

POLITECNICO DI MILANO



Marketing analysis for Italian product in Colombia

Saponificio Artigianale S'Edera

RODRIGO ESTEBAN PEREZ CESPEDES (754795)

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This Project consists in the proposal of a business plan to undertake in Colombia. The idea would be to import Italian made natural soaps and sell it. Therefore in this document is presented all the research composed by external and internal analysis, market surveys and finally marketing plan and the forecast of Economic figures.

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This project is the aggregation of efforts toward the promotion of natural products which are eco friendly and better for people health.

Furthermore I want to thank first of all to Simona and Raffaele Bangoni who showed me a beautiful place like Sardegna and supported me with information from their company Saponificio Artigianale S'Edera.

Also I want to thank my family in Bogotá for helping me and giving support with the surveys.

1. INTRODUCTION

1.1. The Product

Europe, the old continent, is home of millions of people who century by century shared the typical products among them and this products became part of the culture. For instance the beer in Germany and Belgium, the wine in France and Italy, the ham in Spain and hundreds of chesses from everywhere; it is possible to continue telling lots of products but it is better to focus the attention of the main topic of this project, the soap.

Soap comes from Latin word “Sapo” and means simply soap. The soaps are obtained by treating vegetal or animal oils and fats with strongly alkaline¹ solution. Fats and oils are composed of triglycerides: three molecules of fatty acids attached to a single molecule of glycerol. The alkaline solution often called lye brings about a chemical reaction known as saponification where the crude soap is produced.

In the heart of the mountains of Urzulei (Sardegna), it is born the idea to produce natural handcrafted soaps by using the essences of the Mediterranean magic from the island; this idea was reality in 2010 with “Il Saponificio S’Edera” which uses the antique and natural way to produce soaps by extracting essences from the plants. The formulas have thousands of healing benefits for the skin and for each skin treatment there is a special soap and plant which gives the proper vitamins.

The soap bars are named after the botanic specimens they are produced from and also they keep important vitamins for the skin. The formula is made on the basis of soap crème from vegetal origin like oats or red vine, like olive oil or oil of wheat germ and the essential oils that as well as conferring praised beneficial effects, are responsible for the strong and pleasant fragrances. The colorants are obtained from the mixture of natural inorganic pigments like mineral oxides.

Saponificio Artigianale S’Edera manages two lines of products the first one, pharmaceutical and herbal is aimed to sell in pharmacies and soap or bio shops.

¹ Alkaline is a chemical property which describes that a substance decreases the acidity of another substance.

The other line is aimed to sell the soaps in the artisanship or any kind of fair for handcrafts.

In the following table are separated the two kinds of lines with all the products:

Pharmaceutical and Herbal	Artisanship
<ul style="list-style-type: none"> • Mendula: Almond oil soap • Sarmènta: Red vid soap • Tinnèberu: Juniper soap • Edera Ivy soap • Elicristo Helicrysum soap • Olia Olive oil soap • Murta Myrtle soap • Oena Oat soap • Marmaredda Mallow soap • Latte´e Cabra Goat milk soap • Olistincu Mastic oil soap 	<ul style="list-style-type: none"> • Murta Myrtle soap • Ghiniperu Juniper soap • Archimissa Lavender soap

Table 1

1.2. Objective

The goal of this project is to link the Saponificio Artigianale S' Edera with the Colombian market; this means to picture the value for selling the handcrafted soaps in a determined region like Bogotá in the future.

In order to guarantee the success of this idea undertaken in the Colombian territory it is compulsory to study the market, for instance to understand how it behaves, the possible competitors, which are the distribution channels, what is the current price, what are the regulations for this kind of product etc. In other words, this work will set the basis for understanding the value that the product can bring to the customers and of course the value that the business can bring to the investors or shareholders.

Targeting the right clients is the key for any company and for this business idea is not the exception, therefore one of the specific objectives before achieving the big one mentioned before, is to segment the population in the possible cluster where the marketing mix will be focused on.

The soaps will be produced in Italy as so far it is, and for this reason it is necessary to go deeper and define the importation procedure inside Colombia and the taxation policies to estimate the cost before the product is sold.

Finally if the previous goals are achieved it will be possible to forecast the behavior for couple of years after the product is introduced in the market. For this step the cash flow must be the indicator to tell if the business will work or summarized in the net profits.

2. EXTERNAL ANALYSIS

2.1. Market definition

The cosmetic industry and cleanliness is composed by 3 sub sectors: Cosmetics, toilet and absorbents and this are divided in specific products for instance personal cleanness where soaps belong. More specifically the soaps belong to toiletries and shower products. S'Edera's products would be classified in one part in this group which is divided in Natural and Artificial. Clearly they belong to natural Toiletries and shower.

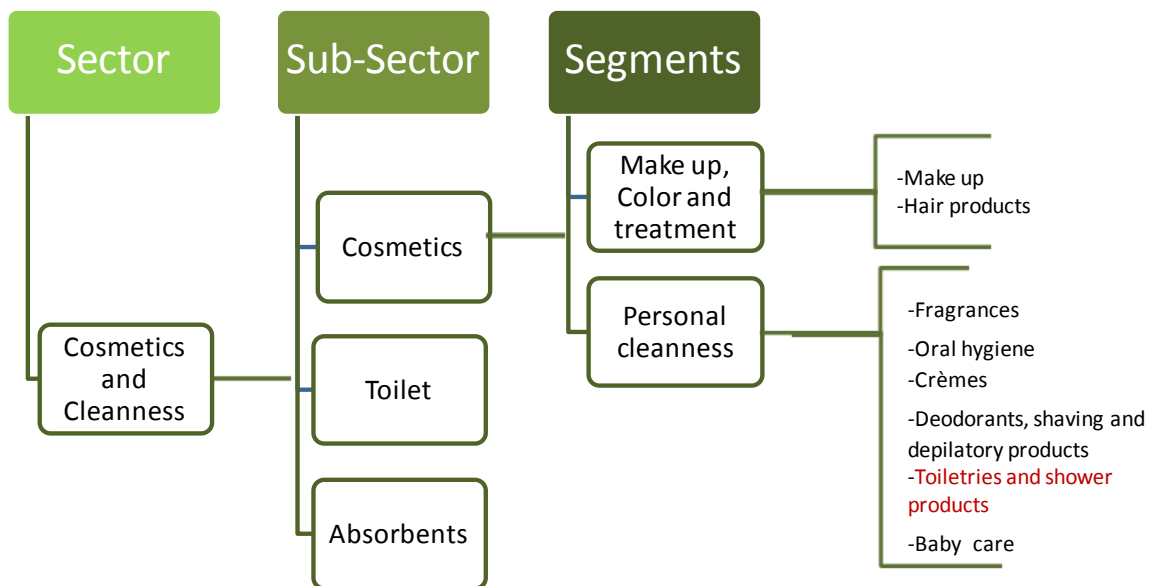


Illustration 1. Source: "Sustainability report" Chamber of the Colombian Cosmetics and cleanliness Industry.²

The previous classification is made in order to simplify the segmentation of the market in subsequently analysis like market trends where the consumption can be predicted and compared other Latin Economies.

According to the Euromonitor 2010³, the worldwide behavior for Cosmetics and Cleanliness industry in sales of 2010 was 650.000 Millions of Dollars. And Latin

² ANDI. <http://www.andi.com.co/pages/comun/infogeneral.aspx?Id=19&Tipo=2#/103>

³ Sustainability report ANDI. <http://www.andi.com.co/pages/comun/infogeneral.aspx?Id=19&Tipo=2#/103>

America traded 286.100 Millions. The general overview in can be seen in the next tables: (Values in Millions of Dollars).

Total sales by region		
Asia Pacific	169.699,6	26%
Western Europe	164.560,9	25%
North America	120.351,8	19%
Latin America	105.575,7	16%
Eastern Europe	44.323,6	7%
Middle East Africa	33.434,7	5%
Australasia	11.336,6	2%
Total	649.282,9	

Table 2. Source: "Sustainability report" Chamber of the Colombian Cosmetics and cleanliness Industry.

