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STRATEGIC AND ECONOMIC-FINANCIAL ANALYSIS OF ESPAÑOLA ALIMENTARIA ALCOYANA S.A. FOR INVESTMENT DECISION MAKINGS.

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GRADO EN ADMINISTRACIÓN Y DIRECCIÓN DE EMPRESAS

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SUMMARY

Realization of the analysis of the environment, strategic and economic-financial analysis of the company, to be able to make a financial plan and make decisions about changes in product, capital, financial and short-term strategies.

RESUMEN

Realización del análisis del entorno, análisis estratégico y económico-financiero de la empresa, para poder realizar un plan financiero y tomar decisiones sobre cambios de producto, capital, estrategias financieras y a corto plazo.

KEY WORDS

Analysis, strategies, financial, environment, economic, profit-earning capacity.

PALABRAS CLAVE

Análisis; estrategias; financiero; medio ambiente; económico; capacidad de beneficio

INDEX

INDEX FIGURES	3
1. INTRODUCTION	5
2. SECTOR	11
3. STRATEGIC ANALYSIS	14
3.1 ENVIRONMENT ANALYSIS	14
3.1.1 EXTERNAL ANALYSIS.....	14
3.1.1.1 MACRO ENVIRONMENT	14
3.1.1.1.1 Politic-legal dimension	16
3.1.1.1.2 Economic dimension	18
3.1.1.1.3 Socio-cultural dimension.....	19
3.1.1.1.4 Technologic dimension.....	20
3.1.1.2 MICROENVIRONMENT.	21
3.1.1.2.1 Actual competitors.....	22
3.1.1.2.2 New potential competitors	23
3.1.1.2.3 Substitutive products	23
3.1.1.2.4 Clients.....	25
3.1.1.2.5 Suppliers.....	25
3.1.1.3 COMPETITIVE ADVANTAGE	26
3.1.2 INTERNAL ANALYSIS	27
4. ECONOMIC AND FINANCIAL ANALYSIS	29
4.1 ECONOMIC STRUCTURE	29
4.2 FINANCIAL STRUCTURE	30
4.3 PROFIT AND LOSS ACCOUNT.....	33
4.4 VERTICAL PERCENTAGE.....	34
4.5 PATRIMONIAL MASSES AND WORKING CAPITAL.....	35
4.6 RATIOS.....	37
4.7 Swot analysis.....	38
5. MARKETING PLAN	39
5.1 MARKETING PRINCIPLES	39
5.1.1 Product.....	41
5.1.2 Price.....	41
5.1.3 Place.....	42
5.1.4 Promotion.....	42
6. FINANCIAL PLAN.	43

6.1	DEFINING OBJECTIVES AND MAKING STRATEGIES.	43
6.1.1	Strategies.....	43
6.2	LONG TERM FINANCIAL PLAN	44
6.2.1	Income account statement	45
6.2.2	Table of net current capital needs	46
6.2.3	Capital budget	46
6.2.4	Treasury budget	47
6.2.5	Provisional balance.....	47
6.2.6	Profitability.....	48
7.	SCENARIOS	49
8.	CONCLUSIONS.....	50
9.	BIBLIOGRAPHY	51

INDEX FIGURES

1 Figure: Location map of La Española in Alcoy. Source: google maps.	6
2 Figure: Logo of La Española. Source: La Espanola	7
3 Figure: old olives ad. Source: google images.	8
4 Figure: some products of la Española. Source: google images.	9
5 Figure: la Española products. Source: La Española.	10
6 Figure: Value of the sales of Spanish food industry. Own elaboration. Data source: Statista.	11
7 Figure: Evolution of total productivity. Source BBVA foundation.	12
8 Figure: Productivity per hour worked. Source: BBVA foundation.	12
9 Figure: Position of Alcoy on the map of Spain. Source: Wikipedia.	15
10 Figure: national production of olives on 2016/2017. Source: information agency and food control.	22
11 Figure: evolution consumption of olives in Spain.	24
12 Figure: World consumption of olives. Source: IOC.	24
13 Figure: world production of olives. Source: own elaboration.	25
14 Figure: summarize table for opportunities and threats. Source: own elaboration.	26
15 Figure: capacities and resources. Source: own elaboration.	27
16 Figure: Enterprise Balance Asset Accounts. Source: Sabi.	29
17 Figure: Enterprise Balance Asset Accounts. Source: Sabi.	30
18 Figure: Enterprise Balance, net worth and passive Accounts. Source: Sabi.	30
19 Figure: Enterprise Balance, net worth and passive Accounts. Source: Sabi.	31
20 Figure: Enterprise Balance, net worth and passive Accounts. Source: Sabi.	32
21 Figure: ratios. Source: own elaboration.	32
22 Figure: Profit and loss table. Source: own elaboration.	33
23 Figure: vertical percentage year 2014. Source: own elaboration	34
24 Figure: vertical percentage year 2015. Source: own elaboration	34
25 Figure: vertical percentage year 2016. Source: own elaboration	34
26 Figure: vertical percentage year 2017. Source: own elaboration	34
27 Figure: proportion of the patrimonial masses.	35
28 Figure: proportion of the patrimonial masses.	35
29 Figure: proportion of the patrimonial masses.	35
30 Figure: proportion of the patrimonial masses.	35
31 Figure: proportion of the patrimonial masses.	36
32 Figure: proportion of the patrimonial masses.	36
33 Figure: proportion of the patrimonial masses.	36
34 Figure: proportion of the patrimonial masses.	36



35 Figure: ratio working capital. Source: own elaboration.	37
36 Figure: ratios. Source: own elaboration.	37
37 Figure: ratios. Source: own elaboration.	38
38 Figure: can of olives La Española. Source: google images.	41
39 Figure: marketing structure.	42
40 Figure: communication structure in marketing.	43
41 Figure: income account statement. Source: own elaboration	45
42 Figure: table of net current capital needs. Source: own elaboration.	46
43 Figure: capital budget. Source: own elaboration.	46
44 Figure: treasury budget. Source: own elaboration	47
45 Figure: provisional balance. Source: own elaboration.	47

1. INTRODUCTION

In this project, I am going to analyse one agro-food company, La Española Alimentaria Alcoyana, SA. Therefore, I have to analyse the entire environment and all the possibilities to invest and to improve the whole company.

To carry my work, I will need to do first, an analysis of the agro-food sector, to know where the company is working on. Then I need to analyse the strategic options for the company. It means to do environmental analysis, with its internal analysis and external analysis.

Inside of each part, I will analyse the macro environment and the microenvironment. When I finish these parts, I will rise the SWOT matrix.

Then, I will start the financial plan.

Financial planning is part of something bigger, more general, that would be business planning. Business planning is the actions that the company develops and the methods used to achieve a particular purpose.

To do this, it must be clear the objectives to achieve, to propose strategies and then, give the company a foresight of future and to be able to achieve the objectives.

Therefore, I will do these three phases, in order to assess three possible scenarios resulting from previous actions and we propose solutions for the different stages and then choose the best for the company.

After that, I need to do some financial analysis like Working capital, Operational needs of funds, ratios to know if the company is going well or if it needs some improve or change in some department or some investment.

To achieve this, we are going to do a financial plan.

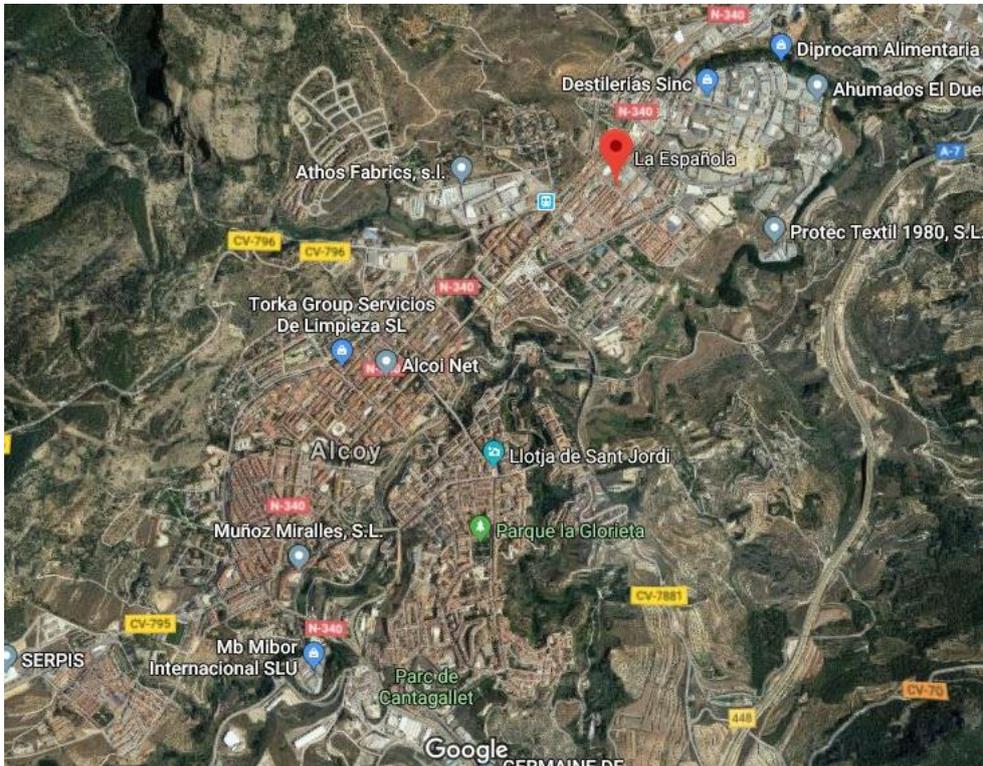
To finish, we will analyse all the data obtained in order to establish the conclusions of the project, and to see if the company can change something to do the brand more competitive.

1.1 ABOUT THE COMPANY

I am going to introduce the company.

The company is based in Alcoy, Alicante, in Arquebisbe Domènech Street, 7. La Española also has a factory in Sevilla. The factory of Alcoy is in the north zone, as I show in the following picture. It owns a whole block of building, so it is so big. In La Española works about 750 people between the two [factories](#).

1 Figures: Location map of La Española in Alcoy. Source: google maps.



La Española has also a factory in Sevilla, concretely in Aznalcázar. The following picture shows the factory. This company has this factory in Sevilla because in the south, concretely in Andalucía, there is where the biggest olive production is. For that and for optimize the distribution because there is also the biggest group of consumers of Spain.



The history of this Company begins in 1941 when Alfredo Alberola Balaguer, Alfredo Alberola Sempere and José Reig Pastor funded La Española.

Alfredo Alberola owns a publicity agency for that time but with his brother in law, they made the logo that currently we know. The same year, they created a slogan for the company, 'La Española, una aceituna como ninguna', that is the slogan of today.

2 Figure: Logo of La Española. Source: [La Espanola](#)



In the 50s, they realised that they could make profit about emigration, so they start to sell in other countries all around the world, but first, they start in Europe.

In terms of advertisement, the company start to advise repeatedly on TV and radio, also announcing them on billboards in the main cities. These advertisements have a lot of success and make the company famous and known around the world. This was because of the slogan, the song was so catchy and people like that.

3 Figure: old olives ad. Source: google images.



From then to now, the company wanted to diversify their products so they create other products like wine, beer, tapas, black olives, etc. All of that made the company grow because nowadays almost everybody know something about the brand La Española. Some olives products are the followings, but this company has a lot more products. I show them down here.



4 Figure: some products of la Española. Source: google images.



In the 90s the company starts to produce also vinaigrettes and gazpacho. Now a day, the following products are, like I said before of other products, the main products that produce the highest incomes.



5 Figure: la Española products. Source: [La Española](#).

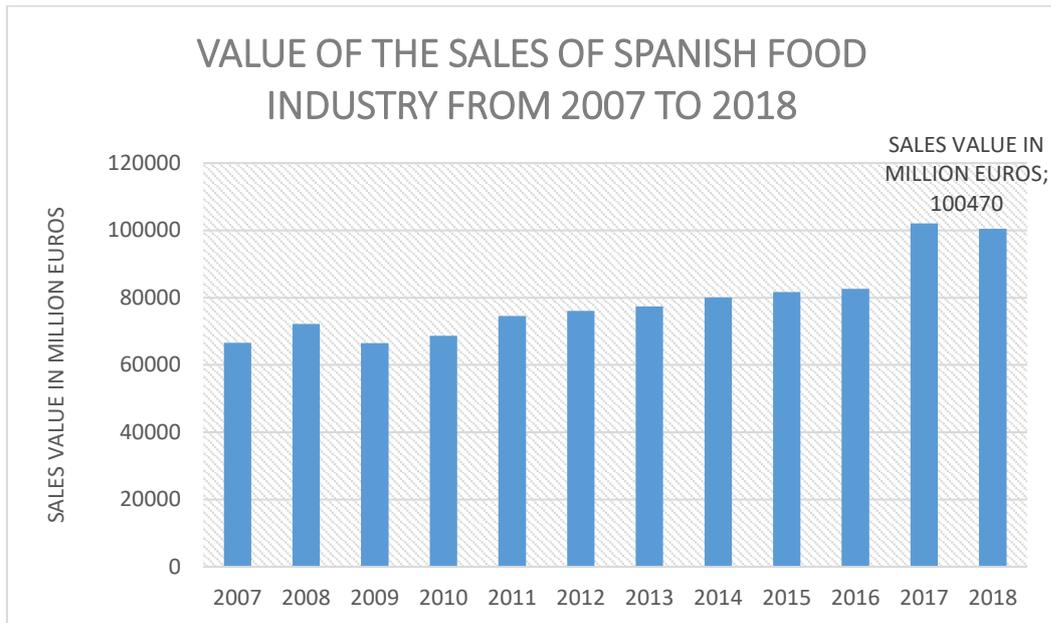


2. SECTOR

The sector of the company La Española S.A. is commercialization of food products. The activity of La Española is fruit and vegetable preservation.

