will be sent via email if the return is made online. If it is made offline (in-stores) the customers will have a 10% discount if they buy a new perfume at the time, or receive the voucher via email if they prefer it so.

To be done indefinitely.

## 7.4. Distribution decisions

The distribution channels chosen for the Ecoalf perfume are:

- Level 0 channel (right from the company to the final customer)
  - **Action 4: Distribution offline: Madrid and Berlin stores.**
    - 1. Gain profits from the perfume within a year.
    - 2. Achieve a rate of the bottle reuse greater than 10% in one year.
    - 3. Increase the number of items sold in each purchase.
    - 4. Achieve global benefits in the 2018 financial year.
    - 5. Attract a X% of new customers in 2018

Through the two physical stores, the one in Madrid and the other one in Berlin. Selling in-store is especially important. First because it is a sensitive product so having a direct contact with it might be crucial to acquire it. Moreover, the stores will be the main point of return of bottles.

- **Action 5: Distribution online: ecoalf.com**
  - 1. Gain profits from the perfume within a year.
  - 2. Achieve a rate of the bottle reuse greater than 10% in one year.
  - 3. Increase the number of items sold in each purchase.
  - 4. Achieve global benefits in the 2018 financial year.
  - 5. Attract a X% of new customers in 2018

Through the own company website '[www.ecoalf.com](http://www.ecoalf.com)'. E-commerce is not a usual channel for this type of products that have a high level of interaction associated with the customer, in this case smelling the perfume mainly. However, as commented in the section '2.1.1 Sector Analysis', this trend is changing and expected to become a new

transformation in the perfume market. Finding the perfume among the rest of the Ecoalf range of products would help the customer to know about the product and to purchase it more likely. Customers will also be able to manage the return of their perfumes' bottles via Ecoalf website.

- Level 1 channel (through an intermediary)
  - **Action 6: Distribution online: Amazon**
    - 1. Gain profits from the perfume within a year.
    - 3. Increase the number of items sold in each purchase.
    - 5. Attract a X% of new customers in 2018

Amazon is the only intermediary chosen since it is the current larger ecommerce marketplace. Moreover, the company already sells on the site so using it would be an efficient way to amortize the fixed cost that the company already pays in order to appear in the site. The cost charged for each sale by Amazon is 15% for this product category (Amazon, 2018).

## **7.5. Communication decisions**

Once the decisions regarding product, price and placing are settled, the next step is designing the communication strategy.

The communication and promotion strategy for the perfume will follow the guidelines of the general communication performed by Ecoalf to date.

- **Action 7: Email Marketing.**
  - 1. Gain profits from the perfume within a year.
  - 3. Increase the number of items sold in each purchase.
  - 5. Attract a X% of new customers in 2018

Description: Every customer or fan subscribed to the Ecoalf Newsletter will receive an email where the perfume will be introduced. Moreover, the email will contain a personal voucher of 10% of discount for the first Ecoalf perfume purchase in order to build loyalty.

Budget: This action should not have an extra cost for the company since Ecoalf already has a Mailing service.

Schedule: The emails would be sent the day of the release.

Departments involved:

- **Action 8: Samples**

- **1. Gain profits from the perfume within a year.**
- **3. Increase the number of items sold in each purchase.**
- **5. Attract a X% of new customers in 2018**

Description: Every web and in-store purchase will have a small sample of the perfume as a present. In the physical stores every customer would receive one after any kind of purchase. In the case of offline case, the CRM will manage that every purchase per customer will receive a sample. The mini-bottle of recycled plastic would have a capacity of 2 or 3 ml.

Budget: ¿?

Schedule: To be done through the first three month in the stores, since there will always be a perfume tester available to the customers. The campaign online will last longer: 6 months, to be extended depending on the success of the perfume and the campaign itself.

- **Action 9: Events**

- **1. Gain profits from the perfume within a year.**
- **3. Increase the number of items sold in each purchase.**
- **5. Attract a X% of new customers in 2018**

Description: As part of Ecoalf PR each Ecoalf store will hold an event half presentation half party where influencers, insiders and the best customer will be invited. In the event, the perfume will be introduced, a dj-set and some catering. National Press such as El País, El Confidencial, El Mundo, among many others and specialist magazines and webs like Moda.es would be invited too. Every attendant would receive a small sample 2 or 3 ml mini-bottle as present.

Budget: The average cost of an event with similar characteristics of the one proposed in Madrid is 4.000€. The one to be organized in Berlin might have a higher budget, around 4.500-5000.€ (Nuel Puig, prestigious community manager and influencer, interviewed in May 18th 2018)

Schedule: The events would be organized in the following way: the event in Madrid would be the afternoon before the release of the perfume. The one in Berlin would take place two weeks after the release date.