Total sales Latin America		
Brasil	52.556,0	49,8%
México	16.508,3	15,6%
Venezuela	8.578,3	8,1%
Argentina	6.952,0	6,6%
Colombia	5.712,8	5,4%
Others	4.371,4	4,1%
Chile	3.889,0	3,7%
Perú	3.012,2	2,9%
Ecuador	1.425,4	1,4%
Guatemala	885,3	0,8%
Uruguay	697,8	0,7%
República Dominicana	551,5	0,5%
Bolivia	435,7	0,4%
Total	105.575,7	

Table 3. Source: "Sustainability report" Chamber of the Colombian Cosmetics and cleanliness Industry.

Accordingly to the ANDI and how we can see in the tables, Colombia is the fifth market in Latin America with 5.712,8 millions of Dollars on sales in 2010. The Latin American market represents today the biggest growing worldwide. And in fact, Brazil, Colombia and Venezuela are the countries which are promoting the region like the higher potential market.

From the row number 5.712,8 millions of Dollars, it is necessary to determine how much money goes to the soap market and even deeper in the case of S'Edera product it would be necessary to determine the segment of the market which prefer natural products over the regular soaps.

However a previous estimation can be done in order to approach the final figure, this is that even if the men market for cosmetic products is increasing now a days, it is better to work with the women market because it seems more logical for the kind of product, the natural soaps. For this reason in the next point, the segmentation, the starting point will be the women market for cosmetics.

2.2. Market Segmentation

The region this work will focus is Bogota because according to Proexport⁴ is the largest market with ample access to international markets; it has strategic location with excellent air connections, competitive costs, is qualified as one of the major business centers in Latin America together with Sao Paulo, Miami, Santiago, Mexico city and Buenos Aires.

According to DANE⁵ in Bogotá there are approximately 7.5 millions of people of which 52.2% are women; this represents 3.92 millions of women. And from this number 1.22 million women have their own income or salary. Now it is precisely to aggregate the social classes analysis because the product will be address to social class 4, 5 and 6 which represents accordingly to DANE⁶ the 9.4% of the population. Finally the total potential market would be 114.680 women in Bogota which will be classified in different clusters or segments accordingly to their age in order to finish this estimation.

⁴ http://www.botschaft-kolumbien.de/Descargas_proexport/berlin_2011/english/investments/aosmetics/cosmetic_profile.pdf

⁵ Departamento Administrativo Nacional de Estadística
http://www.dane.gov.co/index.php?option=com_content&view=article&id=307&Itemid=124

⁶ http://www.dane.gov.co/files/dig/CONPES_3386_oct2005_Focaliz_subsidios_servicios_publicos.pdf

2.3. Product Lifecycle

As in the previous points, the S'Edera soap can be classified among the cosmetics and therefore the demand is analyzed in a similar way to the cosmetics market. This market is born with the necessity of looking for the state of eternal youth and beauty, and this keeps rolling on the thousand million dollars business.

It is very difficult this kind of market, because there are styles and colors going in or out of fashion rapidly and the consumer is always looking for another way to achieve the perfection⁷. Due to the demanding nature of the final consumer, innovation is a key area for the cosmetics companies. The goal of the final user seems unreachable and therefore the product is always pushed to be better. This means that a lot of products in this industry have short product life cycles, and as the competition increases, the product life cycle decreases further more. However according to the research article from Emerald⁸, mentioned in the reference 7, some products have longer product life cycles like soaps and deodorants. And it is important for cosmetic companies to have these products in their portfolio.

Cosmetics industry is also in fear of an economic recession. Because they are viewed as luxury items (not necessary goods), and it is an industry that would be seriously affected by a drop of consumer spending. For instance when people are struggling to pay the electricity bill, it is unlikely they will spend money on lip gloss and fake tan. So in general it is a high risk market place.

In conclusion as was mentioned before, the S'Edera soaps would join of longer product life cycle and this is good for the project because easily the maturity and decline could be projected to 5 years.

⁷ To cite this document: (2007), "The cosmetics cosmos: A review of four major players", Strategic Direction, Vol. 23 Iss: 3 pp. 26- 28

Permanent link to this document:

<http://dx.doi.org/10.1108/02580540710730792>

⁸ <http://www.emeraldinsight.com/index.htm>

2.4. Competitive System

The general overview of the cosmetic companies in Colombia can be appreciated in the next two graphics where the 74% of the market belongs to the minority, the foreign companies; and these companies are just the 12% of the total. According to this it can be stated that the competition is hard because it is against consolidated brands like: L’Oreal, BDF Beiersdorf, Jolie de Vogue among others.

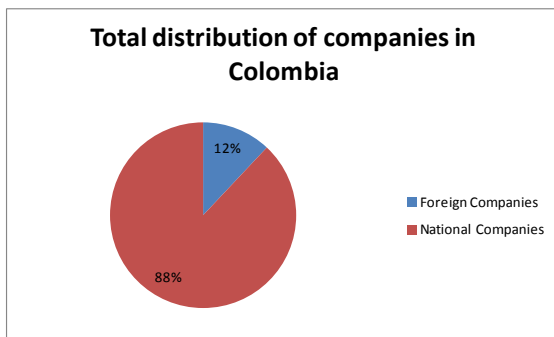


Illustration 2. Source: "Sustainability report" Chamber of the Colombian Cosmetics and cleanliness Industry. ANDI

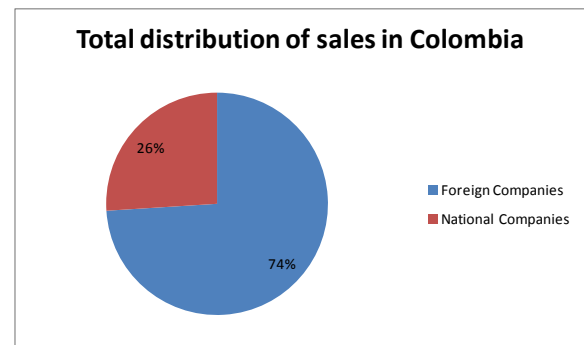


Illustration 3. Source: "Sustainability report" Chamber of the Colombian Cosmetics and cleanliness Industry. ANDI

For S’Edera is an advantage because people are more in to foreign brands but it can be also a disadvantage because people could not be too much in to Natural products because companies like Avon, L’Oreal etc don’t have a proper line for products without chemicals.

There are two kinds of competitors: Direct, soap producers for body and face care. Indirect competitors, for instance general cosmetics producers, and body and face care in creams.

Direct competition: Azulk(Carey), Natura(Ekos), Amway(Ertia), Ana Maria, Tierravida, Bioplaza, Vitaliah.

Indirect competition: Lipo, Vogue, Prebel(Yardley), Yoquire, Esko Laboratorios, Quifarma, Beiersdorf(Nivea), L’Oreal, Maria Salome, Tecser, Henkel.

2.5. Distribution System

In the cosmetics Industry it is possible to identify different kind of consumers and the ways to reach them. First of all in the previous part of the work, the market definition, it was defined the occupied women with own salary as the potential customer. However it is clear that they approach the product by mean of other intermediaries in the chain or other customers. For instance the following players as: families (individuals), spas, makeup artists, esthetic centers, hotels, designers, esthetic schools, clubs, estheticians, pharmacies and Bio shops.

In the other hand, the positioned brands use the following channels: own channels, franchising, department stores as Falabella, distributors (wholesalers), producer with own brand, specialized shops and chains, family benefit funds, specialists in cosmetic (hair dressers, estheticians, dermatologists), pharmacies, informal markets (flee market, artisanship fairs), big supermarkets, retail or small supermarkets and neighborhood stores and finally direct sales.

In the next graphic it can be appreciated the links between the channels and the customers, and from this all the possibilities to reach the market.