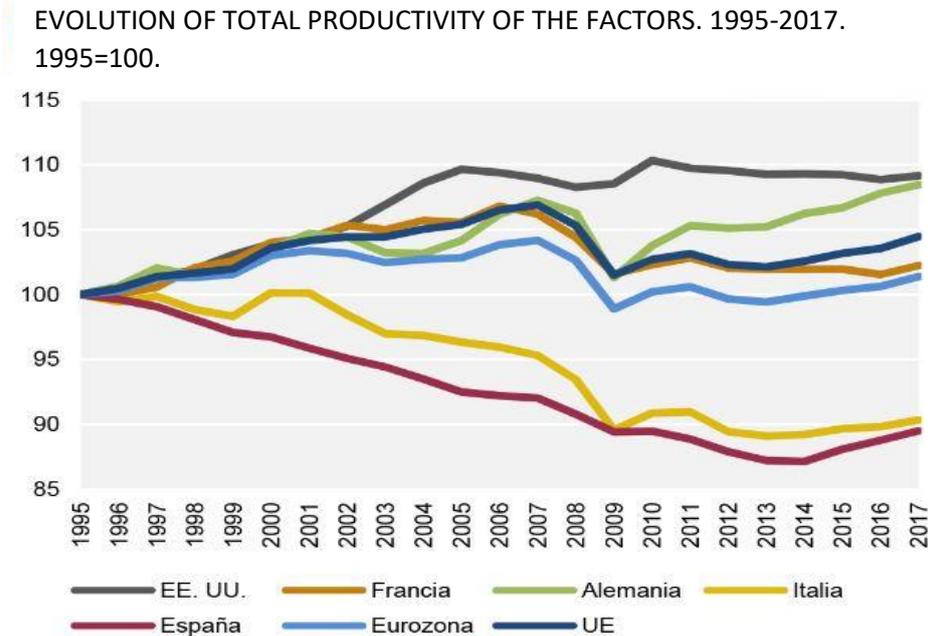
The analysis of the food sector is so important because it provides a value information and so necessary for the company. With this information, when you want to create a new company, you can analyse your competitors to keep the good and learn for the bad, not make the same mistakes.

6 Figure: Value of the sales of Spanish food industry. Own elaboration. Data source: [Statista](#).



This sector, in Spain, earned 102.000 million euros in 2017; it means that it has improved by 23.5 % from the year before. This is the 5.8% of the gross value added of the Spanish economy, being better than the EU's because it is 3.6%. Looking at this sector, I can say that Spain is the fourth economy of EU, which brings most value to the sector, almost 11.5%, behind France, Germany and Italy. This means Spanish food industry has high specialization in this sector.

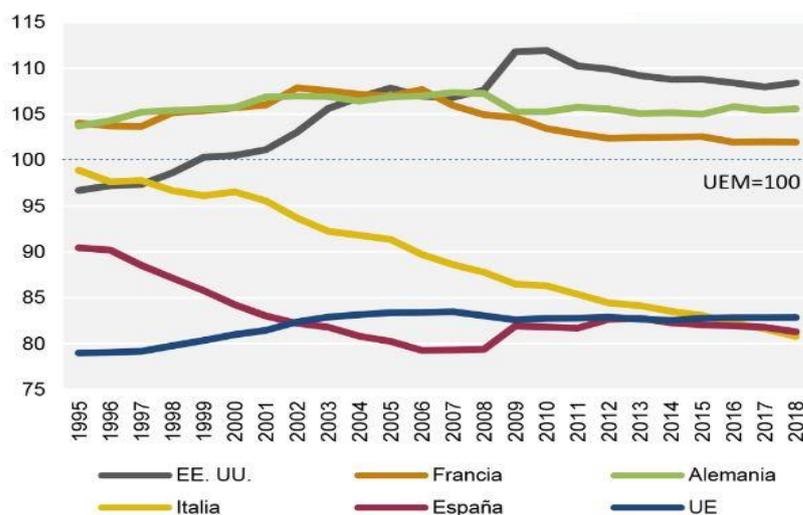
7 Figure: Evolution of total productivity. Source [BBVA foundation](#).



Food industry presents highest productivity with almost 60.000€ per worker, with 27.6% above the agro-food sector and 5% more than the economy as a whole. Since the beginning of the century, the levels of real productivity occupied by the Spanish agro-food sector, as well as the sub-sectors that form it, are above those of the EU. In 2016, the productivity of the agro-food sector in Spain was 52.1% higher than the EU.

8 Figure: Productivity per hour worked. Source: [BBVA foundation](#).

PRODUCTIVITY PER HOUR WORKED. 1995-2018. UEM=100



In 2017, Spain's agro-food exports had reached a record of 49,065,000,000 euros, with a growth of 6.6%. This increase exceeds that of the EU (5.9%) and countries such as Germany (5%) and the Netherlands (5.8%), which are the export leaders of the EU agro-food sector.

Likewise, the importance of agro-alimentary exports in total exported goods in Spain reaches 17.3%, the highest of the main agro-food exporters of the EU.

The agro-food sector is one of the biggest sector in the Spanish economy, and its future will depend on the transformation of primary production and, above all, to be more efficient in the field of marketing. To this end, the agro-food supply must apply some priorities like professionalization of management, increasing dimension, betting on internationalization and increasing investment in I + D + I.

In addition to working on quantity and price, the sector must promote quality, know how to mix food and health, and be sustainable.

The investment in I + D carried out by the Spanish agro-food sector was 241 million euros in 2015, which represents 3.5% of the total economy. The EU investment in I + D grows about 36% between the years 2006 and 2015 but unfortunately in Spain falls by 16.6%.

Furthermore, the innovative effort of the agro-food sector in Spain registered in 2015 its lowest value of the last ten years, scoring 0.4%, 30% below the EU (0.6%), for that, in the European ranking of innovative effort, Spain is located in the lower part of the EU.

Finally, we can say that the Spanish agro-food sector has been very dynamic in the incorporation of technological innovations. This is demonstrated by the fact that we are the most valued EU country in the primary phase, and we lead the growth of certain productions in Europe such as olive oil, wine, fruit and vegetables.

3. STRATEGIC ANALYSIS

3.1 ENVIRONMENT ANALYSIS

The strategic analysis aims to study how to identify the weakness and the strengths of the company, also study analysis techniques of general and specific environment. To understand the SWOT analysis and the strategic process.

This analysis will be doing by the companies periodically to know how the company is going. The company have to ask two questions themselves, how is the market established? How are the customers in there? The answers to these questions have to give to the company the keys for the future views, future objectives or changes if there is necessary for accomplish the old objectives.

This business environment is make by different elements which each one, exercise influence in the company. These elements affect the companies of the sector or a region in a homogeneous way.

However, each company perceives the impact in a different way. This impact can be positive or negative so it will be an opportunity or threat for the company. Opportunities have positives potential effects on the company and they can use them to make the company bigger or to improve their results. The threats have negative effects on the company.

The elements of the environment that I will consider those who can call Strategic Factors. The effects of the business environment can be strategic or not, it will be or not depending on each company.

3.1.1 EXTERNAL ANALYSIS

The external analysis observes that part of the environment that influences one way or another in the company and for that, it can change the way the company makes the business strategy.

Doing this analysis I can find positive influences (opportunities) or negative (threats) that the external variables result on and decide what the company can do with this information, always in the best way for the company.

We can differentiate two levels:

- MACRO ENVIRONMENT: External influences that affect indirectly to the company in a generic way. Also affects other companies in the same sector.
- MICRO ENVIRONMENT: external influences that can affect in a direct way to the company. It comes from the closest environment of the company's activity.

3.1.1.1 MACRO ENVIRONMENT

With this analysis, we want to know more about which variables of the socio-economic system can have more impact on the strategy and value that impact. For that, we will use the PEST analysis.

This analysis consist on study the political-legal, economic, social and technological factors who have impact on the company to identify the variables that affect or can affect the strategy to be followed by the company.

First, we have to define the geographical limits and the variables to consider.

Since the Constitution of 1978, currently in force, but with its legal modifications, Spain consists of 17 Autonomous communities, which have the competence to legislate and develop their own regulations on land management. These communities form 50 provinces, which are composed of 8,116 municipalities, the basic unit of the territorial organization in Spain.

Spain as surface, has 505.985, 90 Km² with a density of 93 inhabitants/km².

As far as the Valencian Community is concerned, it is one of the most important communities in the country, thanks to its location in the Mediterranean coast and its warm and pleasant climate, making it great tourist destination and rest. This community is divided into 3 provinces, Alicante, Castellón and Valencia, which are formed by 542 municipalities grouped in 33 regions.

The Valencian Community has an area of 23,255 km² and a demographic density of 220 inhabitants/km², higher than the average national density, because Spain has a complex geographical relief and the great concentration of large municipalities that the community has.

Now we will focus on the province of Alicante, where the headquarters of La Española is located, in Alcoy exactly. It has a population of 1 825 332 inhabitants and a density of 335 inhabitants/km² with an extension of 5.816 km². It borders to the west with the region of Murcia and the province of Albacete, to the north with the province of Valencia, to the south with Murcia and to the east with the Mediterranean Sea. It has 141 municipalities and one of them is Alcoy.

Alcoy, which is the capital of the Hoya de Alcoy, has 58,977 inhabitants. Historically it has been one of the important cities in the industrial revolution in Spain, in the textile sector, but also in the metallurgical and paper industry. Known as “The City of Bridges” because of its orography and the large number of bridges.

9 Figure: Position of Alcoy on the map of Spain. Source: Wikipedia.



Now I am going to do the PEST analysis, which consist on these parts:

- Politic-legal dimension
- Economic dimension
- Socio-cultural dimension
- Technologic dimension

3.1.1.1.1 Politic-legal dimension

The political and legal context of a country is important because it determines its configuration and these are factors that influence the country in a direct way.

La Española headquarter is based on Alcoy, Spain, so it will be affected by the politics of this country and the European Union laws. Spain is a social and democratic country of law and that defends as values of the juridical system the freedom, the justice, the equality and the political pluralism. The legislative framework is based on the Spanish Constitution of 1978 and multiple organic laws.

The decentralization makes that the administration model divide the competence between general estate administration and the autonomy communities.

A few years ago, this country went through a terrible economic crisis that it is still recovering from, which apparently has positive future forecasts. Because of this crisis, the Government has to take some measures to regain the balance of the country. These measures are:

- The reduction of public expenditure.
- The rigour in economic management.
- Transparency, as a principle of the government to inspire all the public authorities.
- Sustainability through measures of rationalization and savings.
- Flexibility and competitiveness of the economy to stimulate growth and job creation.
- Support for small and medium-sized enterprises such as engines of economic recovery.

The political party that is in the power today is PSOE (Spanish socialist worker's party) but right now is an acting government. This party has not clear ideas of what they want, for that; Spain has not a solid government yet.

Socialists are not able to sign an agreement with the current political parties in Spain because they do not understood with any party. This situation has led us to new elections soon. This party consider themselves like a center-left political party. The PSOE was founded as a Marxist party, but in 1979, this ideal was abandoned. The following governments were described as socio liberal and subsequently social democrats. The current ideal that follows this party is the neoliberal but some of its members consider that they have already left it.

The other situation that led us to non-agreement within the parties is Catalonia. In Catalonia, there are a high crisis because some people do not want to be part of Spain anymore and other people want.

I want to explain it a little bit more. I found in a much known newspaper [10 facts](#) what they are saying, sustain sovereignty and are false. I am going to summarize the article. One fact is that they say the 1978 constitution is hostile to the Catalonians. This is false because in 1978 the Catalonians along with the Andalusians were the ones who most supported the constitution. This constitution is based in the federal Republic of Germany so of course in one article say "*recognizes*

and guarantees the right to autonomy of the nationalities and regions that integrate it and the solidarity between all of them". However, this not makes the independence legal.

Another fact they say that Spain is an authoritarian state and it is false because Spain is a democracy, free and respectful for the rights. As the European and international institutions says.

I think the worst fact they say is Spain steals us. This is because in 2012 Artur Mas said that Catalonia was contributing by 16.409 million to the general budget and Catalonia was paying around 9% of their GDP for interregional solidary concept. However, what they really paid was 4% of their GDP.

Another fact is they think that alone will be more rich. It is true that Catalonia has kept and improve their GDP per capita but they get that being part of Spain. Nevertheless, if they left Spain, they left also the UE so they cannot be part of the Euro zone, so this would lead to Catalonia to a deep crisis.

The problem is that nowadays population feels like they have been deceived from politicians. Population do not want them in the power; just want people who have the same ideals, the same objectives for the community, not to think on themselves. It is going to be a hard work from politicians to restore population confidence on them, but I hope it gets soon.

In terms of food legislation, I can say that is a regulating the industry and seeking to ensure the health of the consumer and not to commit fraud. This legislation has different levels, world level, European level and national level. Here I am going to focus on national level.

At national level, this legislation has two ways, first the rules resulting from the transposition to the Spanish law of the corresponding European legislation, and then the specifically Spanish norms that fundamentally regulate the production of each type of food product.

For the quality management systems, in Spain there are the ISO standard 9001:2015, for the environmental management system there are the ISO standard 14001:2015.