- **Action 10: Instagram campaign**

- **1. Gain profits from the perfume within a year.**
- **5. Attract a X% of new customers in 2018**

Description: Several pictures would be posted through the week to the perfume to be released. In every picture description there would be a short description of the perfume, its features and values. After the release every picture of the perfume will have attached the product to the online store. The same regarding the 'stories'. Coverage of the events in Madrid and Berlin. During the release week, stories about the upcoming event, the perfume, its production process, values and features would be posted. After its release, there would be a link attached to the story linked to the website.

Budget: As there is any paid promotion planned, the promotion via Instagram will have an 'organic' impact, there is not special budget for the campaign besides the current budget on social media communication.

Schedule: Through the week of the release. After the release, with an open deadline since this action will become part of the normal social media communication strategy in the medium and long-term.

- **Action 11: Facebook and Twitter**

- **1. Gain profits from the perfume within a year.**
- **5. Attract a X% of new customers in 2018**

As in these social networks the company is less popular, the actions would be simpler. There would be a coverage of the events, after, during and after they take place. Moreover, post in Facebook about the product -similar to the ones posted in Instagram- would be shared. The same in Twitter.

Budget: As there is any paid promotion planned, the promotion via Twitter will have an 'organic' impact, there is not special budget for the campaign besides the current budget on social media communication.

Schedule: Through the week of the release. After the release, with an open deadline since this action will become part of the normal social media communication strategy in the medium and long-term.

## **8. PRODUCTION**

Below, the issues related to the production of the perfume, the cost accounting and the schedule of the actions are addressed.

### **8.1. Provider**

As commented above, Ecoalf is not a perfume company itself, but pretends to sell a Ecoalf branded perfume partnering with a perfume producer company as Puig, L'Oréal, Coty, Saphir or Mixer. This last one, Mixer is the provider that I have chosen for the following reasons:

- Established company

Mixer is internationally recognized as one of the leading companies in the development and manufacture of Cosmetics and Perfumery for third brands, operating for 25 years in this sector in more than 120 countries around the world, and developing prestigious fragrances national and international firms.

- Comprehensive service

From the product development to the bottling and manufacturing (packaging included) Mixer takes care of everything. Actually, the company also offers purchase management and regulatory affairs services.

- Located in Madrid

The closer all the steps of the value chain are, the easier they will be to track. Moreover, a 'Made in Spain' and 'Made in EU' adds intangible value and a higher sense of safety to the customer, especially in products such as this, where their characteristics of non-toxicity and respect for the environment are a large part of their added value.

Regarding the number of units to produce, my proposal is quite prudent. The minimum amount to produce is usually around 1000 units according to Jérôme Herrgott. The larger the batch, the smaller the unit costs. The sensible thing would be to produce a large number of perfumes to reduce costs, especially those related to the mold of the bottle, which as special implies an extra cost of x1.5 compared to conventional packaging. (Herrgott, 2018)

However, according to my expected demand, the best plan is starting with a smaller order rather than beginning with a massive one. Therefore, my proposed amount of perfumes is 2500 units.

## **8.2. Cost accounting**

According to Jérôme Herrgott, the average cost of the mold for the bottle costs around 5.000,00€. If the mold is special, the price can get from 1.2 to 1.5 times more expensive. I have decided to choose a middle point of the range: 1.3 times. So the price of the mold would be around 6.500,00€. The average unit production (besides the mold) cost of the final bottle is around 6,00 and 10,00 euros. In this case we are going to consider a cost of 10,00 euros since the glass is going to be recycled and the production is supposed to be located in Spain.

The development of the formula rises to around 5.000,00€. Since the fragrance to be used is one of the three already used by Ecoalf in its candles released in the last December, this cost is not to be considered into the cost accounting of the perfume. Moreover, its cost is part of the internal accounting of the company and it is not available Ordering 1000 units of conventional fragrance (not using natural and organic resources) costs around 2.000,00€. If the fragrance is made out of organic and natural components, as the Ecoalf perfume is supposed to be, the cost increases between 1.2 and 1.4 times. (Herrgott, 2018) Being cautious, I have decided to pick a 1.4 times higher cost which would mean a cost of the fragrance of  $2.800,00€ \times 2.5 = 7.0000,00€$



The rest of the costs related to the production are the sprayer and the cap, and the packaging. The regular cost of these items is around 2 and 3 euros if these are conventional. Since the cap is supposed to be original as well, I consider that the price of the cap and the sprayer would amount 4.50€.