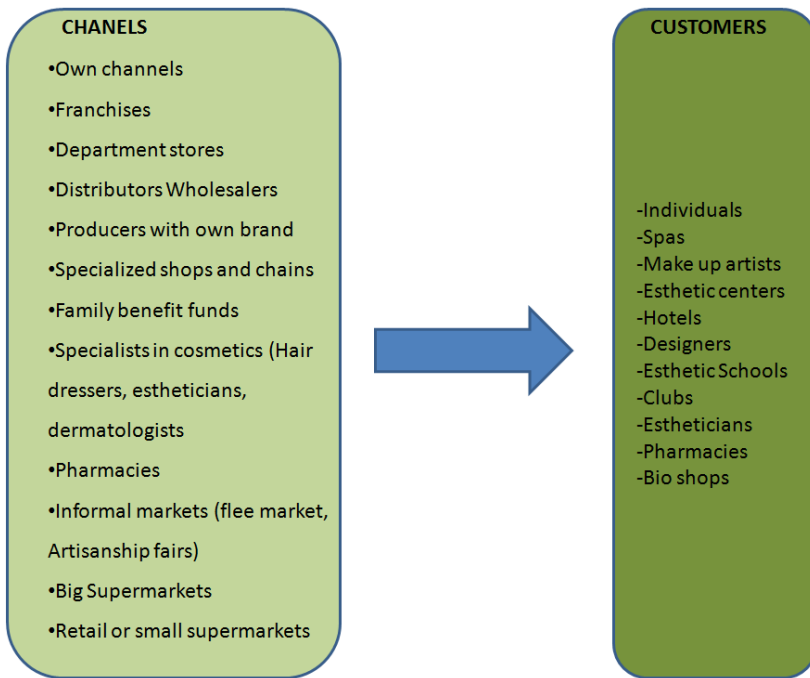


Illustration 4 Source: "Sustainability report ANDI"

A deeper analysis made by the Chamber of Commerce for Cosmetics (ANDI) show in the next graphic the effectiveness in the utilization of the distribution channels mentioned previously; in S´Edera case would be interesting to explore direct sales, pharmacies, specialized stores and others. The sum of this would be 30,4% of possible effectiveness over the market. If it is aggregated this analysis to the previous one in market segmentation where the potential market result was 114.680, the estimation of the number of people reached by the chosen channels would be 34.863.

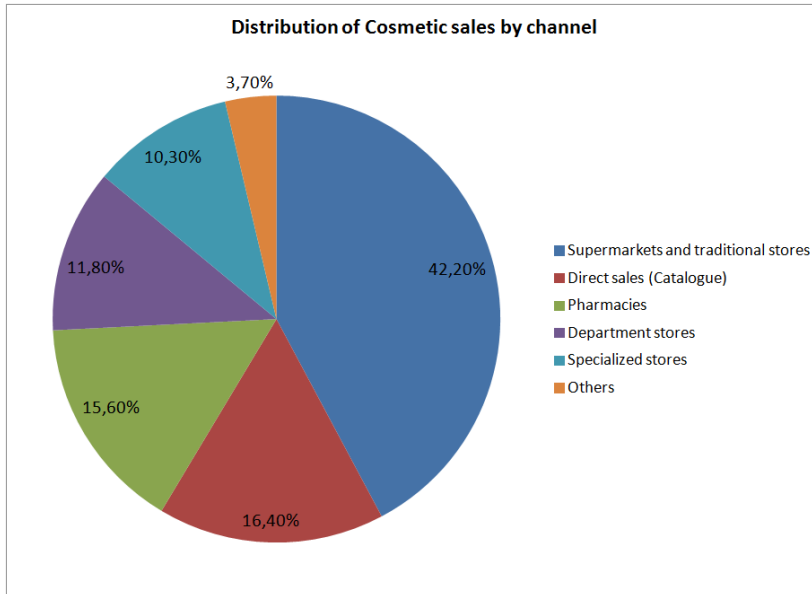


Illustration 5. Source: ICEX (Instituto Español de Comercio Exterior)

2.6. Customer behavior

The needs that the soap will cover are basically 2, the first one is the source of the cosmetics, to reach the beauty, and the other one is to do it in the more natural possible way.

Also the characteristics of the customers are: people women who like to take care of their skin, medium to high economic power, they are open minded to try products from all the world, they are in to the natural products with exotic ingredients or they are willing to try it.

Pre- eminent traits in buying behavior

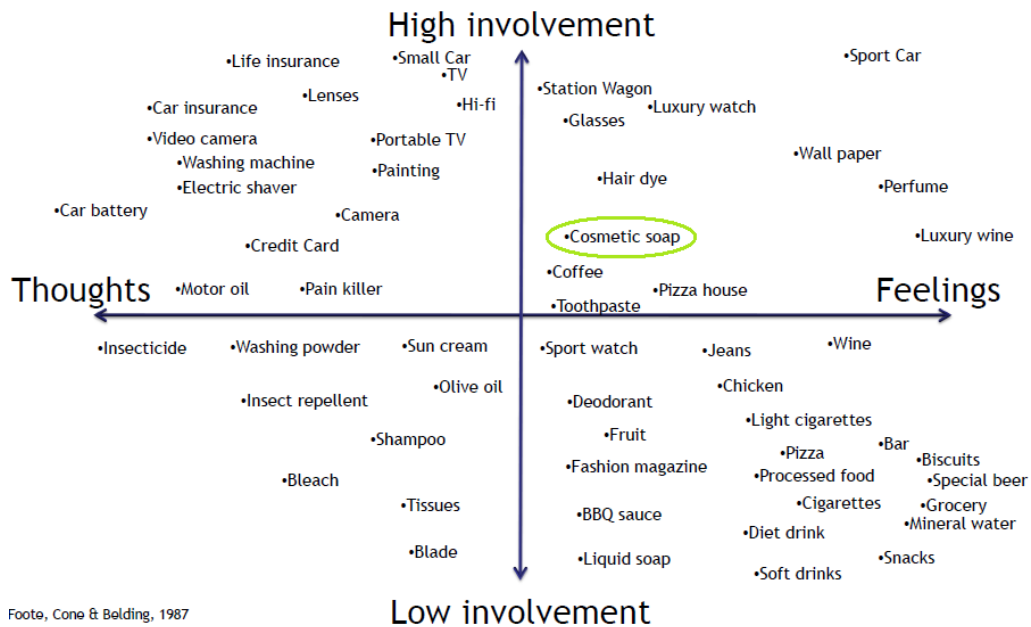


Illustration 6. Source: Marketing Course slides. Chapter 4 “Micro Analysis”. Pg. 31 Politécnico di Milano. Profesor Lucio Lamberti

The previous graphic shows how the customer think or feel when they buy some products, among them is highlighted the item for the interest of this work, the cosmetic soaps. This product presents high involvement and feelings in the purchasing time, this means that the clients take more time to decide and they also take some time to research about the benefits or the components from the item.

2.7. Market trends

The industry presents in the last ten years a constant growing trend as it can be appreciated in the next graphics. The exports now surpass the imports in 200 million USD but imports are growing as well at the same rate.

Also the Colombian market as in the market definition was shown, is the fifth market in Latin America, but even more, it is the second most growing economy together with Brasil, presenting 8% CARG (Composed annual growth rate).