The first ISO says that *"the potential benefits for an organization of implementing a quality management system based on this International Standard are:*

- A. *The ability to regularly provide products and services that meet customer requirements and applicable legal and regulatory requirements;*
- B. *Facilitate opportunities to increase customer satisfaction;*
- C. *Address the risks and opportunities associated with its context and objectives;*
- D. *The ability to demonstrate compliance with specified quality management system requirements."* Source: [ISO 9001:2015](#)

The second ISO says *"a systematic approach to environmental management can provide information to senior management to generate long-term success and create options to contribute to sustainable development through:*

- A. *the protection of the environment, through the prevention or mitigation of adverse environmental impacts;*

- B. *the mitigation of potentially adverse effects of environmental conditions on the organization;*
- C. *support to the organization in compliance with legal requirements and other requirements;*
- D. *improvement of environmental performance;*
- E. *control or influence on the way in which the organization designs, manufactures, distributes, consumes and carries out the final disposition of products or services, using a life cycle perspective that can prevent environmental impacts from being involuntarily transferred to another point in the life cycle;*
- F. *the achievement of financial and operational benefits that may be the result of implementing environmentally friendly alternatives that strengthen the organization's position in the market;*
- G. *the communication of environmental information to the relevant stakeholders.” Source: [ISO 14001:2015](#)*

3.1.1.1.2 Economic dimension

The macroeconomic projections of the Spanish economy are made trimestral by Director General of Economics and Statistics.

“The Spanish economy has continued with expansive inertia the last quarter in 2018. It is considered that, in a context of relatively high levels of uncertainty, the proportion of their income that households will spend on consumption is less than in recent years, thus reversing part of the steep downward trend shown by the savings rate over the past decade. As a result, it is expected that, after presenting a growth of 2.5% in 2018, GDP will moderate its progress to 2.2% in 2019, 1.9% in 2020 and 1.7% in 2021”. Spanish Bank.

As we have said, it is expected that during the period of 2018-2021 the economy will continue with the ascendant phase that began in 2013. This is due to various factors, such as the monetary policy accommodative, the improvement in the patrimonial situation of the companies and families, the effect of the expansive fiscal measures and finally the decline of the price of oil. These factors allow the economy to continue to expand.

However, it is expected to follow the deceleration line as a future projection, as financial conditions are less favourable to private spending. Also in a scenario with high uncertainty, it is considered that the proportion of income destined for consumption will be lower than in recent years and will continue to have a downward trend.

The gross domestic product rises 0.5% in Spain in the second quarter of this year.

These expectations stimulate the confidence of the population in the economy therefore consume more. By consuming more and saving less, they have caused the increase in disposable income.

“The growth comes from the good performance of domestic consumption, but above all from exports, which are increasing to double digits and are gaining a greater weight”

Mauricio García de Quevedo. General Manager of the employer.

For the company, it is important to know more about the grant EMCORA 2019 because it is a “Social Initiative grant program, aimed at hiring people from the agro-food sector unemployed by local corporations in the regions of Valencia”(source [EMCORA 2019](#)) carrying out an extraordinary employment plan.

All this information allows to the company to consider it as opportunities for the expansion of their market.

Nevertheless, there are some points to take into account because, for example, Brexit has an important consequence on the company and their sales.

For this sector, it is proven, by a study made by [the oil inter professional](#), that the English market has a great importance because in the last two decades consumption has multiplied by three. They have gone from 25,000 tons last century to 71,000 tons in 2017.

This grow is thanks to the olive oil because almost 70% of the oil in England is from Spain. So if due to Brexit, strong imports tariffs are placed on England, consumption and, above all, the oil market in Spain will be greatly affected.

The European Commission has already made its respective complaint so that exports for not to be very negatively affected because it would mean a loss in every way within the sector. This possible change will affect also to workers so if UK do not want to be like USA they have to make a look better in their conditions.

What happen in USA is something like what are going to happen in UK. It means that Donald Trump's tariff policy in sectors of aluminium, automobile or black olives has had a serious direct effect on companies. Something that has caused sales to fall in these companies and therefore a break in this market.

In this company are worried about that because it will mean, like the other companies, a break on sales and I do not think this company will want something like that for them.

3.1.1.1.3 Socio-cultural dimension

In this dimension there are attitudes, ways of being, expectations, degrees of intelligence and education and customs of the people of a particular group or society.

These past years in Spanish people, I can see greater aging and a lot of migration.

There are many aspects in this analysis, the level of training, because more knowledge more demanding from the customers. If there are social conflicts less investment for the country, so the best environment for improve the tendency of invest is a safe social citizens.

The negative aspects for the company in terms on socio-cultural dimension are first, the political disagreements over an ideological issue in Cataluña. Some people from there do not want to be part of Spain, so they made a referendum two years ago, but it was illegal. For that, some politicians are now in prison. These past months that people, who do not want to be in Spain anymore, have been doing manifestations, strikes, protests, disputes, etc.

This situation is affecting to whole Spain because is a part of it and because right now is the image of Spain in other countries. That is not the real image of Spain. In other countries, in TV programs

or radio, there are journalists talking about it, it is insane what they said, and the fact is it is true. I think this situation is more complicated than it looks because there are many people from Spain, from Catalonia living in other countries and they are pointed on their jobs, etc.

That is what the politicians do not see and these are the real consequences. It is sad that, for example, in the strike at the end of October, the entrance to the universities is not allowed because the student authorities support the radicals who are picketing the doors. It is sad, that the same people who are asking for independence are the same people that are authorizing state forces to act accordingly with protesters.

Due to some people in Spain, now there are whole countries that do not want to be like Spain.

These are just some examples of what people from whole Spain thinks and do not want the same for their communities. I think they are allowed to peacefully ask for something, but not to use violence.

There are many actions that politicians are condemned but they should not have even happened.

The second negative aspect is that the growth rate has decreased, so the population pyramid is regressive. I can consider this a threat because if contributors decrease and retirees increase, the solution is to raise taxes to balance the balance.

Another aspect is the behaviour of the customer, because nowadays they have less time to choose between some products, they have also network so they want something fast and good not to take so much time in his life. Also recently, they have more sensibility for caring for the environment.

Actually, the customer needs to feel safe and informed of his rights. For that, the Union force is growing up. The last two, but the most important are the social values, because society is constantly changing and with it its values, such as solidarity, ethics, the protection of others, etc.

The other one is quality of life, because of improve the economy, more formation so more cultural level and more purchasing power. For this, now people care about the quality not the quantity, like food, music, sports, mobile phones, TV, etc. They take care about quality, health and time.

In terms of social awareness about the environment, more and more people are concerned that the products they buy or use on a daily basis are respectful and do not contaminate or are made of materials which have been obtained in a disrespectful way.

Therefore, companies are increasingly worrying that the materials used for production are of ecological origin or at least respectful. Either the final products themselves or the packaging.

For this reason, this company wants to make sure that in the long term, its products are obtained in a way that respects the environment, since it involves the collection of olives and that the packaging is at least reusable.

3.1.1.1.4 Technologic dimension

This dimension is hardest to analyse because of the quickly changes on it. To do it I have to know the public investment on the investigation and the technologic innovation. In addition, we have to know the obsolescence level, the level of coverage, the digital divide, etc.

The most important technological indicators are the technologies of information and communication (TIC's), internet, level of improvement and development, cycle life of the products, speed of obsolescence, investment and spending from the government, etc.

To this company, is an important part, because they need to follow the advances of the technology and, of course, keep on point the products logistics and transportation.

Now a day, there are a lot ways to access internet, so there are more and more possible clients that use their phones, computers and others electronic equipment to connect internet from anywhere. This way, they can check their email instantly, as well as access to social networks, search information on the Web or even make online purchases.

The survey, made from the INE, Equipment and use of information and communication technologies at home on year 2018, of 86.4% of Spanish households that have access to the network, 66.1% do it through broadband.

This result shows us more and more Spanish homes are using internet whatever the way they use. However, the percent of people use internet to buy is not so high because only the 35.7% of Spanish people has bought sometime trough internet.

Therefore, for now, this company does not have option to buy online. At the website, you can search all about the company from the start to now. The website offers the contact for the consumers to ask for something there is not on the web or for particular purchase.

In Spain, the companies invest half part less than the companies in Europe do. This plus the paragraph before can be a threat for La Española, that should invest more on I+D+I for example for new machinery to improve the production process or the packaging system to make it a cleaner and biodegradable one.

3.1.1.2 MICROENVIRONMENT.

This analysis is essential to formulate the competitive strategy. There are two objectives: measure how attractive is the sector and identify key structure factors for success (Porter's five forces); know if it is interesting to do competitive environments more reduced.

For this analysis, we are going to use Porter's Five Forces.

Harvard Business School professor called Michael porter on 1980 created this method. Now a day, this method is used for all universities over the world to explain the microenvironment analysis. As we said before, the objective of this method is make a detailed analysis of industry and the business strategy development. (Porter, 1980).

This means to analyse actual competitors, new potential competitors, substitutive products, suppliers and clients. It can be differentiate between horizontal and vertical forces. The first three are horizontal and the other two are vertical.

Horizontal:

3.1.1.2.1 Actual competitors.

This force of Porter comes from the objective that all the companies have is to reach a position of privilege with respect to the other competing companies. In any sector, the situation is marked by the competition established between different competitors.

These companies depending on the sector can compete in prices, low-profit strategy for competing companies, as it will affect very negatively on the benefits of these. As advertising, innovation, product quality/service, etc.

This rivalry between the competitors of a sector can be intensified by several acts or motives such as: high number of competitors, a slow growth of the industry, high fixed and storage costs, lack of differentiation or changing costs, the diversity of competitors, the existence of strong entrance barriers, etc.

One of the reason for the intense rivalry in the olive sector is the high number of olive farmers/gatherers. This growth in the number of farmers/ gatherers is directly related to a strong growth in the number of companies selling and bottling olives. **Opportunity.**

In the next graph, we can see the proportion of national communities' producers of olives.

10 Figure: national production of olives on 2016/2017. Source: information agency and food control.



The competitors of La Española and the leader of this sector depends on the product. For example, for the filled olives, La Española is the leader of the sector with a market share of more than 30% followed by the other company based in Alcoy, El Serpis, with a market share of 4%. It means a **opportunity** for La Española.

As I said before, depending on the product, for example, bone olives, the company Jolca, based in Sevilla, is the leader company with a market share of 13%. Another product, cocktail olives. For this product, the leader company in this sector is La Sota with a market share of 10%, followed by El Serpis with 9% and then La Española with 3%. This, for the company I am studying is a **threat**.

Knowing the area of the company is near the Mediterranean Sea, it can be a **threat** the fact that the consumption of all this products are higher in the south, central east and northeast of Spain. It means that the biggest competitor of La Española are there, concretely in Sevilla and Extremadura.

3.1.1.2.2 New potential competitors

This section refers to the possible entry of new companies that distribute canned food and can change and impair on the activity carried about by La Española, but not found in the sector yet.

When a new company tries to enter in a particular market, there mostly exist barriers of entry that may hinder the access. These barriers could be defined as the different obstacles and costs to be endured by companies that want to go into the sector.

Some examples of entry barriers could be the lack of experience or the low loyalty of their customers, which can prevent the growth of their sales, as well as the expansion of the company. Economies of scale and scope. Another very common entry barrier is the initial capital required to start the business because not all companies have access to financing.

Other examples of entry barriers may be patents, absolute cost advantages, product differentiation, administrative and legal barriers, transfer costs, deterrence and retaliation strategies, access to distribution, etc.

It depends on the sector how these barriers will affect. In recent years, the companies that have settled in the sector are SMEs. This is because the positioning of large companies has strong entrance barriers, it requires large investments in facilities and equipment, get sufficient market share, search economies of scale to save costs.

Nevertheless, in the olive market, there are multiples forms of distribution and many of the containers, such as glass jars, can be purchased in many stores and shops at the same price. This makes the sector have high level of rivalry and therefore it is very difficult to stand out in it. **Threat.**

In this case, the barriers are not so high but the companies in the sector are so strong and large. This means that these companies have an image and a confidence with the clients and it will be difficult for the new companies, which wanted to enter in the sector, get market share.

In conclusion, I can say that the olive market trends to be a sector that does not hinder the entry of new competitors, but it is difficult for the new companies to entry because of the amount of the costs to start on it and the complex of get market share. **Opportunity.**

3.1.1.2.3 Substitutive products

La Española is a manufacturer specializing in packaged olives of Spanish origin. Its production of 30.000 tonnes of packed olives, its capacity for innovation and the extraordinary quality of its products, demonstrate its leadership position in the sector.

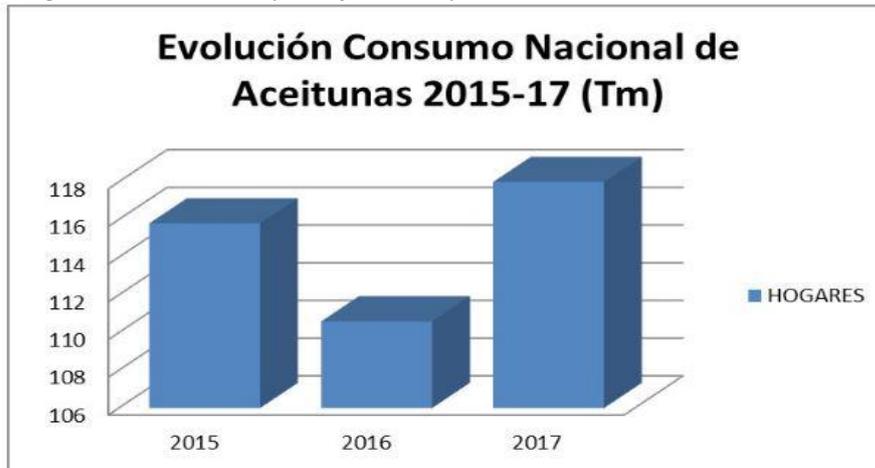
The substitute products are those who can buy instead of our product to satisfy the same needs. This product satisfies needs that can be satisfied also with other products and tapas like peanuts, hazelnuts, chip, rolls, etc. as the goal is to satiate the need to peck something before the important meal. There are many substitutive products, so it is a **threat** for the company.