The packaging is usually quite cheap, however, since the purpose of the perfume is being 100% committed to the environmental care, the recycled cardboard for the minimal packaging will cost around 1.3 times more than usually which amounts 1.5€ per unit.

Therefore, the total production cost of 1 unit, with an order of 2.500 perfumes is:

(bottle mold cost) + (bottle itself) + (fragrance cost) + (cap and sprayer) + (packaging)  
 $(6.500/2500= 2,60) + (10,00) + (7.000/2500=2,80) + (4,50) + (1,50) = 21,40€$  per perfume.

53.500,00€ in total for a stock of 2.500 units.

With a public price set of 69,95€, which means an income of 57,81€ per unit, the margin would be 2.7 times the cost of each unit.

This margin is slightly inaccurate since some of the perfumes are supposed to be sold through promotions and through Amazon so, let's say that the regular perfume is going to be sold with a margin of 2.4 times its cost price. A regular sold via Amazon would be an income of 49,13€ and 52,02 thanks to own promotion actions. Thus, the income per unit sold would be 51,36€.

The minimum amount of sold perfumes to make profits is 1214. This result arises from dividing the total cost which is 63.000€ divided by the final income per unit, 51.36€.

The average profitability of investment funds with an average risk of 3 or 4 out of 7 of several Spanish banks in 2017 was around 4% per year. (Salobral and Rusconi, 2018) With a fixed investment of 62.500€ in terms of costs related to the production of the perfume and expenses of communication, the expected return if it were invested in other assets would be 2.500€ in a year. To have equal or greater revenue of investing € 65000 in the perfume, Ecoalf would have to sell 1.266 units in a year.

### 8.3 Budget

Therefore, for the realization of the aforementioned, we would need the following budget.

Fixed Production costs: 53.500€

Variable Production costs: there are not variable costs since to proceed to the order, all the perfumes must be purchased at once

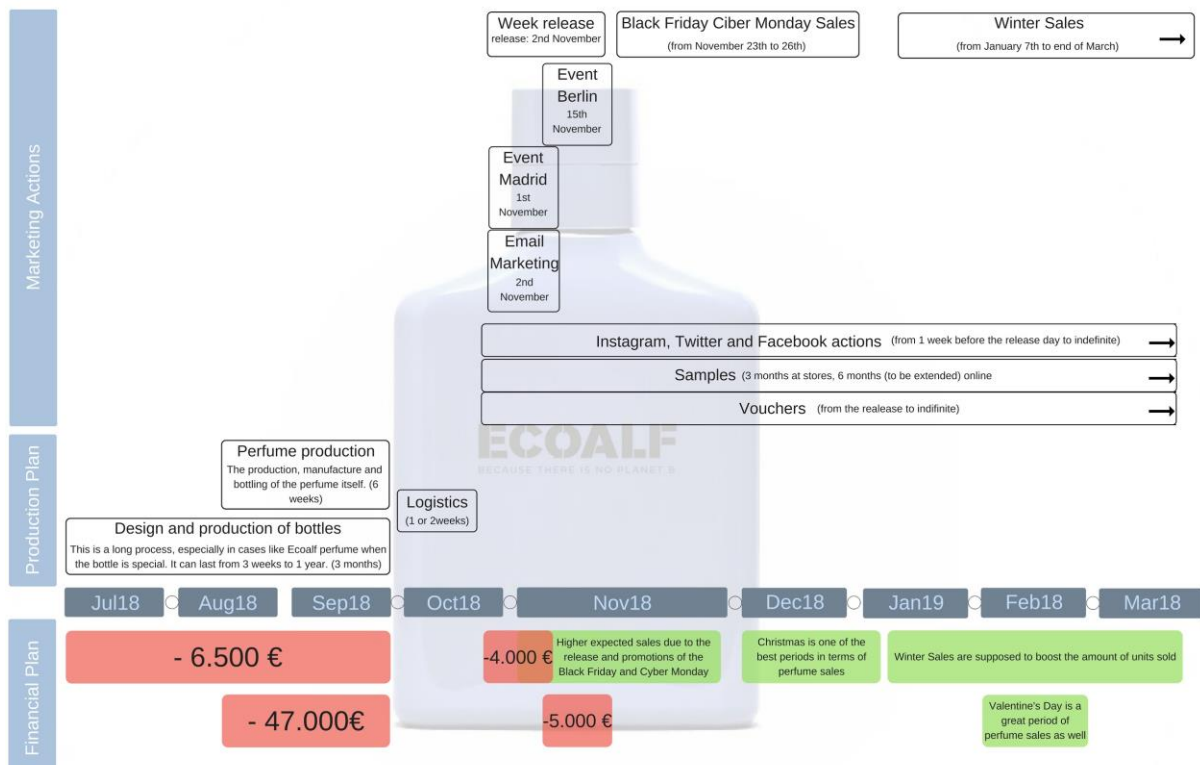
Communication costs: 9.000€

Total Cost: 62.500€

### 9. SCHEDULE

The following schedule includes the expected cash flows, special dates related to the perfume, and the timing of the actions to be performed.