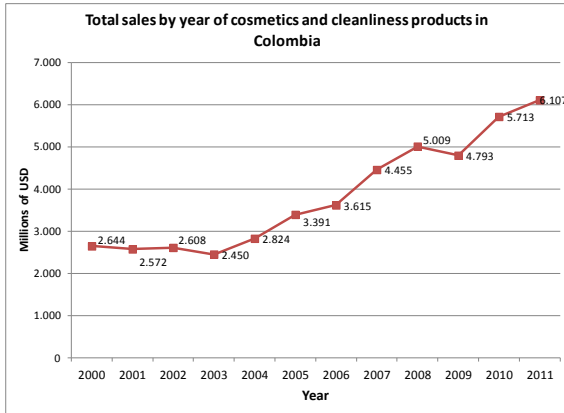


Illustration 7. Source: "Sustainability report" Chamber of the Colombian Cosmetics and cleanliness Industry

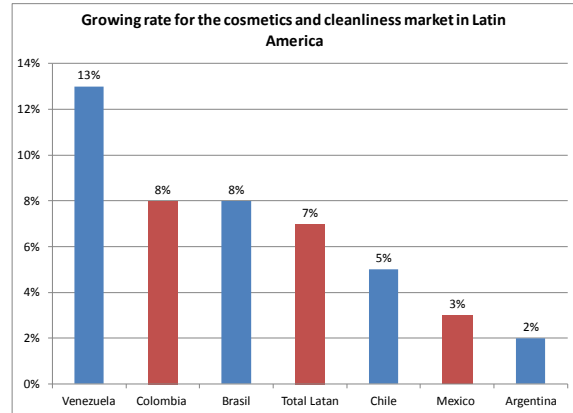


Illustration 8. Source: "Sustainability report" Chamber of the Colombian Cosmetics and cleanliness Industry

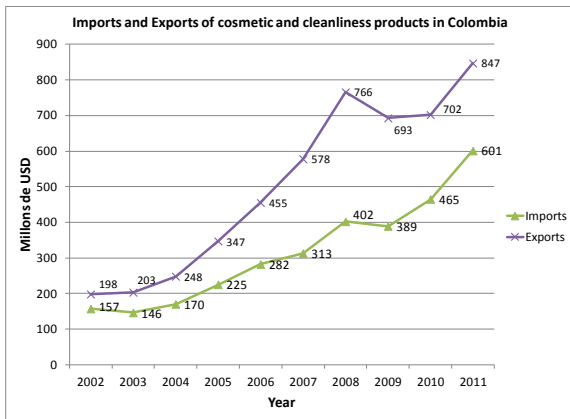


Illustration 9. Source: "Sustainability report" Chamber of the Colombian Cosmetics and cleanliness Industry

2000-2011 market trend

USD Millions

Year	2000	2011	Trend
Colombian GDP	1.301	3.713	Almost 3 times higher
Demand(constant prices)	2.644	6.107	2,3 times higher
Exports	113	847	7,5 times higher
Exports rate	8,6%	23%	2,6 times higher

Imports	74	601	8,12 times higher
Balance of trade	39	246	3,3 times higher
Direct Employment	19.759	29.188	1,47 times higher
Indirect Employment	56.000	81.726	1,45 times higher
Income opportunities(direct sales, beauty centers, etc.	350.000	1.000.000	2,85 times higher

Table 4. Source: "Sustainability report" Chamber of the Colombian Cosmetics and cleanliness Industry.

2.8. Opportunities

The market of cosmetics for men is growing. In 2008 it was 8.6 millions of USD and it is estimated by the Chamber of commerce of cosmetics that if it continues like this it will grow 20% annually.

Definitely there is a growing trend toward the customers who prefer natural and organic ingredients. Accordingly to perception studies, the customer recognize that this kind of ingredients give higher quality to the products.

The number of customers who prefer companies with responsible production and marketing with less impact on the environment is growing as well, according to the sustainability report from ANDI for the cosmetics and cleanness industry.

2.9. Legislation requirements

The cosmetic products have high impact on the consumer health issue. The ingredients that are used are on the Colombian regulation establishes the same legal limits existing also in the international lists from UE and USA. Those lists have been elaborated by scientific groups and experts who have determined its safety and restrictions on its use if it applies. Therefore these products are under the INVIMA supervision.

For instance the companies have to inform about the product ingredients and this have to be included in the INCI list (International Nomenclature of Cosmetic Ingredients), in this way the customer can identify them in case of unfavorable reactions. This represents a high compromise and responsibility for the distributors.

2.10. Preliminary Survey

Before to start with the internal analysis about the way the distribution will work, it was undertaken a preliminary survey to different possible channels to sell the soaps. For instance in this research they were interviewed some shop owners in different Pharmacies, Bio shops, Spas, Cosmetic shops, Artisanship, Direct sellers, Esthetic centers, Health centers and even Vegetarian restaurants.

They were interviewed with the model in the illustration 10 and the results are presented in the following tables and illustration:

Soap	Ingredients Knowledge
Oat	90%
Almonds	84%
Olive oil	76%
Lavender	60%
Red Vid	48%
Ivy	40%
Goat milk	29%
Mallow	26%
Juniper	17%
Myrtle	16%
Helicrysum	7%
Mastic	7%

Table 5. Source: Personal Survey

Soap	Interest to sell it
Olive oil	53%
Almonds	50%
Red Vid	45%
Goat milk	41%
Oat	41%
Lavender	40%
Ivy	34%
Mallow	29%
Helicrysum	26%
Juniper	26%
Mastic	26%
Myrtle	24%

Table 6. Source: Personal Survey

From 58 surveys that were made, in the previous two tables are presented the results of percentage of knowledge and interest to sell the soaps according to the specific ingredients. For instance in the left table it can be seen that 90% of the shops interviewed knew about soaps made of Oat. In the other hand, the right table tells that the 53% of the shops are interested in selling a soap made of Olive oil. As a preliminary test this survey tells that most of the channels interviewed are

conservative and they prefer to sell ingredients that they know. In this case it would be necessary to show the benefits and the therapeutic action if it is determined to sell the soaps with the following ingredients: Juniper, Helicrysum, Ivy, Myrtle, Mallow, and Mastic.

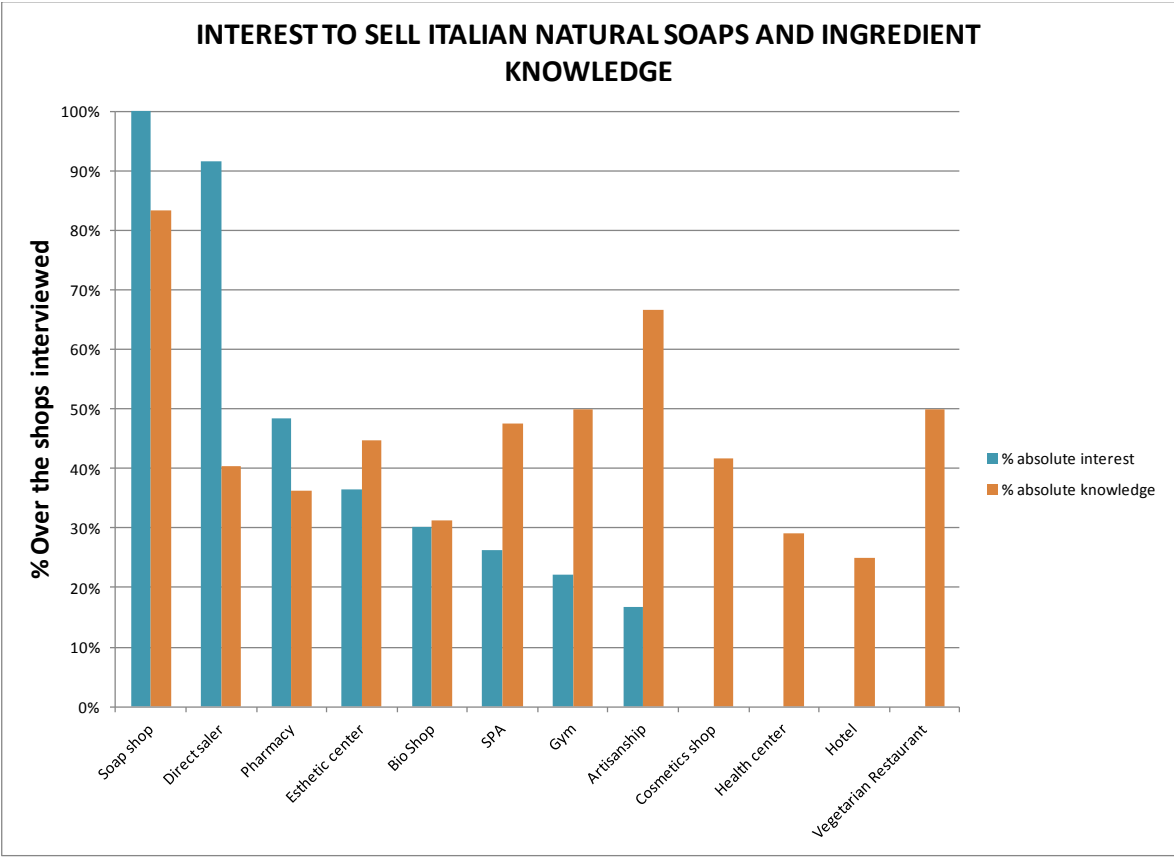


Illustration 10. Source: Personal survey

In the illustration 10 it can be appreciated which channels would be more effective if the business is undertaken. Direct sellers showed more interest to sell the soaps even if they don't know the ingredients. Soap shops have more knowledge and more interest as well; and the other channels to better analyze the behavior would be pharmacies, Gyms, Bio shops, Spas and artisanship.