The complementary products are cheese, jam, chips, bread with tomato, squid, etc.

The products of La Española are products to eat at home or as cover when you take some snacks. In Spanish culture is deeply rooted this way of use, as it is common to go to drink beer and eat.

Now I am going to show the evolution of consumption of olives in Spain during years 2015, 2016, 2017.

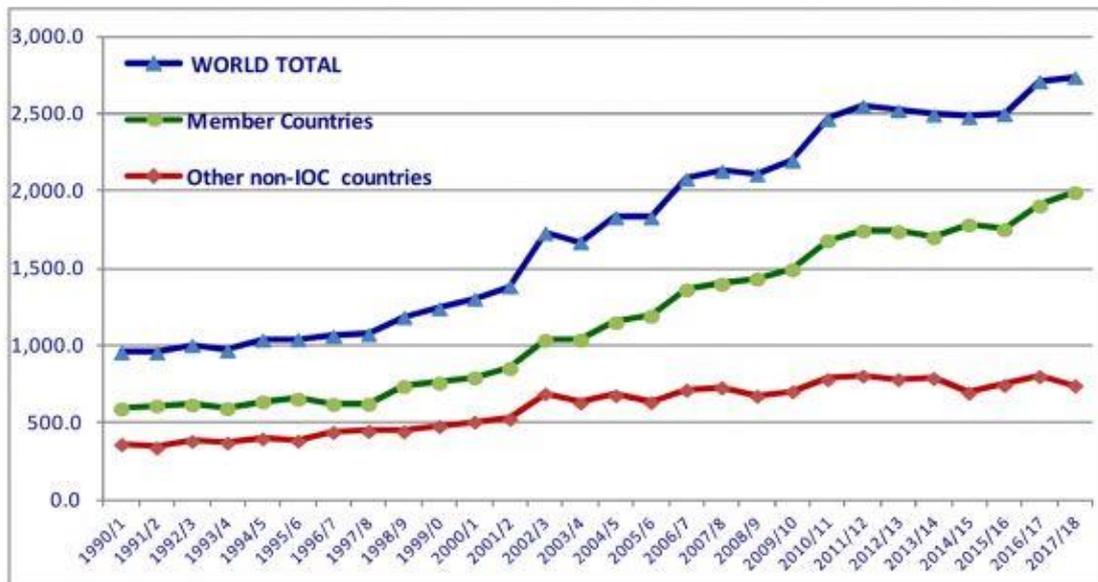
11 Figure: evolution consumption of olives in Spain.



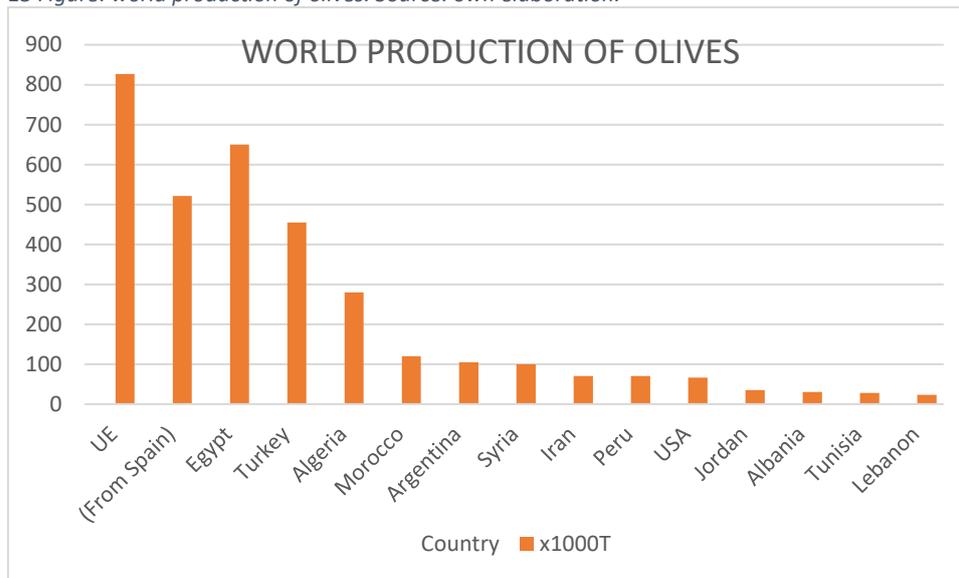
La Española is glad because in the Mediterranean culture the tradition of eating olives as tapa is deeply rooted. However, they have to take into account, as I can see in the previous graph, that the evolution of consumption is not always positive so they have to promote consumption in other area. For that reason in La Española S.A., they produce different types of olives, like stuffed with pepper or anchovy, pickles, etc.

Nevertheless, if I look back, I can see the real evolution of consumption of this product in all over the world.

12 Figure: World consumption of olives. Source: IOC.



13 Figure: world production of olives. Source: own elaboration.



As I can see in the graph, the world production of olives is centred in the European Union (826,5x1000 tones) of which 521,5x1000T are produced in Spain, followed by Egypt that would be the country that produces the most olives (650x1000T). Turkey produces 455x1000T, Algeria 280x1000T, Morocco 120x1000T, Argentina 105x1000T, Syria 100z1000T, Iran 70x1000T, Peru like Iran 70x1000T, USA 66x1000T, Jordan 25x1000T, Albania 30x1000T, Tunisia 28x1000T and the last one Lebanon with 23x1000T.

3.1.1.2.4 Clients

This section aims to study the degree of influence that customers or buyers have on the company. The physical stores are the largest distribution channel of the olives in the company.

In the case of La Española, that it is intersupplier of Mercadona, the production goes directly to the establishments and the clients are the individuals who come to the stores to buy. **Threat.**

For La Española, the problem comes with the product, because in the Mediterranean area its distinction and is differentiated from the quality of the brands. In the rest of Spain is very difficult to differentiate with the whole brands because all Spanish olives brands that can being competent with La Española offer a very similar product at a very even price.

Therefore, the product of La Española has an advantage from the other, because being an intersupplier of Mercadona; the product offers in the store to be differentiate. The competition the product will have as far as other brands that could sell in the same establishment are reduced to the white brand of olives from Mercadona. **Opportunity.**

This product also has a disadvantage. Is that the production goes directly to the same customer, (not the whole production, but most) Mercadona. This makes the client have a very high negotiation power because if it requires any change in the sale contract, the company has to offer them whatever they want, if not the company will be without clients. A very big problem for La Española. That is a weakness for the company

3.1.1.2.5 Suppliers

In this market, the fewer suppliers, the more power they have because they have to supply all the demand by themselves. This negotiation power increases when the cooperatives appear,

which are in charge of grouping the crops of the small suppliers to supply a greater volume of demand that will give them power to negotiate with companies. In this case, there are many suppliers, so the company will have so much power on them. **Opportunity.**

There are advantages in this power of negotiation on the companies because it ensures the supply of the olives, but the disadvantage is that it lose quality of product since the cooperative accepts all the production without taking into account the key of the product like the aspect or the flavour.

In conclusion, the negotiation power varies according to the type of supply that predominates. If the supply of small suppliers is used, the negotiation power will be small, if cooperatives supplies, the negotiation power will be very high, as they will handle a higher volume of olives.

14 Figure: summarize table for opportunities and threats. Source: own elaboration.

Opportunities	Threats
<p>High number of farmers/gatherers</p> <p>Leadership of the sector</p> <p>High entry barriers and difficulty obtaining market share</p> <p>In Mercadona, there are only two brands of olive products</p> <p>There are many suppliers so company have much power</p>	<p>Low market share in some specific products</p> <p>The highest consumption of olives are in the other end of Spain</p> <p>High level of rivalry between competitors</p> <p>There are many substitutive products</p> <p>Be an intersupplier of Mercadona</p>

3.1.1.3 COMPETITIVE ADVANTAGE

In this section, I will try to find a characteristic that is able to position the company's product relatively above that of the competitors.

There are two types of competitive advantages according to Porter. Lower costs or differentiation. Lower costs when there are advantages on the production process so the product can be launched at a lower price than the competitor's price. Differentiation when there are a extra quality for the product and makes that different from the others and that it is valued by the consumers. The consumers are willing to pay a higher price.

There are two possible origins. From the environment (external factors) and from the company (internal factors).

First, I have to analyse the capacities and resources from the company to know which advantage is better for them.

15 Figure: capacities and resources. Source: own elaboration.

Capacities and Resources		
Factors		Competitive advantage (costs or differentiation)
Efficiency	The company wants the same efficiency for the product process but cheaper.	Costs
Quality	The company will look for the same product quality, as it will be lowering raw material costs.	Costs
Innovation	The company wants to improve and innovate on the production process	Costs
Customer satisfaction	This is always a variable to improve	Differentiation

In this case, as the product is standardized and offered by multiple companies there are very few ways to differentiate the product. This is why it competes for the price since there are many buyers and they influence their bargaining power.

3.1.2 INTERNAL ANALYSIS

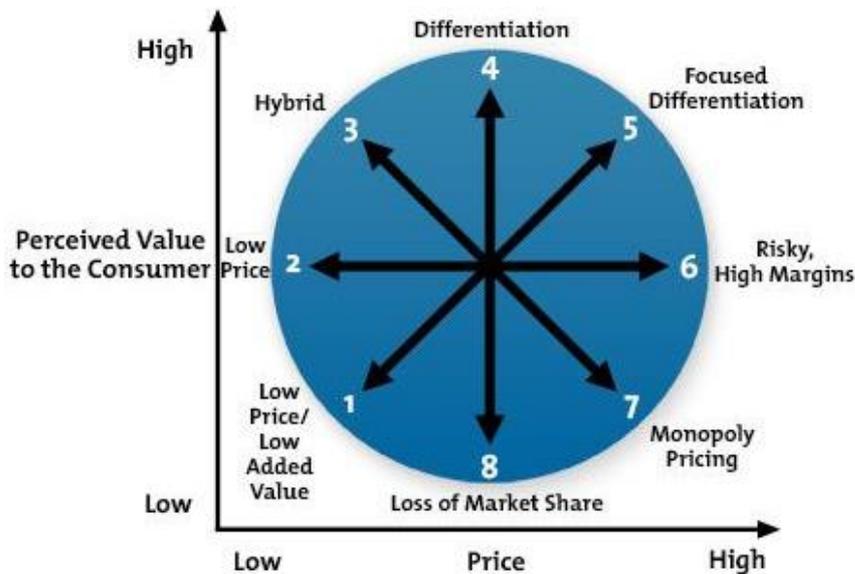
The internal analysis is the study of the different factors or elements that exist within the company to evaluate the resources available to them and thus to know their situation and their capacities.

With this analysis, I can also detect the strengths and weaknesses of the company in order to design strategies that allow enhancing or taking advantage of the strengths, and strategies that can neutralize or eliminate the weaknesses.

In this case, the company it is already in operation and is not a newly created, so this analysis serves to me to make a strategic reflection for the new possible investments for the company.

Continuing with the analysis, I am going to explain the Bowman strategy clock. Source Pinterest.

As you can see in the following Bowman's strategic watch, the company strategy of La Española, is located at number 3.



In this section of the clock are the hybrid strategies oriented to the value for money. It is also known as "hybrid." This strategy speaks of products or services of low price but that offer a certain point of differentiation that in certain occasions can respond to large marketing campaigns or emotional factors. The companies that apply it, such as La Española, know very well the tastes and needs of consumers to keep costs low.

This strategy is the one that focuses on the value for money. It is about reducing the price, but maintaining the benefit of the product, that is, the perceived value. At this point, the strategy can be successful for the organization and will allow it to position itself in the market as long as it is capable of leading costs.

According to Bowman, this route is the one that allows to expand the market share, since the consumer is satisfied with the purchase made, in which the perceived price and the perceived value maintain a positive balance.

There are different scenarios to carry out this strategy under advantageous conditions:

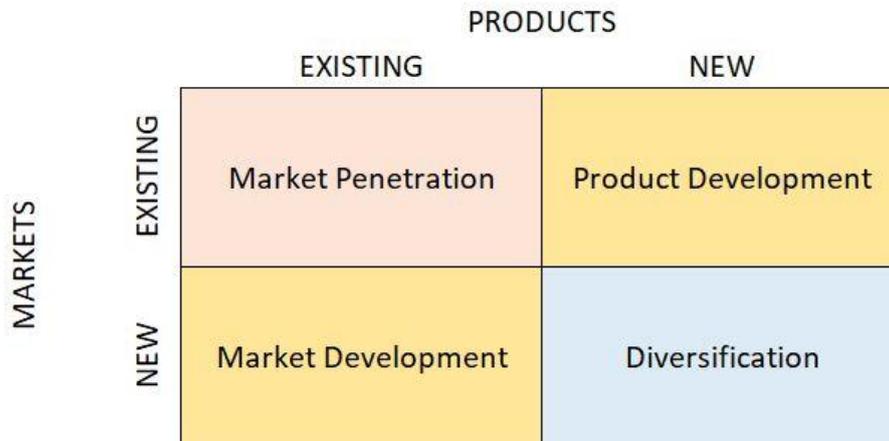
- That the company sells a greater volume than its competitors do, so that it will achieve greater profitability.
- That the company reaches a high share in an established market, and therefore use this strategy.