Figure 5: Schedule



The out flows expressed above are schedule that way considering that Ecoalf does not have deferred payments to its suppliers.

Source: Own Elaboration

## 10. CONTROL

**Table 4: Measures to control the objectives**

<b>OBJECTIVES</b>	<b>MEASURE FREQUENCY</b>	<b>CONTROL METHOD</b>
1. Gain profits from the perfume within a year	Monthly	Comparing sales reviews with the previous ones Sales Department & Accounting Department
2. Achieve a rate of the bottle reuse greater than 10% in one year	Monthly	Record the number of bottles reused and per customer in one year Sales Department
3. Increase the number of items sold in each purchase	Monthly	Comparing the average shopping basket both in store and online Sales Department
4. Achieve global benefits in the 2018 financial year	Annually	Comparing the annual income with the result of sales from the previous year. Accounting Department
5. Attract a X% of new customers in 2018	Annually	Using a CRM, recording the number of new customers that bought during the year and comparing it to the year before Sales /Marketing Department

Source: Own Elaboration

## **11. CONCLUSION**

As we have analysed in the section 8.2 this proposal might be slightly risky, especially in the financial aspect. However if the company manages to achieve the sales goal within the first year, which means, 1276 perfumes per year, or 153/154 perfumes per month, the Ocean perfume would be a great success, achieving the same return than the average investment fund profitability had in 2017. Even if financially, the perfume is a failure achieving the established sales goals, we must not forget that the launch itself would be a great reason for promotion. Being an innovative product such this is, all kinds of media from the specialized press to the general media, would spread the news, becoming a great opportunity for free brand promotion. Actually, in my opinion, just releasing the perfume, even if the sales are exceptionally low, the release itself would be a success in terms of brand promotion (the candles had low sales since were months in sale but had a media impact)

If the perfume were a failure, in my opinion not reaching even half of the goal set for a year, my recommendation for Ecoalf would be to leave the perfume in the background and focus investment in the company's flagship products, those that can provide greater profitability, which in the end is, in my opinion, the first priority that should be set by the company.

If it is a great success, that is to say, to achieve the objective for example, in less than 6 months, I would recommend the company to release a second or third perfume. It would also be advisable to study alliances with distributors such as “Druni” or “El Corte Inglés”.

In my view, this proposal would perfectly fit in the current Ecoalf product range extension and overall strategy. The Ocean perfume would profit from the outlay the company did the past year related to the development of the fragrances of its candles and would expand its portfolio, enlarging the many ways the company can satisfy the eco-friendly customers' needs.

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#### **14. ANNEX**

As this project has limitations of style and format, the document does not have the aspect that a Marketing Plan should have. Below I have attached some images that illustrate what would be, according to me, the aspect of this Marketing Plan without these limitations.

MARKETING  
**PROJECT  
PROPOSAL**

**ECOALF**  
BECAUSE THERE IS NO PLANET B



**CRISTIAN  
ESPINOSA  
GALLEGO**

## 1. EXECUTIVE SUMMARY

Ecoalf is a Madrid based eco-friendly/sustainable fashion company established in 2009 after more than four years of research and development of the first generation of 100% recycled fibres and fabrics with the same looking, texture and features than regular ones.

Led by its founder and visionary Javier Goyeneche, ECOALF and its homonym foundation are some of the most prestigious and cutting-edge Spanish enterprises in terms of environment awareness and its protection.



Thanks to its vision and hard work, ECOALF has positioned itself as one of the few eco brands worldwide able to produce, design and retail an extensive range of products from apparel, footwear and accessories to helmets and garments for out of space tourism.

Nevertheless, the company is yet to have a tax year with benefits. The effort in Promotion as well as the development of the materials used to manufacture its products imply an expensive cost structure.



### 3. SWOT ANALYSIS

Once the macro-environment, the company's micro-environment and the company itself have been analysed, we have enough information to acknowledge the opportunities and threats in its environment and how the company can face them depending on its strengths and weaknesses.



#### STRENGTHS

- **Leadership in Innovation and Quality:**

Ecoalf is leader in the fashion made out of recycled materials market and its final products show the same good qualities as the conventional ones. The company was once called the "Green Moncler" brand, as sign of its high quality features. Moreover, Ecoalf keeps on leading the green fabrics innovation race.