QUESTIONARY FOR POSSIBLE DISTRIBUTION CHANNELS

Name of the pharmacy/shop:

Kind of shop: (Pharmacy, Bio shop, Soaps shop, Artisanship, other.....)

Soap Ingredients	Have you Heard about soaps with this ingredient?		If you sell it, how much does it cost the unit?	If you don't have it would you be interested in selling it?		Which brand for NATIONAL soaps you recognize as the best?	Which brand for IMPORTED soaps you recognize as the best?	Are you interested in selling Natural Italian Soaps, made with plants growth in the Mediterranean Sea Which ingredients?	
	Yes	No		Yes	No			Yes	No
Almond's oil									
Red vid and grape sedes oil									
Juniper									
Ivy, Red vid and mint									
Helicrysum									
Olive oil									
Myrtle									
Oat									
Mallow									
Goats milk									
Mastic									
Lavender									

Table 7

Also from this data collected, it is important to highlight that frequently liquid soaps are sold instead of solid ones and the range of prices for both kind varies from 0.5 to 15 Euros per unit. The National competitor that most of the shops mentioned was Labfarbe and the International was Johnson.

3. INTERNAL ANALYSIS

By mean of the internal analysis it will be possible to understand how the business can work and how the import process is undertaken since the product is produced until it is delivered to the final target or consumer.

The process it is pictured as the following graphic.

3.1. Business process

The soaps are entirely produced in Italy and this process would be import. The importer would be one person and the channels to contact the final consumer are direct sellers or catalogue sellers, pharmacies, esthetic centers and Cosmetic or soap shops. However according to the preliminary survey, the situation suggests to put the most of the efforts in putting the product on hands of direct sellers; in this case also the importer could play the role of personal seller.

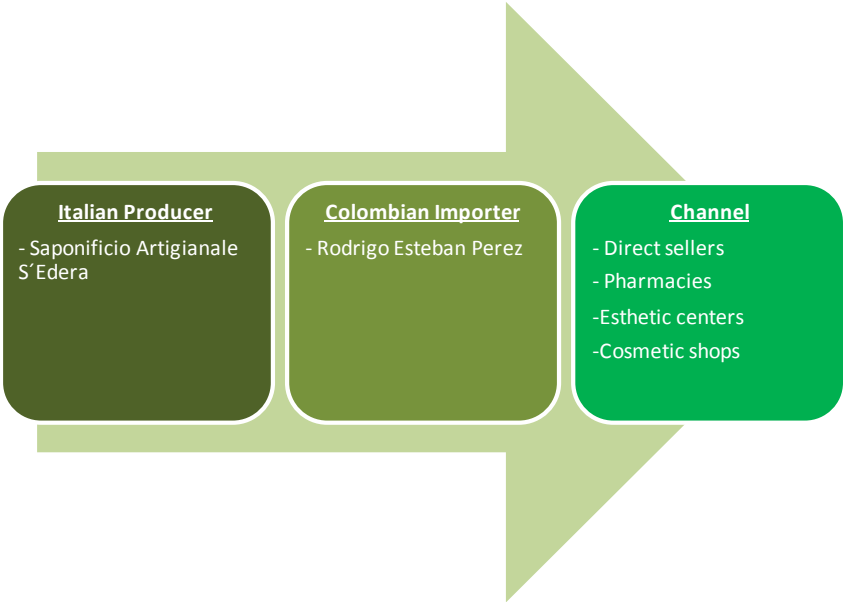


Ilustración 11

3.2. Costs

3.2.1. INVIMA Inspection

The cost of giving the approval certificate to each product is 2´663.490 COP or 1066 Euros. The certification consists in giving the authorization to every product accordingly to the sanity legislation. This means that for every variety of soap it is necessary to do the certification process and it is necessary to count this as an extra cost.

3.2.2. Product FOB

S´Edera usually sells the soaps at unitary price of 1.5 Euros and this is the price that is taken for granted in this marketing study in order to estimate the total costs.

The solid soap is packaged in a small box of 2.5cm x 8cm x 5cm; it weights 100 grams and it comes in different colors and aromas according to the plant it is produced from.

When it is transported they are put in big boxes (30 cm x 30cm x 50cm), 43 Kg each one, and it is possible to pack 432 soaps. This means that the cost of one big box full of different kind of soaps is 648 Euros. And in 1 m³ it is possible to put 18 boxes or 7776 soaps.

In a pallet load approximately 1m³ it is possible to pack 18 boxes 43 Kg each one.

3.2.3. Transportation

The transportation system, after the Saponificio Artigianale S´Edera delivers the product in Cagliari port, is a Combination of ship cargo for crossing the ocean and reaching Barranquilla port in Colombia; after the truck will take the products from the coast to the importers in Bogotá.



Illustration 12

3.2.3.1. Shipping

The following quotation is for 6m³ of space, consequently for 46.656 soaps.

- “- From Cagliari to Barranquilla (Colombia).....Eur 1.850,0
- Assistance and coordination.....Eur 200,0
- Transit time is 33 days (approx).

The above quotation DOES NOT include

- VAT if due;
- Insurance of the shipment; should this be required we'll quote you as soon as commercial invoice and packing list is provided and any other costs not mentioned above.

Payment terms are: PREPAID through bank remittance”.⁹

3.2.3.2. Road cargo

The transportation costs from Barranquilla port to Bogota costs 240 Euros for 10 boxes of 43 Kg each one and it takes approximately 5 working day to complete the delivery.

⁹ Quotation of Shipping from Cagliari to Barranquilla. <http://www.feederferry.com>
Sandra Salis. Email: info@feederferry.com

3.2.3.3. Taxation

About taxation, there are 2 fees to pay. One is the regular tariff which is applied to the cost of the product FOB, and this is established in 15%. Also there is another taxation which refers to the value added and it is the VAT which is established in 16% on the costs FOB plus the previous tariff. This is more in detail in the following table taken from DIAN, the tariff regulator in Colombia.

MEASURES	
Concept	Import
Tariff	15%
VAT	16%
Other Tariffs	-
Assesments for agreements	No
Protection measures	-
Trading Scheme	Free Import
Capital Assets	-
Tariff Alphabetic Index	Jabón de tocador
Nomenclature notes	-
Correlatives for opening	-
Correlatives for closing	-
Specific requirements	-
Support Documents	1. Health Inspection Certificate by INVIMA (Optional) 2. INVIMA aproval certificate (Mandatory)
Special Characteristics	
Restrictions	
Restrictions By Zones	
Tariffs by Zones	
Allowed modalities	
Merchandise descriptions	1.Comercial name (code 73) 2. Other characteristics (code 74)
Other Support documents	-
Merchandise quote	-

Tabla 8. Source: DIAN WEB site. <https://muisca.dian.gov.co/WebArancel/DefConsultaIndiceAlfabetico.faces>

4. SWOT ANALYSIS

4.1. Strength

- The product is much differentiated because of the ingredients that are not so common in Colombia, also the fact they are manufactured chemical free, gives the soaps a great potential among the overall market.
- The fact that the contact with Saponificio Artigianale S´Edera is direct gives the process a better control and better response in quality and product information issues.
- Contacting and using direct sellers is important to get in touch with the right final consumer because they use the knowledge they already have and they know who are the possible ones interested in the product.
- Among the range of soaps S´Edera has, they offer different kinds for special skin treatments and even if the people in Colombia don't know the plants, it is possible to explain by means of marketing tools all the properties that every customer wants.