Now, I am going to analyse the Ansoff Matrix. The Ansoff matrix is an analysis tool used to identify how products are inserted in the markets.

Igor Ansoff was a professor of engineering and mathematics who developed a matrix capable of designing paths for the development of the company, taking into account, at the same time, its macro reality. The Ansoff matrix has a very simple design and consists of two axes: markets and products.

Igor Ansoff's idea was to cross these elements to create new opportunities for the organization, as well as to better exploit those that already exist.

In the case of the company La Española, I can notice that is following the market penetration.



Market penetration is the combination of an existing market with an existing product. In this case, the main objective of the company is to conquer greater market share, capture competitors' customers and retain their own consumers.

This strategy is to see the possibility of obtaining a greater market share by working with the current products in the markets that currently operate.

For this, the company will carry out actions to increase the consumption of the customers (cross-selling actions), attract potential customers (advertising, promotion) and attract customers from the competition (Serpis) (efforts aimed at testing our product, new uses, image enhancement).

This strategic option is the one that offers greater security and a smaller margin of error, since it operates with products that are known, in markets that are also known.

4. ECONOMIC AND FINANCIAL ANALYSIS

The economic and financial analysis is the speciality that examines the capacity of the company to generate profits, meet the need for payments, future viability and helps to make decisions regarding the improvement of the management of the resources, thus with them create value to be able to continue with the company's activity.

4.1 ECONOMIC STRUCTURE

16 Figure: Enterprise Balance Asset Accounts. Source: Sabi.

	31/12/2017	31/12/2016	31/12/2015	31/12/2014
Activo				
A) Activo no corriente	8.697.929	10.489.810	11.468.672	13.766.850
I Inmovilizado intangible	9.654	n.d.	3.181	6.909
1. Aplicaciones informáticas	9.654	n.d.	2.181	5.909
II Inmovilizado material	6.259.627	7.736.122	10.248.755	12.052.749
1. Terrenos y construcciones	1.831.468	2.358.769	4.474.031	5.939.729
2. Instalaciones técnicas y otro inmovilizado material	4.424.940	5.261.545	5.742.149	5.908.597
3. Inmovilizado en curso y anticipos	3.219	115.807	32.576	204.424
III Inversiones inmobiliarias	n.d.	n.d.	n.d.	289.854
IV Inversiones en empresas del grupo y asociadas a largo plazo	596.603	1.894.241	800.474	958.601
1. Instrumentos de patrimonio	522.900	522.900	522.900	525.910
2. Créditos a empresas	73.703	1.371.341	277.574	432.691
V Inversiones financieras a largo plazo	33.978	33.978	33.978	33.978
1. Instrumentos de patrimonio	2.250	2.250	2.250	2.250
2. Otros activos financieros	31.728	31.728	31.728	31.728
3. Otras inversiones	n.d.	n.d.	n.d.	n.d.
VI Activos por impuesto diferido	1.798.068	825.468	382.284	424.760

17 Figure: Enterprise Balance Asset Accounts. Source: Sabi.

	31/12/2017	31/12/2016	31/12/2015	31/12/2014
B) Activo corriente	45.064.494	52.690.794	49.187.900	58.997.303
I Activos no corrientes mantenidos para la venta	n.d.	n.d.	n.d.	n.d.
II Existencias	22.672.859	26.630.744	25.541.227	21.544.320
1. Comerciales	75.275	128.489	132.257	132.900
2. Materias primas y otros aprovisionamientos	19.139.616	21.798.712	21.187.650	15.742.441
4. Productos terminados	3.053.245	4.335.523	4.013.199	4.183.435
6. Anticipos a proveedores	404.723	368.020	208.120	1.485.543
III Deudores comerciales y otras cuentas a cobrar	15.197.799	16.596.844	15.337.771	14.526.659
1. Clientes por ventas y prestaciones de servicios	13.352.578	14.664.059	13.494.567	12.985.018
2. Deudores varios	298.480	322.251	382.985	371.182
3. Personal	24	536	748	2.884
4. Activos por impuesto corriente	43.440	42.993	n.d.	n.d.
5. Otros créditos con las Administraciones Públicas	1.503.276	1.567.005	1.459.472	1.167.575
IV Inversiones en empresas del grupo y asociadas a corto plazo	1.311.891	2.810.242	153.117	479.330
1. Créditos a empresas	1.311.891	2.810.242	153.117	479.330
V Inversiones financieras a corto plazo	3.958.800	5.458.265	5.438.000	19.238.000
1. Otros activos financieros	3.958.800	5.458.265	5.438.000	19.238.000
VI Periodificaciones a corto plazo	n.d.	n.d.	87.867	104.421
VII Efectivo y otros activos líquidos equivalentes	1.923.145	1.194.699	2.623.917	3.104.573
1. Tesorería	1.923.145	1.194.699	2.623.917	3.104.573
Total activo (A + B)	53.762.424	63.180.604	60.656.572	72.764.153

As I can see, in the economic structure, the non-current asset has been reduced until 8.697.929€ over the last years. This variation is because the company has reduce the immobilized as a consequence of do not have enough activity or the waste of immobilized resources. These actions do not help the company.

In other hand, the current asset has barely changed. It has up and downs but following a tendency that never change so much. It is because of the growing of existences for all over the years and the decrease of treasury.

4.2 FINANCIAL STRUCTURE

18 Figure: Enterprise Balance, net worth and passive Accounts. Source: Sabi.

	31/12/2017	31/12/2016	31/12/2015	31/12/2014
Pasivo				
A) Patrimonio neto	41.749.542	44.818.820	46.317.408	57.786.138
A-1) Fondos propios	41.505.383	44.469.685	45.871.304	57.212.441
I Capital	474.790	474.790	474.790	474.790
1. Capital escriturado	474.790	474.790	474.790	474.790
II Prima de emisión	n.d.	n.d.	n.d.	n.d.
III Reservas	45.396.514	45.396.514	41.166.751	52.404.166
1. Legal y estatutarias	108.182	108.182	108.182	108.182
2. Otras reservas	45.288.331	45.288.331	41.058.568	52.295.984
IV (Acciones y participaciones en patrimonio propias)	n.d.	n.d.	n.d.	n.d.
V Resultados de ejercicios anteriores	-1.401.619	n.d.	n.d.	n.d.
1. (Resultados negativos de ejercicios anteriores)	-1.401.619	n.d.	n.d.	n.d.
VI Otras aportaciones de socios	n.d.	n.d.	n.d.	n.d.
VII Resultado del ejercicio	-2.964.302	-1.401.619	4.229.763	4.333.485
VIII (Dividendo a cuenta)	n.d.	n.d.	n.d.	n.d.
IX Otros instrumentos de patrimonio neto	n.d.	n.d.	n.d.	n.d.
A-2) Subvenciones, donaciones y legados recibidos	244.159	349.135	446.105	573.698

19 Figure: Enterprise Balance, net worth and passive Accounts. Source: Sabi.

	31/12/2017	31/12/2016	31/12/2015	31/12/2014
B) Pasivo no corriente	813.912	1.250.294	1.776.869	1.974.360
I Provisiones a largo plazo	n.d.	n.d.	n.d.	n.d.
II Deudas a largo plazo	685.987	1.072.370	1.512.022	1.508.835
1. Obligaciones y otros valores negociables	n.d.	n.d.	n.d.	n.d.
2. Deudas con entidades de crédito	89.529	344.453	652.646	518.000
3. Acreedores por arrendamiento financiero	n.d.	n.d.	n.d.	n.d.
4. Derivados	n.d.	n.d.	n.d.	n.d.
5. Otros pasivos financieros	596.458	727.917	859.376	990.835
III Deudas con empresas del grupo y asociadas a largo plazo	n.d.	n.d.	n.d.	n.d.
IV Pasivos por impuesto diferido	127.926	177.924	264.847	465.525
V Periodificaciones a largo plazo	n.d.	n.d.	n.d.	n.d.
VI Acreedores comerciales no corrientes	n.d.	n.d.	n.d.	n.d.
VII Deuda con características especiales a largo plazo	n.d.	n.d.	n.d.	n.d.

20 Figure: Enterprise Balance, net worth and passive Accounts. Source: Sabi.

	31/12/2017	31/12/2016	31/12/2015	31/12/2014
C) Pasivo corriente	11.198.969	17.111.490	12.562.295	13.003.654
I Pasivos vinculados con activos no corrientes mantenidos para la venta	n.d.	n.d.	n.d.	n.d.
II Provisiones a corto plazo	1.462.469	2.075.320	980.904	951.819
1. Otras provisiones	1.462.469	2.075.320	980.904	951.819
III Deudas a corto plazo	415.090	2.343.226	1.633.884	637.956
1. Deudas con entidades de crédito	242.951	2.121.422		
2. Otros pasivos financieros	172.139	221.804		
IV Deudas con empresas del grupo y asociadas a corto plazo	n.d.	n.d.	n.d.	n.d.
V Acreedores comerciales y otras cuentas a pagar	9.321.410	12.692.944	9.947.507	11.413.880
1. Proveedores	7.191.018	10.229.244	7.541.023	9.126.806
2. Acreedores varios	1.834.941	2.017.646	1.625.572	1.447.539
3. Personal (remuneraciones pendientes de pago)	72.850	73.000	73.006	84.200
5. Pasivos por impuesto corriente	n.d.	n.d.	498.213	502.190
4. Otras deudas con las Administraciones	222.600	373.054	209.693	253.145
Total patrimonio neto y pasivo (A + B + C)	53.762.424	63.180.604	60.656.572	72.764.153

The net worth is decreasing since 2014 until 2017 that worth 41.749.541 €. I can see that it has long-term debts worth of 1.508.835€ in 2014 decreasing until 685.987€ in 2017. Short-term debts worth of 951.819€ in 2014, growing on years 2015 and 2016, but decreasing until 415.090 € in 2017. Therefore, the company has more debts long-term in 2014, 2015, 2017 and more short-term debts in 2016. This leads us to calculate the values of the financial profitability, margin of sales and the financial leverage.

21 Figure: ratios. Source: own elaboration.

	2014	2015	2016	2017
FINANCIAL PROFITABILITY	0,080	0,095	-0,031	-0,071
MARGIN ON SALES	0,436	0,424	0,417	0,510
FINANCIAL LEVERAGE	1,339	1,329	1,443	1,294

As I see, the financial profitability is almost zero in the first two years and negative the next two, and the margin on sales is quite small, almost 0.5. Although what I see, the financial profitability ratio increases the first two years and then decrease until 2017. The margin on sales ratio decreases every year but in 2017 increases a little bit. To solve this, what company should do is to increase the result of the exercise in order to increase the profitability ratio.

This means that the company does not have a good financial structure because it should has less short-term debt and more long-term debt. Therefore, I am going to analyse if the company has the correct structure or has to change something.

4.3 PROFIT AND LOSS ACCOUNT.

22 Figure: Profit and loss table. Source: own elaboration.

	31/12/2017	31/12/2016	31/12/2015	31/12/2014
Operating incomes	83.407.549,26 €	82.511.445,15 €	78.509.613,89 €	75.632.965,92 €
Net amount sales	83.366.249,53 €	82.443.907,26 €	78.362.628,61 €	75.457.883,74 €
Consumption of goods and raw materials	n.d.	n.d.	n.d.	n.d.
Gross profit	n.d.	n.d.	n.d.	n.d.
Operating expenses	87.339.396,00 €	84.342.319,00 €	72.737.960,00 €	69.813.488,00 €
Operating result	-3.931.846,27 €	-1.830.873,36 €	5.771.653,62 €	5.819.477,65 €
Financial incomes	2.440,70 €	75.508,85 €	114.922,94 €	386.543,85 €
Financial expenses	22.501,88 €	119.255,29 €	29.057,62 €	15.508,13 €
Financial result	-20.061,18 €	-43.746,44 €	85.865,32 €	371.035,72 €
Ordinary results before taxes	-3.951.907,45 €	-1.874.619,80 €	5.857.518,94 €	6.190.513,37 €
Corporate taxes	-987.605,56 €	-473.001,23 €	1.627.756,02 €	1.857.028,80 €
Ordinary activities result	-2.964.301,89 €	-1.401.618,57 €	4.229.762,92 €	4.333.484,57 €
result of the year	-2.964.301,89 €	-1.401.618,57 €	4.229.762,92 €	4.333.484,57 €
EBITDA	-1.864.956,83 €	360.889,03 €	8.058.662,40 €	8.079.038,68 €

In this table, I can see that the company are selling more year over year because the operating incomes are growing every year. The operating expenses, the last two years, are higher than incomes, the year 2017 more than in 2016 because like the [Alicante Plaza newspaper](#) says, "The operating result worsened that of the year 2016, mainly because that year the firm recorded an income of 3.2 million due to the disposal of fixed assets that it has not counted on. Thus, despite reducing the cost of supplies and controlling the increase in personnel costs, the operating result remains negative, with -3.9 million euros (-1.8 million in 2016)."

In terms of financial results, it follow the same tendency. Financial incomes decreases so much every year, financial expenses grow three consecutive years but the last year, in 2016, grow fourfold. In 2017 worth 22.501, 88€ but it is still over the incomes, so the result is negative for the last two years.

As the operating result and the financial result are both negative, the ordinary result before taxes are negative too. I has not been a surprise.

This means that the company has not been able to have benefits. It is been for two years losing money, so the situation has to change.

The EBITDA it is also negative the last year, so the company has not known how earn with their production.

In conclusion, the structure of the company is not the right one, so later I am going to make some proposals to improve the situation.

4.4 VERTICAL PERCENTAGE

The economic structure reflects the investments that the company has made during its life.

As I show in the following graphs, the most important patrimonial mass, in 2014 was non-current active (81.08%), in 2015 it changes to Stock and it is still in the years 2016 and in 2017, in terms of vertical percentages, it represents 42.11% in 2015, 42.15% in 2016 and 42.17% in 2017.

23 Figure: vertical percentage year 2014. Source: own elaboration

ACTIVE	2014	%	NET WORTH + PASSIVE	2014	%
NON-CURRENT ACTIVE	58.997.302,68 €	81,08%	NET WORTH	57.786.138,00 €	79,42%
STOCK	21.544.319,88 €	29,61%	NON-CURRENT PASSIVE	1.974.360,00 €	2,71%
WORKABLE	34.348.410,29 €	47,21%	CURRENT PASSIVE	13.003.654,00 €	17,87%
CASH	3.104.572,51 €	4,27%			
TOTAL	72.764.152,98 €	100,00%	TOTAL	72.764.153,00 €	100,00%

24 Figure: vertical percentage year 2015. Source: own elaboration

ACTIVE	2015	%	NET WORTH + PASSIVE	2015	%
NON-CURRENT ACTIVE	11.468.672,41 €	18,91%	NET WORTH	46.317.408,00 €	76,36%
STOCK	25.541.226,78 €	42,11%	NON-CURRENT PASSIVE	1.776.869,00 €	2,93%
WORKABLE	21.022.755,65 €	34,66%	CURRENT PASSIVE	12.562.295,00 €	20,71%
CASH	2.623.917,09 €	4,33%			
TOTAL	60.656.571,93 €	100,00%	TOTAL	60.656.572,00 €	100,00%

25 Figure: vertical percentage year 2016. Source: own elaboration

ACTIVE	2016	%	NET WORTH + PASSIVE	2016	%
NON-CURRENT ACTIVE	10.489.809,61 €	16,60%	NET WORTH	44.818.819,97 €	70,94%
STOCK	26.630.743,92 €	42,15%	NON-CURRENT PASSIVE	1.250.294,00 €	1,98%
WORKABLE	24.865.351,00 €	39,36%	CURRENT PASSIVE	17.111.490,00 €	27,08%
CASH	1.194.699,00 €	1,89%			
TOTAL	63.180.604,00 €	100,00%	TOTAL	63.180.603,97 €	100,00%

26 Figure: vertical percentage year 2017. Source: own elaboration

ACTIVE	2017	%	NET WORTH + PASSIVE	2017	%
NON-CURRENT ACTIVE	8.697.929,26 €	16,18%	NET WORTH	41.749.541,87 €	77,66%
STOCK	22.672.859,30 €	42,17%	NON-CURRENT PASSIVE	813.912,40 €	1,51%
WORKABLE	20.468.489,90 €	38,07%	CURRENT PASSIVE	11.198.969,47 €	20,83%
CASH	1.923.145,29 €	3,58%			
TOTAL	53.762.423,74 €	100,00%	TOTAL	53.762.423,74 €	100,00%

The financial structure is the combination of short-term liabilities, short-term and long-term debt and the capital that the company uses to finance its assets and operation. The composition of the financial structure directly affects the risk and value of the associated business.

As for the financial structure, the patrimonial mass that predominates is the net worth, with 79.42% in 2014, 76.36% in 2015, 70.94% in 2016 and 77.66% in 2017. Thus affirming the composition of this structure as capitalization.

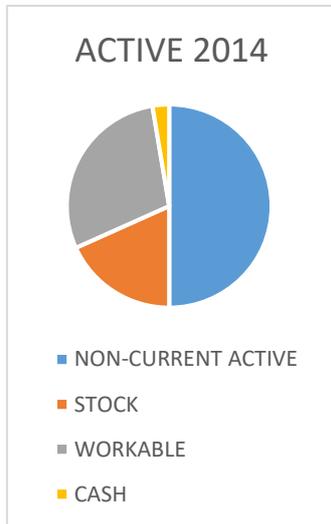
Within the financing of other, I emphasize that the main source is current passive all years, with 17.87% in 2014, 20.71% in 2015, 27.08% in 2016 and 20.83% in 2017.

4.5 PATRIMONIAL MASSES AND WORKING CAPITAL

Patrimonial masses year 2014

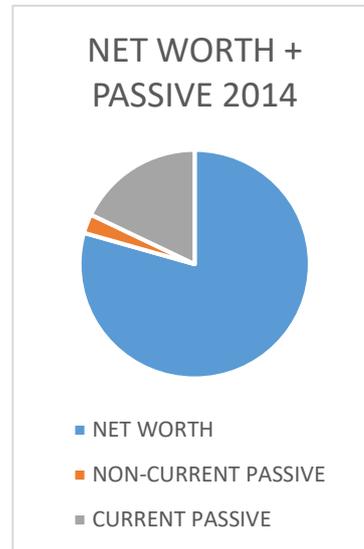
27 Figure: proportion of the patrimonial masses.

Active 2014. Source: own elaboration.



28 Figure: proportion of the patrimonial masses.

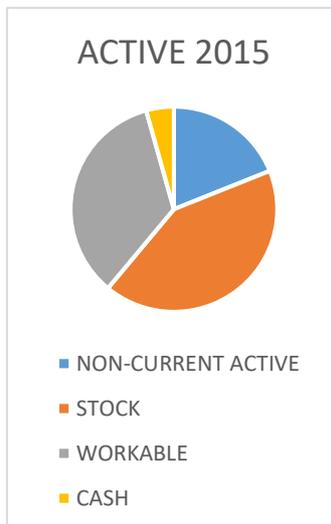
Net worth and passive 2014. Source: own elaboration.



Year 2015

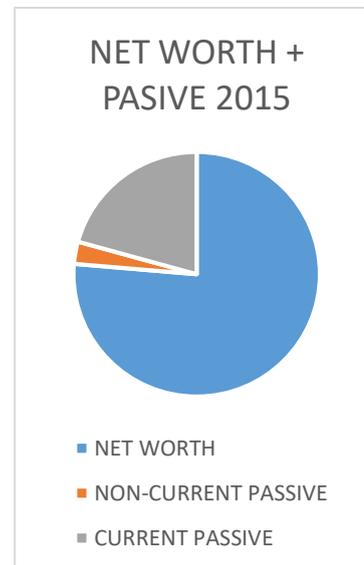
29 Figure: proportion of the patrimonial masses.

Active 2015. Source: own elaboration.



30 Figure: proportion of the patrimonial masses.

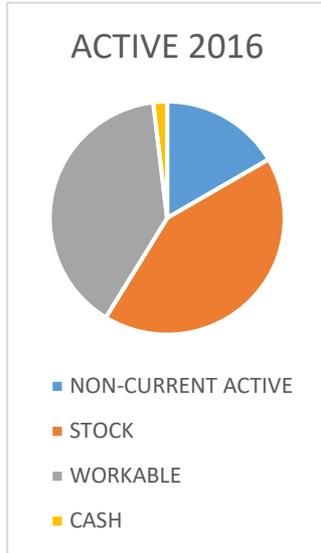
Net worth and passive 2015. Source: own elaboration.



Year 2016

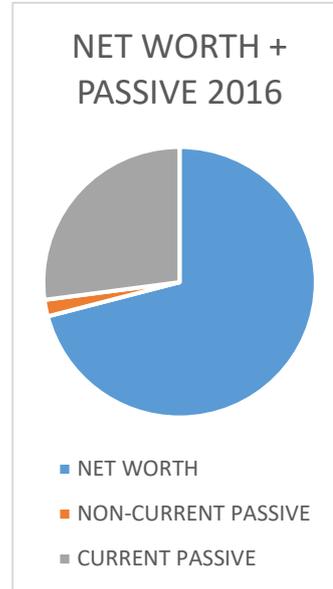
31 Figure: proportion of the patrimonial masses.

Active 2016. Source: own elaboration.



32 Figure: proportion of the patrimonial masses.

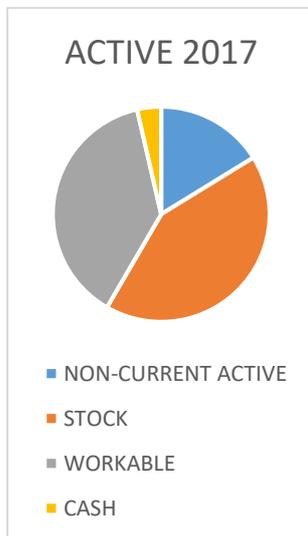
Net worth and passive 2016. Source: own elaboration.



Year 2017

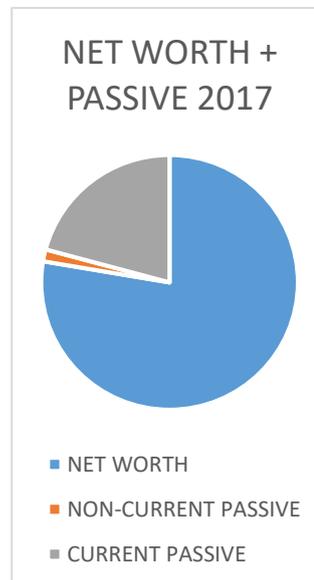
33 Figure: proportion of the patrimonial masses.

Active 2017. Source: own elaboration.



34 Figure: proportion of the patrimonial masses.

Net worth and passive 2017. Source: own elaboration.



WORKING CAPITAL

Ratio working capital = (Current Active – Current Passive)/ Current Passive

35 Figure: ratio working capital. Source: own elaboration.

RATIO WORKING CAPITAL	
2014	3,537
2015	2,916
2016	2,079
2017	3,024

This ratio shows that, theoretically, it is a company in a situation of possible idleness, because this ratio is greater than one all the years. This means, theoretically, the company is too conservative so can lose profitability because the company may not be investing properly.

4.6 RATIOS

I are going to calculate and analyse the most important ratios for the company. These will be liquidity, treasury, available, indebtedness and autonomy.

36 Figure: ratios. Source: own elaboration.

	2014	2015	2016	2017
LIQUIDITY (AC / PC)	4,537	3,916	3,079	4,024
TREASURY (R + E / PC)	2,880	1,882	1,523	1,999
AVAILABLE (E / PC)	0,239	0,209	0,070	0,172

- Liquidity Ratio: as I show in the table above, the ratio of liquidity has a value of 4.537 in 2014, 3.916 in 2015, 3.079 in 2016 and 4.024 in 2017. The company have enough circulating to fulfil its immediate obligations but they have to be careful because, it is above one, this would indicate an excess of goods without investing and therefore without being productive, what is called excess idle resources.
- Treasury Ratio: in order to have no liquidity problems, the value of this ratio must be about one. If it is less than one, the company runs the risk of suspending payments by not having the liquid assets enough to serve them. In La Española, is 2.880 in 2014, 1.882 in 2015, 1.523 in 2016 and 1.999 in 2017, it is bad for them but I can see the improvement of this ratio but last year. If the treasury ratio is much higher than one, it indicates the possibility of an excess of liquid assets and therefore, it is losing profitability. Is what happen to La Española.
- Available Ratio: This ratio indicates the company's ability to deal with short-term debts, only with its treasury or available. If the value of the ratio is low (less than 0.3), they may have trouble paying attention. On the contrary, if the ratio increases a lot, (more than 0.3), there can be idle available and therefore lose profitability. In this case, they have 0.239 in 2014, 0.209 in 2015 0.070 in 2016 and 0.172 in 2017, so the company is lower than the optimum value every year.

37 Figure: ratios. Source: own elaboration.

	2014	2015	2016	2017
INDEBTEDNESS (P / PN + P)	0,206	0,236	0,291	0,223
AUTONOMY (PN / P)	3,858	3,230	2,441	3,475

- **Indebtedness Ratio:** this ratio indicates the foreign financing that the company has. A debt ratio of more than 0.60 implies the company is over-indebted. A debt ratio lower than 0.40 assumes the company has under-utilized own resources. As I show in the table above, the company has 0.206 in 2014, 0.236 in 2015, 0.291 in 2016 and 0.223 in 2017, so the company is in the second option and has under-utilized resources.
- **Autonomy Ratio:** this ratio indicates the financial situation of the company. It reflects the relationship between the company's own capitals with the total permanent capital necessary for financing. In other words, the greater the ratio is the greater financial autonomy for the company and therefore, the greater capacity of survival in situations of uncertainty in the future. The data of La Española are 3.858 in 2014, 3.230 in 2015, 2.441 in 2016 and 3.475 in 2017. As I show, it has decreased the first two years but increased in more than one point the two following years. It means more autonomy for the company compared to the previous years.

4.7 Swot analysis

To begin this analysis it is necessary to explain what these letters means. S of strengths, W of weaknesses, O of opportunities and T of threats. SWOT is important for the company because it is essential for make a diagnosis of the organization. The aim of this analysis is to find the strategic factor that can give them competitive advantages over the competition and to know what are the weaknesses or factors that harm the company for success.

This analysis is pure qualitative and give to me a global vision of the situation of the company to make right the following strategies.