4.2. Weaknesses

- The business is depending on just one supplier and this is risky because if they stop the production or increase the price, they have the bargaining power.
- S´Edera has just one presentation of products, the solid soaps, and this market can be affected by the trend of buying liquid soaps.
- There are a lot of costs to bring the product to the Colombian market and the final price could be a determinant factor for the success.

4.3. Opportunities

- Colombian cosmetic market is growing continuously at a rate of 8% average, and among the Latin American countries is the second fastest growing after Venezuela, with 13%.
- ANDI, the chamber of commerce for cosmetics, emphasizes that there is recently a trend for using organic and natural products in the Colombian market either if the reason is good health or helping to take care of the environment.

- Direct sellers, pharmacies and specialized stores are distribution channels covering 42.3% of the market and these are the ones chosen to the S´edera soap gets in touch with the Colombian consumer.
- Even if most of the soap companies are national, the 74% of the sales are from foreign ones; this could mean that Colombian market is not very loyal to the national products and the imported products have a great potential.

4.4. Threads

- It is possible that the Colombian market keeps loyal to the established brands and it doesn't give the chance to the S´Edera product. Other brands like Nivea, Yanbal, and Labfarbe can take advantage of scale economies and they compete with prices that S´Edera cannot reach. However the differentiation has to be high in order to get a position in the market.
- S´Edera is a product that can be classified as a luxury item because of the price this can reach and in crisis it is a kind of product that is very difficult to sell, so the elasticity of demand to this variable is very high.

5. SURVEY

In order to define better the marketing objective and the entry strategy it is necessary to conduct a research survey to identify the variables or factors that make the product successful. For instance it is good to define clusters among the general population defined before, employed women with income higher than 1200 Euros per month; it is possible to do a filter by age and income level. Later it is possible to establish the product variables that are appreciated the most, in order to focus the marketing mix on the important ones; also in the case of soaps, they have different effects for different skin problems therefore sometimes a moisturizer can be more appreciated than nutrition treatment accordingly to the kind of woman.

So far it is not sure which channels are going to be employed to distribute the product, consequently it would be excellent to ask which channels are used the most to use it in the final marketing strategy.

Logistics and economic predictions are also a problem indeed, so another important question is to know how much the consumer is willing to pay for one purchase and how often they go for a new product.

Also it is necessary to determine if the ingredients that S'Edera is providing in the soaps are determinant in the purchasing, some of them are very exotic and differentiated with the local products but it is not sure that people value it over other important aspects as price, brand, therapeutic action or usage of chemicals.

More in deep it is possible to ask the customer which ingredients they prefer among all the range that S'Edera has. Later the import process will be undertaken just with the important ones which are the most valued.

Finally it is also important to know which kind of presentation the consumer likes the most among the liquid soap and the solid one. This indicator molds the number of people in the population buying solid soap. S'Edera just produces the last one and maybe some people are attached to buy just liquid presentation; this can be a problem for the new product.

In conclusion, the objective of the survey is to extract important data from the potential customer in order to predict their behavior when the product is launched.

Previously it was decided that the target are the women with medium-high income; but to undertake the correct marketing mix it is necessary to segment this big group of women by age and preferences.

The questions of the survey are as follows:

1. What is your age?
 - a. 20 - 30
 - b. 31 – 40
 - c. 40 – 50
 - d. More than 50
2. What is your income?
 - a. 1200 – 1600 Euros per month
 - b. 1600 – 2000 Euros per month
 - c. 2000 – 2400 Euros per month
 - d. More
3. How much do you find attractive in soaps for face or body the following characteristics?

	Very attractive	Normal	Not attractive
a. Natural ingredients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b. Fragrance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c. Color	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d. Price	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
e. Design	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
f. Brand	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
g. It is fashion	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

4. Which one of the following properties in the soaps you value the most?
 - a. Moisturizer
 - b. Scrub
 - c. Nutritive
 - d. Softening
 - e. Aromatic
 - f. Astringent
 - g. Antiseptic
 - h. Odor neutralizer
 - i. Mitigating spots
 - j. Healing

5. Where do you buy the soaps?
- Personal seller (catalogue)
 - Pharmacy
 - Bio – Shop
 - Esthetic center
 - Artisanship
 - Cosmetic Shop
 - SPA
 - Health center
 - Gym
 - Supermarket
 - Other (Specify)
6. How often do you buy it?
- Every month
 - Every two months
 - Every three months
 - Every six months
7. How much do you spend every time you buy it?
- 2 Eur
 - 4 Eur
 - 6 Eur
 - 8 Eur
 - More than 8 Euro
8. How do you value the following aspects in the soaps?
- | | Indifferent | Important | Very Important |
|------------------------|-----------------------|-----------------------|-----------------------|
| a. Brand | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| b. Price | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| c. Specific ingredient | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| d. Therapeutic effect | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| e. Chemical free | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
9. Which one of the following ingredients would you like to have in the soap?
- Almonds
 - Red Vid
 - Juniper
 - Ivy
 - Helicrysum
 - Olive oil
 - Myrtle
 - Oat
 - Mallow
 - Goat milk

- k. Mastic
 - l. Lavender
 - m. Grape seed's oil
 - n. You are indifferent to this ingredients
10. Which presentation of soap do you prefer to use it as a treatment for the skin?
- a. Liquid
 - b. Solid

5.1. Methodology

In order to select the sample it was done previously the stratification of the whole population of women in Bogotá and the final number of 114680 is the medium high income women.

Now it is required to calculate on base of this group the number of people to take for the sample. The next formula referring to stratum sampling fits to the case:

$$n = \frac{n_0}{(1 + \frac{n_0}{N})} \text{ Where;}$$

n= real number of sample

n₀ = theoretic number of sample

N = Number of people in the stratum (114.680)

$$n_0 = \left(\frac{z}{e}\right)^2 * p * q \text{ Where;}$$

z = standard value in function of the degree of confidence in most of the cases is 95% and z is 1.96.

e= error assumed in the calculation (5%)

p= probability that the population presents the characteristics assumed (95%)

q= probability that the population doesn't present the characteristics assumed (5%)

With the previous assumptions

n₀= 72.99 and

n = 73

This is the total of people who has to take the online survey¹⁰ about the use of treatment soaps like S´Edera product.

5.2. Results

1. From a total of 80 people who answered the survey 67 (83.8%) are between 20 and 30 years old, 9 (11.3%) between 31 and 40, 2 (2.5%) are between 41 and 50 and finally 2 (2.5%) are older than 50.

This means that it was not possible to segment by age because clearly the most representative group has bigger influence in the results. Therefore in the next part of the work it is better making the assumptions just thinking about marketing the product among women between 20 and 40 years old.

2. In the next illustration it is possible to see the income proportion among the survey.

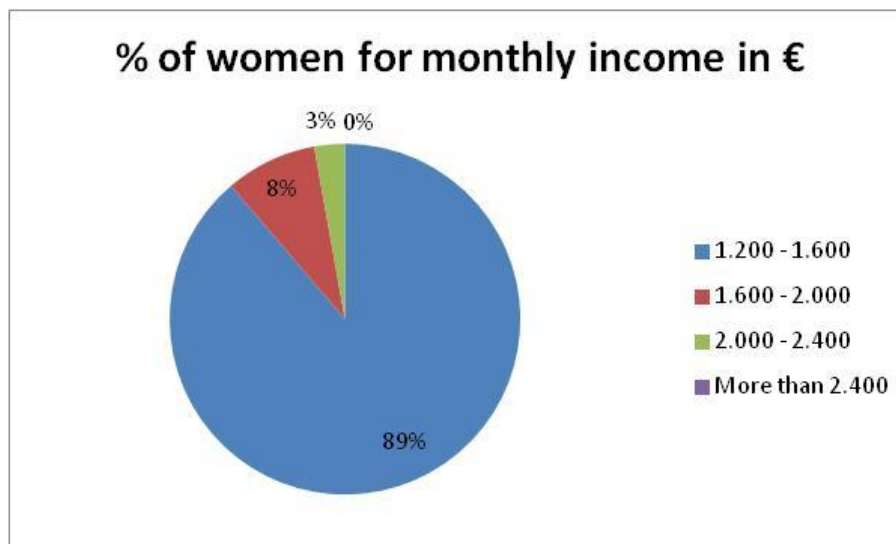


Illustration 13

3. Among the soap characteristics, the customers have the following scale of importance, where smell and natural ingredients are definitely the most valued for them.