STRENGTH

- Possibility to improve in environment caring above the competitors
- Generation of employment in the sectors of production, transformation and marketing of organic products
- Increased demand for products with high benefit (Packaging, manipulated, etc.)
- Existence of accreditations of natural quality accessible for areas of high environment quality
- Possibility of obtaining aid and subsidies bet at provincial level by the development of the sector.
- Concern of the consuming population for a healthier diet, safe, differentiated and respectful of the environment.

WEAKNESSES

- The critical politic situation.
- Competition of the products of other regions with better networks of marketing
- Loss traditional knowledge without interest in rescue them
- Attack of pests and adverse climatic phenomena
- Groundwater contamination

- Shortage of public investments
- Fragmentation of the sector by the small size of the farms
- Increase in bulk marketing

OPPORTUNITIES

- Leadership of the company in the sector
- Low possibility of entry of new competitors
- High power on the suppliers
- High productive capacity
- Good product quality
- Production control by the company in accordance with the market situation
- Climate and favourable land for good harvests
- Traditional national production with possibilities of improvement
- Predisposition of the incorporation of organic products
- Incorporation into the workforce of young agricultural workers due to the crisis in the construction sector

THREATS.

- So many competitors in the other areas of Spain.
- Many substitutive products.
- Low power on large stores.
- Insufficient degree of diversification of agro-industrial activity in the region
- Progressive depopulation in some population nuclei
- Little specific training in the sector
- Small business initiative
- Low industry deployment
- Low use of renewable energies
- Lack of creativity
- Limited representation of women in decision-making bodies linked to the agriculture.
- Agricultural practices that are not respectful of the environment and climate change
- Poor management of waste and poor use of agriculture by-products.

5. MARKETING PLAN

5.1 MARKETING PRINCIPLES

Marketing for the companies can be an attitude, a philosophy, a technique that provides some tools to meet the needs and wants of the consumer for seek the consumer satisfaction.

To understand the relationship between companies and consumers, there are three principles:

- The company has to know the need of the consumers and understand the changes in the market.

- To achieve the first one, it is needed to coordinate and integrate effort throughout the organization.
- This success, for the company, should be in a long-term way.

I would like to highlight one definition of Marketing:

"Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy the objectives of individuals and organizations" (American Marketing Association, 1985).

The main elements of marketing are

- The purpose of marketing, because marketing seeks to satisfy the needs of the parties involved in the exchange.
- Exchange properties, because exchange is necessary for the wishes of buyers for a certain product demands that is voluntary and competitive. If it is imposed, as in monopoly market, the buyer has no choice to manage their wishes.
- Marketing instruments, because with these instruments the marketing can carry out the relationships of exchange, these are product, price, distribution and communication.

There are a relationship between needs, wants and demands. What marketing stimulate is the need through identify and study people. Guide this people for wanted it and overall stimulate de demand of the product.

Analysing the competition is one more aspect of the analysis of external factors, but it deserves its own section in the marketing plan because of how decisive it may be for the future of our company.

It is good to know what budget and business volume they handle. In this case, I can say that the company SERPIS is the largest competitor of LA ESPAÑOLA because they mostly have factories in the same population and because they have the same market niche.

"The Serpis is a firm, founded only a few years after La Española (in 1950), which in 2017 billed a total of 39 million euros, which compared to the turnover of La Española, it is seen that Serpis is much smaller." Source: [Alicante Plaza](#)

Also is interesting to know what price Serpis products have, to see where it is interesting to position themselves at competitive prices. I can see that the usual price product of each other is 9,33€/kg for Serpis and 9,62€/kg for La Española ([Prices](#)).

Also how is the sales process? From the first contact to the conversion and the services for sale, the customer's journey from the competition can give you many useful clues for the business. In this case is the same process for Serpis and La Española.

Finally, how does Serpis get customers? That is, what are the marketing and promotion strategies. In the case of online marketing it is the same of La Española because the two of them have the same type of web. In the web there are the history of the company, the products and few information about other aspects of the company. There are also one way to be in touch with the company, where you only have to put your email and what do you want to know about them.

To continuing with the marketing plan, I am going to use these different tools for the company La Española. Concretely the marketing mix. The four 'P'. Product, Price, Place and Promotion.

5.1.1 Product.

Product strategies meet the different actions carried out when it comes to design and produce goods or services taking into account mainly the needs and preferences of the consumer. The development of the product in a company strategy has a great importance, since in highly competitive environments; this type of marketing strategy must have a constant update.

For the development of effective product strategies, the company must know behaviours of consumers and their response to the launch of new products. At the same time, it is also important to know the attitudes of companies competing and their reaction to the strategies of the firm in question.

In this case, the product will be the following products produced by La Española.

38 Figure: can of olives La Española. Source: google images.



To differentiate it from the competitor's product, the company will create a different packaging, more attractive for the buyer. For example, the cans will be degradable because of take care of environment and reduce the life of the packaging. That will give to the product an extra point above the competitors' products.

5.1.2 Price.

The price is the amount of money charged for a product. From a marketing perspective, the price is a variable relative because each consumer may perceive it differently. However, the price is not only de amount of money paid because you waste time buying it, the effort to earn that money, etc.

The price is sometime the first thing people look after see the product. Is has a strong impact on the perception of the product, on its image. It is common to think higher price - higher quality. And it is true.

In this product, the company do not want to be exclusive, but yes to differentiate the product because it seeks the same needs like other products of the competitors. So the price will be a little bit lower than the price of the market, in this case 10, 82€ the pack of three units.

The company will offer discounts for that people who buy more than 20€. In addition, the company will do rappels for those companies' clients that pay in less than 30 days.

5.1.3 Place.

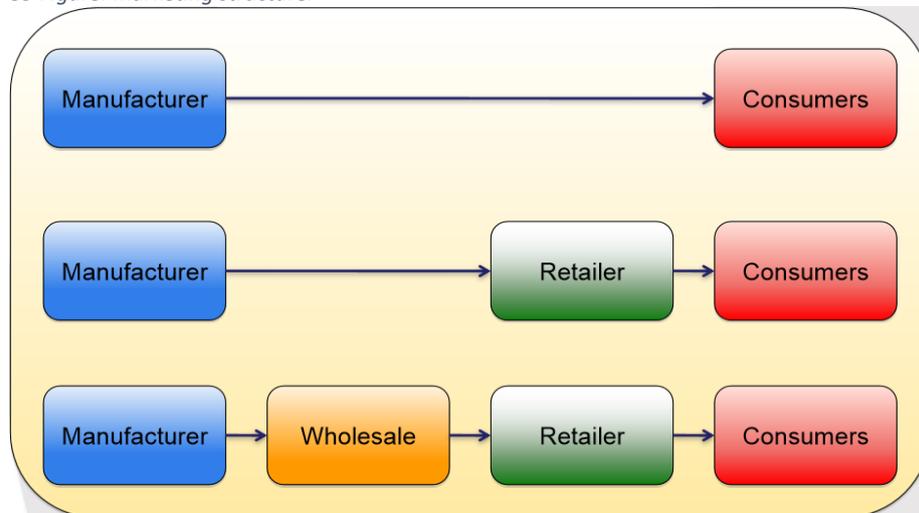
There are two ways to put the product in the market, "direct" or "indirect".

When the manufacturer puts in contact with the consumer it is said that the channel is direct. When there are only retailers, the channel is named short channel and if there are wholesalers or other figures between the owner and the consumer, it is said that the channel is long.

It is indirect distribution when you are no longer that puts the product at the consumer end if there are no other people who make it are called intermediate.

The company are going to use the indirect way to put the product in the market because the product will be available in the supermarkets of all over the world.

39 Figure: marketing structure.



5.1.4 Promotion.

A communication strategy is designed in an organization to communicate effectively and meet the objectives.

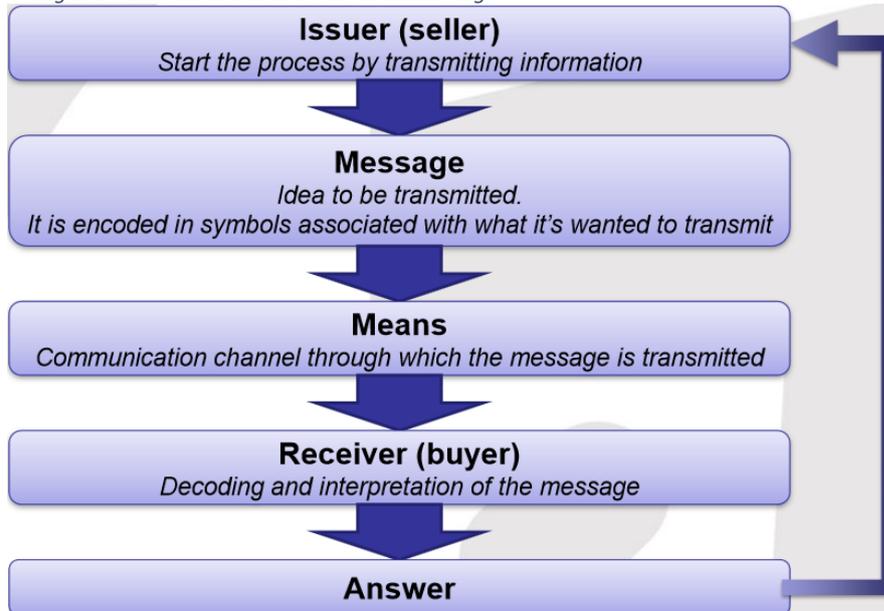
The importance of having well defined the key elements of our strategy of communication and marketing plan to fit them perfectly in global communication strategy, define the line between doing things in a professional or improvised way.

Define a communication strategy will help the company to keep a regulatory framework for best practices in which the organization can move freely. It is very useful to say that what we have developed a communication strategy and what we intend to or hope to achieve with it.

It has to be very detailed, but it will act framework and reminder for all those levels of the organization using the communication as a means. Its ultimate goal is to stimulate demand.

I think, a really good way to promote this product is to sponsor the football club El Alcoyano and the hockey club PAS Alcoy. In addition, like the company has been doing all these years, with a TV commercial. Always saying the famous words: "La Española, una aceituna como ninguna".

40 Figure: communication structure in marketing.



6. FINANCIAL PLAN.

6.1 DEFINING OBJECTIVES AND MAKING STRATEGIES.

In this part of the project, I am going to do the financial plan. From this plan, I am going to get the scenarios and the future objectives from the needs and resources of the company.

First, the scenarios I am going to get will be different between each and I will give some solutions for each one. The scenarios will be the optimist, the pessimist and one realistic.

Second, I need to select strategies for carry out the techniques and get the following objectives.

The most important objective is that the financial and economic profitability be positive. To get that, I will propose for the financial it has to be 3% and for the economic has to be 2% at least. If the company gets the net profit improvement, they will get the financial and economic profitability improvement too.

6.1.1 Strategies.

What the company is looking for is improve the financial incomes, improve the profitability and of course to get profits of the production, because the past years it was negative.

The strategies are the followings:

1. Product Strategy.

As the company are going to promote the product it in the right way, the sales are going to high about 5% every year.

The price will be a little bit lower than the last year because of the marketing price strategy, also because I have showed above, the price of La Española is a little bit higher than Serpis, so it is going to decrease in 3%. In addition, it will have rappels on those who pay before 30 days. The operating expenses will follow the same tendency as these past years.

2. Capital Strategy.

Investment.

The marketing promotion will cost 3.000 €.

The new product machine for the packaging will cost 50.000€

Financing.

The company has to ask for a loan worth of 60.000€ to Santander Bank that will amortize for 6 years at 4% of taxes per year.

3. Financial Strategy.

All the profits will go to reserves. The company do not have dividends. The immobilized material will amortize for 20 years in a lineal way.

4. Short-term Strategies.

As I said, the company will have rappels sales so the 30% of the total sales will be paid before 30 days. The other 70% by cash or card. It will improve the problem of a too long time for pay.

Treasury will be 10% lower than last year for the next 4 years because the treasury ratio is on 1.999 so it has to improve, and so, the liquidity problem.

The existence will increase 10% from last year for the next 2 years, then, it will be constant.

The credit period will be 30% of the buy by cash and the other 70% will be paid the next 60 days.

6.2 LONG TERM FINANCIAL PLAN

I am going to do a long terms financial plan to see how are going to be the company in 3 years. It is used for make easier the realization of alternative scenarios and the simulation with different values of key variables. From here I am going to get the following tables.

6.2.1 Income account statement

41 Figure: income account statement. Source: own elaboration

CUENTA DE RESULTADO PREVISIONAL				
		X+1	X+2	X+3
1	VENTAS	95.871.186,96 €	110.251.865,00 €	126.789.644,75 €
2	Compras proveedores	- €	- €	- €
3	Variación de existencia	5.000.000,00 €	- €	- €
4	Gastos de explotación fijos	97.820.123,52 €	108.300.851,04 €	118.781.578,56 €
5	Gastos de explotación	3.000.000,00 €	3.000.000,00 €	3.000.000,00 €
6	Costes de ventas (2-3+4+5)	95.820.123,52 €	111.300.851,04 €	121.781.578,56 €
7	Beneficio de explotación (1-6)	51.063,44 €	- 1.048.986,04 €	5.008.066,19 €
8	Ingresos financieros	- €	- €	- €
9	Ingreso extraordinario	- €	- €	- €
10	Amortizaciones	- €	- €	- €
11	Gastos financieros a lp	40.000,00 €	38.000,00 €	36.100,00 €
12	Gastos financieros a cp	- €	- €	- €
13	Provisiones	- €	- €	- €
14	Resultados antes de impuestos	11.063,44 €	- 1.086.986,04 €	4.971.966,19 €
15	Compensación pérdidas			
16	(-) Impuestos	3.319,03 €	- 326.095,81 €	1.491.589,86 €
17	Resultados después de impuestos	7.744,41 €	- 760.890,23 €	3.480.376,34 €
18	Dividendos	- €	- €	- €
19	Reservas	7.744,41 €	- 760.890,23 €	3.480.376,34 €
20	Autofinanciación (10+13+15+19)	7.744,41 €	- 760.890,23 €	3.480.376,34 €

The profit account is this one. In this table, I see that the incomes from sales, increases every year a little bit in proportion of the increase of the company.