¹⁰ <http://www.surveymonkey.com/s/CV9JVBZ>

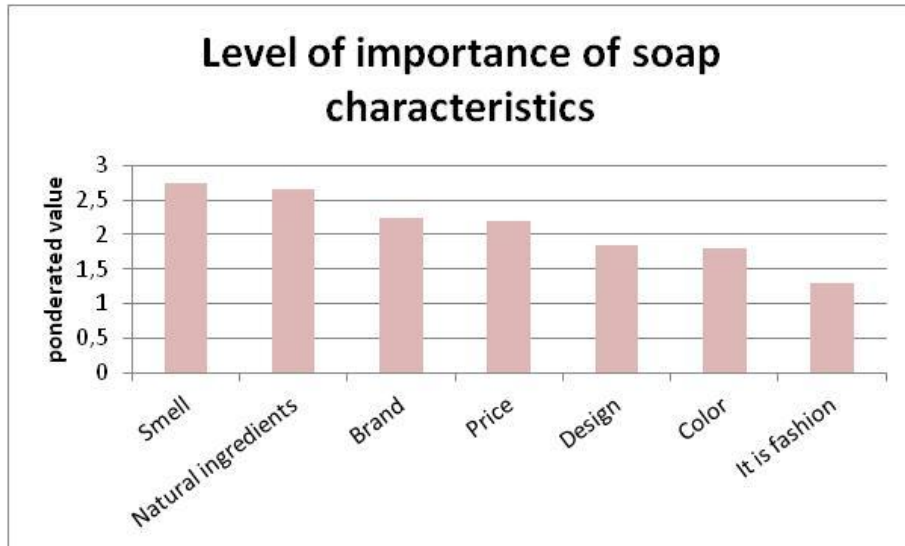


Illustration 14

4. The next table compiles the properties more important for the consumer. Those words are very important in the marketing strategy because they are the ones the client wants to hear in the purchasing process.

Property	% of importance
Moisturizer	85%
Softening	56%
Scrub	44%
Nutritive	43%
Aromatic	33%
Antiseptic	21%
Mitigating spots	18%
Odor neutralizer	15%
Astringent	13%
Healing	4%
None	3%

Table 9

5. The next table contains the percentage of people using different channels to buy the soaps.

Channel	% of answers
Supermarket	85%
Pharmacy	20%
Cosmetics Shop	18%
Direct seller	16%
Esthetic center	10%
Bio Shop	8%
Artanship	4%
Health center	3%
SPA	1%
Gym	0%

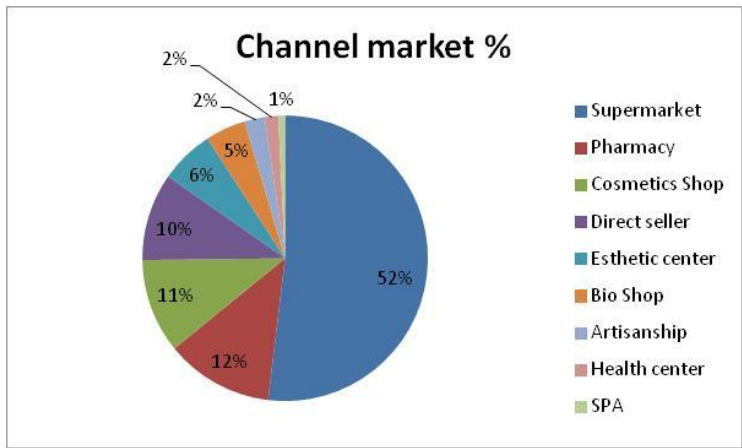


Table 10

Illustration 15

6. Purchasing Frequency

Purchasing frequency	%
Every month	41%
Every 2 months	39%
Every 3 months	18%
Every 6 months	3%

Table 11

7. In the next illustration it is possible to see how much women spend every time they buy soaps

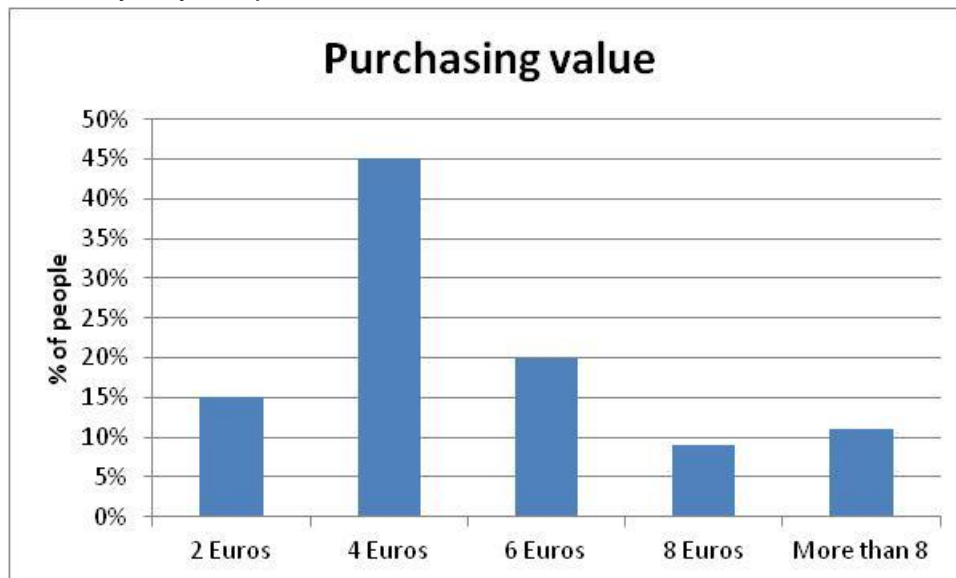


Illustration 16

8. Importance level of some aspects in the soaps



Illustration 17

9. In the next graphic It is possible to see the possible success for the S'Edera ingredients

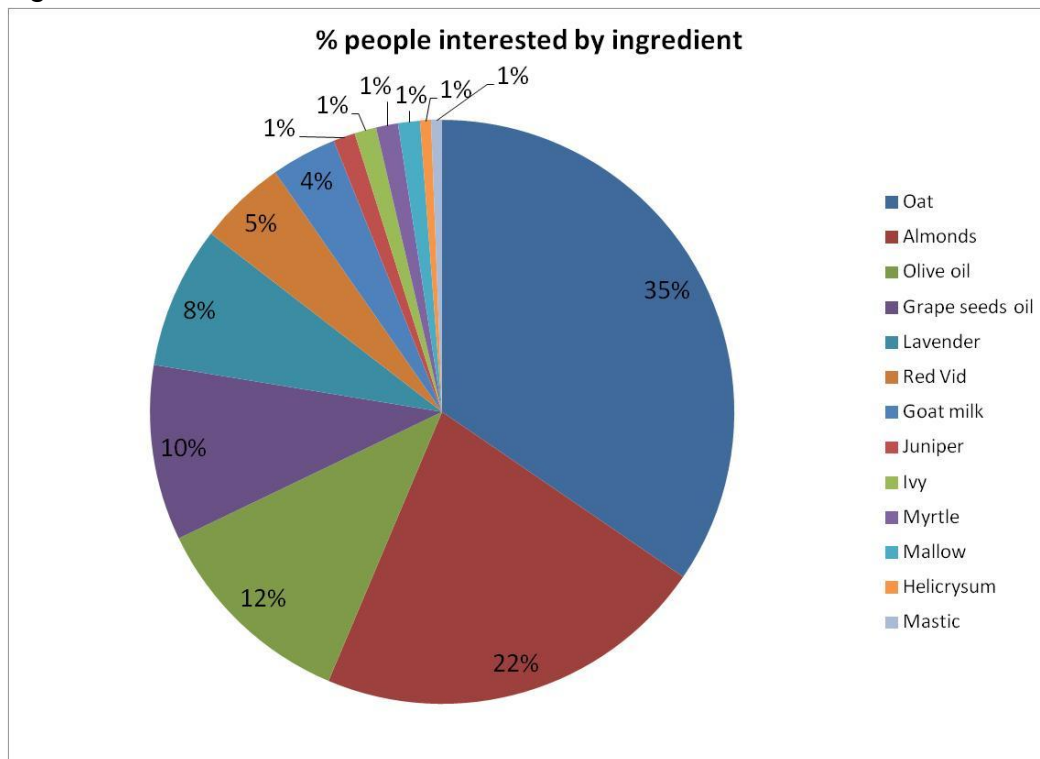


Illustration 18

10. In the last question the only information is that in the soaps presentation, 53.8% of women prefer solid soap and 46.3% prefer liquid soap.