Next, I can see the gross margin, which in this case increases each year. It means that the company starts getting to earn by buying less. Good sign.

Going to the BAIT, this value shows how the company is working without taking into account accounting, fiscal or financial issues. If it manages to be above 20% on operation income, it would be a symptom of good business. In this case, it is above 20% so it is a good sign.

The retained benefit has to be positive at least so that the company is considered to be doing well. In this case, first year is positive but second year is negative, by -760.890.00 this is a bad sign for the company. The third year the company recovers from that bad signs and has almost 4.000.000€.

6.2.2 Table of net current capital needs

42 Figure: table of net current capital needs. Source: own elaboration.

CUADRO DE NECESIDADES NETAS DE CAPITAL CORRIENTE					
	X	X+1	X+2	X+3	
	Existencias	22.672.859,30 €	27.672.859,30 €	27.672.859,30 €	27.672.859,30 €
1	Var. Existencias	- €	5.000.000,00 €	- €	- €
	Deudas con empresas del grupo	- €	- €	- €	- €
2	Var. Deudas con empresas del grupo	- €	- €	- €	- €
	Efectos a cobrar	15.197.798,74 €	3.994.632,79 €	4.593.827,71 €	5.282.901,86 €
3	Var. Efectos a cobrar	- €	- 11.203.165,95 €	599.194,92 €	689.074,16 €
	Desinversión por cobrar	- €	- €	- €	- €
4	Var. desinversion por cobrar	- €	- €	- €	- €
	Tesorería Objetivo	7.193.836,44 €	7.193.836,44 €	7.193.836,44 €	7.193.836,44 €
5	Var. tesorería objetivo	- €	- €	- €	- €
6	Var. Activos corrientes	- €	- 6.203.165,95 €	599.194,92 €	689.074,16 €
	Proveedores	- €	- €	- €	- €
7	Var. proveedores	- €	- €	- €	- €
	Créditos a corto plazo	11.198.969,47 €	- €	- €	- €
8	Var créditos a corto plazo	- €	- 11.198.969,47 €	- €	- €
	Impuestos a pagar	- 987.605,56 €	3.319,03 €	- 326.095,81 €	1.491.589,86 €
9	Var. impuestos a pagar	- €	990.924,59 €	329.414,84 €	1.817.685,67 €
10	Var. pasivos corrientes	- €	- 10.208.044,88 €	329.414,84 €	1.817.685,67 €
	Necesidades netas de capital	- €	4.004.878,93 €	928.609,76 €	- 1.128.611,51 €

6.2.3 Capital budget

43 Figure: capital budget. Source: own elaboration.

PRESUPUESTO DE CAPITAL PREVISIONAL				
	Presupuesto de inversión	X+1	X+2	X+3
1	Gastos de inversión	30.000,00 €	- €	- €
2	Amortización financiera l/p	50.000,00 €	50.000,00 €	50.000,00 €
3	Nuevas necesidades de capital circulante	4.004.878,93 €	928.609,76 €	- 1.128.611,51 €
	Total de inversiones (1+2+3)	4.084.878,93 €	978.609,76 €	- 1.078.611,51 €
	Presupuesto de financiación	X+1	X+2	X+3
4	Autofinanciación	107.744,41 €	- 760.890,23 €	3.480.376,34 €
5	Ampliación de capital	- €	- €	- €
6	Financiación ajena a L/p	1.000.000,00 €	- €	- €
7	Desinversiones	- €	- €	- €
	Total de recursos (4+5+6+7)	1.107.744,41 €	- €	3.480.376,34 €
	(Recursos - Inversiones)	- 2.977.134,52 €	- 978.609,76 €	4.558.987,85 €
	superavit/deficit acumulado	- 2.977.134,52 €	- 3.955.744,28 €	603.243,57 €

6.2.4 Treasury budget

44 Figure: treasury budget. Source: own elaboration

PRESUPUESTOS TESORERIA A L/P				
		X+1	X+2	X+3
1	Cobros de explotación	107.074.352,91 €	109.652.670,08 €	126.100.570,60 €
2	Pagos explotación	100.820.123,52 €	111.300.851,04 €	121.781.578,56 €
3	Tesorería explotación (1-2)	6.254.229,39 €	- 1.648.180,96 €	4.318.992,04 €
4	cobros por ampliacion de capital	- €	- €	- €
5	cobros por prestamos	1.000.000,00 €	- €	- €
6	Pagos por amortizaciones financieras de deudas a lp	50.000,00 €	50.000,00 €	50.000,00 €
7	Pagos por amortizacion financiera c/p	11.198.969,47 €	- €	2.500,00 €
8	pagos por gastos de inversión	30.000,00 €	- €	- €
9	Tesorería por operaciones de capital	- 10.278.969,47 €	- 50.000,00 €	- 52.500,00 €
10	cobro por intereses de cartera	- €	- €	- €
11	pagos por intereses de deuda a LP	40.000,00 €	38.000,00 €	36.100,00 €
12	Pagos por intereses de deuda a CP	- €	- €	- €
13	Pago de impuestos	- 987.605,56 €	3.319,03 €	- 326.095,81 €
14	Tesorería neta (3+9+10-11-12-13)	- 3.077.134,52 €	- 1.739.499,99 €	4.556.487,85 €
15	Saldo inicial	7.193.836,44 €	4.116.701,92 €	2.377.201,93 €
16	tesoreria acumulada	4.116.701,92 €	2.377.201,93 €	6.933.689,78 €

The treasury account, as we decided in the short-term strategy, has to be 10% lower than last year. In the operational movements, there have all years more collections than payments, so the cash flow is positive and even increases over the years, but not exactly every year.

6.2.5 Provisional balance

45 Figure: provisional balance. Source: own elaboration.

BALANCE PROVISIONAL				
	X	X+1	X+2	X+3
ACTIVO				
Activo No Corriente	8.697.929,26 €	8.727.929,26 €	8.727.929,26 €	8.727.929,26 €
Inmovilizado material	8.697.929,26 €	8.727.929,26 €	8.727.929,26 €	8.727.929,26 €
(-) Amortizacion acumulada	- €	- €	- €	- €
Inmovilizado material neto	8.697.929,26 €	8.727.929,26 €	8.727.929,26 €	8.727.929,26 €
Inmovilizado financiero	- €	- €	- €	- €
Activo Corriente	45.064.494,48 €	35.784.194,01 €	34.643.888,94 €	39.889.450,95 €
Existencias	22.672.859,30 €	27.672.859,30 €	27.672.859,30 €	27.672.859,30 €
Efectos a cobrar	15.197.798,74 €	3.994.632,79 €	4.593.827,71 €	5.282.901,86 €
Tesoreria	7.193.836,44 €	4.116.701,92 €	2.377.201,93 €	6.933.689,78 €
Total activo	53.762.423,74 €	44.512.123,27 €	43.371.818,20 €	48.617.380,21 €
PASIVO				
Patrimonio Neto	42.737.147,43 €	31.545.922,37 €	30.785.032,14 €	34.265.408,48 €
Patrimonio Neto	42.737.147,43 €	31.545.922,37 €	30.785.032,14 €	34.265.408,48 €
capital social	474.790,00 €	474.790,00 €	474.790,00 €	474.790,00 €
Reservas	42.262.357,43 €	31.071.132,37 €	30.310.242,14 €	33.790.618,48 €
Pasivo No Corriente	813.912,40 €	1.763.912,40 €	1.713.912,40 €	1.666.412,40 €
Préstamo a LP	813.912,40 €	1.763.912,40 €	1.713.912,40 €	1.666.412,40 €
Pasivo Corriente	11.198.969,47 €	11.198.969,47 €	11.198.969,47 €	11.198.969,47 €
Otros pasivos líquidos	- €	- €	- €	- €
Proveedores	- €	- €	- €	- €
Créditos a CP	11.198.969,47 €	13.977.995,65 €	13.977.995,65 €	13.977.995,65 €
Impuestos a pagar	- 987.605,56 €	3.319,03 €	- 326.095,81 €	1.491.589,86 €
Pasivo total	53.762.423,74 €	44.512.123,27 €	43.371.818,20 €	48.622.380,21 €

With these results, what has to be taken into account is, in order for not to have solvency or liquidity problems, the current asset must be greater than the current passive. In the case of this,

company is not fulfilled. Therefore, this company will not have problems of liquidity and solvency these years because the current asset is higher than current passive.

The own resources are important in the financial structure, which gives us a good sign as it marks the debt of the company with third parties outside the company is not the fundamental part of financing. In this case, this item is in good values.

Finally, the company does not finance the non-current asset with long-term capital, but only the current asset. The company shows a better financial structure.

6.2.6 Profitability

The profitability of this project is the most important part of the analysis because in any business analysis, the centre of the discussion is based on the polarity between profitability and security or solvency as fundamental variables. This analysis measures the company's profit generating capacity and evaluates the company's economic performance.

We can establish some economic limits as profitability and security because they are conflicting targets.

Profitability is linked to risk and therefore the safest investment is not the most profitable. However, profitability is a condition of solvency and therefore, profitability is necessary for the continuation of the company's activity.

Economic profitability refers to the company's ability to generate value with its assets, irrespective of how they have been financed. In this case, the target is to increase this term so what the company has to do to solve this problem is

- Increasing the margin by increasing the sale price, keeping the unit costs constant or the unit costs are reduced keeping the sales price constant or..
- Increase turnover, increasing sales in a larger proportion than the asset, or reducing investments

The financial profitability, is a measure, in a period, of the yield obtained by the own resources, irrespective of the distribution of the result.

With financial profitability is almost the same as economic profitability. Is very high the first year, but then goes down as the years go by. We propose three measures to improve this profitability.

- Increasing the margin by raising sales price and/or reducing costs
- Increasing turnover, reducing the asset and/or increasing the sales.
- Increasing leverage by increasing the asset ratio and its own resources.

7. SCENARIOS

The Scenarios I am going to purpose are three. One pessimistic the realist one and one optimistic, based on a base scenario because we have to be taken into account the risk accepted by the company. These scenarios are the followings:

- **Pessimist:**

The sales will decrease instead of increase 15% because if the forecasts are for a 15 to grow, if we are in the pessimistic scenario, it is because the expectations have not been fulfilled. therefore we stop growing 15%.

As the company is in pessimist scenario the way to financing the company is not working well so they have to look for the best way to financing and achieve the surplus for the capital budget.

The company has lost in operating results after taxes so they have to decrease the net current capital needs.

For all of these facts, the company will be involved in a really bad position and they will have to get out extremely.

- **Realist:**

This is the scenario of the results above. Where the company has achieve its targets as I said in the strategies.

- **Optimist**

The sales increases by 20% because it has exceeded sales expectations for the next 3 years so the company has enough capital for the important investments and for its grow.

Thanks for this, the company can pay all the debts and has no problems with liquidity and solvency.

If it is possible, for the good results of the company, they would start a project. This project will be to open a store in Alcoy and only offer branded products.

This will be good for the brand because most of the products are well known. With this expectative I think it will be good for the company.

PESSIMIST	REALISTIC	OPRIMISTIC
Sales decrease	The company achieve the prouposal strategics above, so La Española increases sales and increases economic profitability by 5% and financial profitability by 3%	Sales increase
surplus for the capital budget		Company can pay all the debts
lost in operating results		No problems with liquidity and solvency.
decrease the net current capital needs.		They would start a project

8. CONCLUSIONS

To end this analysis, we have to conclude with the most important results.

First, with the strategies established; it has been possible to reach the objectives set. The most important two to improve the profitability both economic and financial. First one increase it by 2% and the second one to 3%.

The profit account has made we know how the company was going, whether on the right way or not, because the comparison of BAIT, gross margin and retained profit, all on the revenues of exploitation provide information on the real situation of the company.

In second place, to financing the investments in the new machinery for the new packaging, the company ask for a loan apart of the capital of the partners of the company. This loan have been also adjusted to the budget and to the necessities of the company to open the new store in Alcoy.

Then, for the costs, the company has been taking care about not have so much cost on purchases to have prices that are more competitive and to have the same incomes.

On the balance, what I wanted was analyse the economic and financial structure to see the working of the company, and it has a positive result.

The treasury account, I can see some problems at the time to have enough money to pay to the other, but as we have seen before, in the following of the bad years, the treasury comes positive and increases all over the year.

With all this analysis, and information from the financial plan, I can purpose some scenarios to have some view of future, depending on the scenario. First, the base scenario, which is the most important because, is the actual scenario. Second, the pessimistic scenario, which has a bad view of future for the company, and finally the optimistic scenario, which is the opposite of the pessimistic scenario.

After all of that information and with all those comparatives with data, I can say that the company has so much work to do and improve. Basing on the scenarios, I would like to be positive for the company and for the project of open a new store in Alcoy of only products of LA ESPAÑOLA. I would like to believe it would be viable to put it on work if the requirements are met and they reach the optimistic scenario.

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