6. MARKETING OBJECTIVES AND STRATEGIES

After all the research process, it is necessary to define the strategies in order to target the customer and be able to forecast the purchasing behavior for the soaps.

6.1. Segmentation

It is known for previous analysis that the medium- high income women in Bogotá are 114.680. From this root number it is necessary to define the real number of people to target.

From the 10th question in the survey it was told that 53% prefer solid soap and this is a key aspect to segment since S´Edera product just comes in this presentation; therefore the 114.680 is reduced to 60.780.

Now it is possible to analyze the channels that are going to be used. With the preliminary survey and according to the illustration 10, it was told that the most efficient channels to reach the customers were direct sellers, soap shops, pharmacies, esthetic centers and Bio shops.

Now in the survey to direct consumer the results were that they buy the product in most of the cases in supermarkets. Since now supermarkets can be discarded since it is a business for long term instead of short term as this business idea is conceived. Finally the most convenient channels to market the soap would be direct sellers, pharmacies, esthetic centers, bio shops, artisanship, health centers and spas. If it is assumed that all the women buy the soap by mean of this channels the new segment number would be 38% of the 60.780, this means 23.096. But not all the shops are interested in distributing S´Edera soaps, in the next table the percentage of interest is compiled together with the level of effectiveness of the channel.

	Effectiveness	Interest to sell S´Edera	Combined indicator
Pharmacy	12%	48%	5,86%
Direct seller	10%	92%	9,13%
Esthetic center	6%	36%	2,20%
Bio Shop	5%	30%	1,37%
Artisanship	2%	16%	0,37%
Health center	2%	0%	0,00%
SPA	1%	26%	0,20%

Table 12

The sum of the combined indicator is 19.13%; this would be the final number that it would be possible to reach from the total market (60.780), which means 11.627 women.

In the results of points 3 and 8 of the consumer survey, natural ingredients aspect was the most important characteristic in the soaps, even before the brand. This means that even if the customer is loyal to certain brands, a good combination of natural ingredients and price can be very successful in the market and plus S´Edera is Exotic and Italian made, those are factors that place the product in a very optimistic scenario. Anyways the work so far is missing and important variable as it is pricing.

6.2. Targeting

Summarizing the segmentation, S´Edera has just one product which is all the range of soaps and the different segments to target are accordingly to the channel that the product goes.

Even in the Pharmacies, health centers, spas, esthetic centers, bio shops and artisanship are not from the control of the importer, it is necessary to use marketing tools to push the product for the different groups. Instead for the direct sellers the control and the responsibility to promote the product is 100 % for the importer.

In Bogotá there are 3.617 pharmacies and health centers, 7.804 esthetic centers and spas, approximately 100 Bio shops and 100 artisanship shops¹¹.

From the 11.627 it is necessary to separate the groups to target; and accordingly to the survey and the effectiveness to distribute the product, the new percentage distribution is as follows:

	Distribution %	# of people to reach
Pharmacy	33%	3797
Direct seller	27%	3085
Esthetic center	16%	1898
Bio Shop	12%	1424
Artisanship	6%	712
Health center	4%	475
SPA	2%	237

Table 13

The logic after this procedure would be to define now how many direct sellers, pharmacies, esthetic centers and etc. are going to be needed to reach the final consumer. Therefore it is necessary to define target ratio objectives for each of the different channels. In the next table are presented in the first column how many people the distributor has to affect in order to reach the possible market, and consequently in the second column are presented how many distributors for each category are needed in relation to the previous objective.

	Target ratio objective	# of distributors
Pharmacy	40	95
Direct seller	25	123
Esthetic center	30	63
Bio shop	30	47
Artisanship	30	24
Health center	30	16
SPA	30	8

Table 14

¹¹ <http://www.portafolio.co/negocios/top-10-los-negocios-mas-populares-colombia>

<http://www.servinformacion.com/?q=notas-de-prensa/noticias/notas-de-prensa/salones-de-belleza-verdaderos-centros-de-asesor%C3%AD-de-imagen>

6.3. Positioning

The objective after looking into the targeting strategies is to see how successfully people will buy the product. Therefore it is possible to analyze the variables asked in the survey in order to estimate how the brand would be positioned among the competitors.

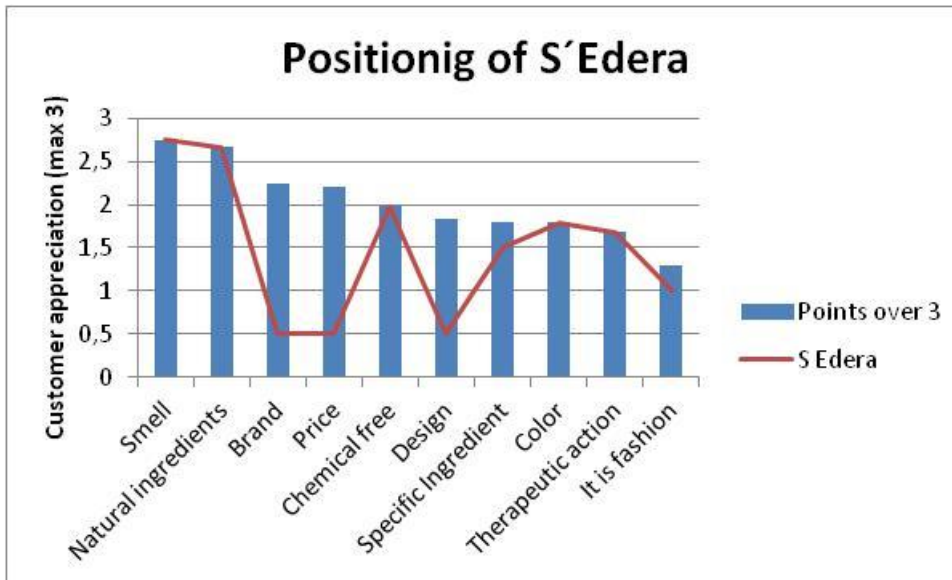


Illustration 19

In the previous illustration it is shown the value curve of how S'Edera product would enter to the market. Smell is an important issue for the producers and in every soap some specific natural smell is introduced.

Natural ingredients is the variable that characterizes S'Edera soaps the most and thanks to it is good appreciated for Colombian consumer, it is a positive issue.

Brand is a variable in which it is necessary to work because it is necessary to emphasize that it is an Italian product, with the best quality. In the long term it is compulsory to earn fidelity from the customer since it is basis for the future success.

Price, probably, is a blind spot for S'Edera because of the import process. So far it is not possible to take advantage of scale economies since the quantity of soaps

for sale would be small, and this means that the costs have to be distributed over fewer products. Also the initial investment counts in the deferred expenses.

6.4. Operational budget

Before analyzing the costs for the business plan, it is compulsory to estimate the quantity of product to sell. It was stated before in targeting that the general objective is to reach 11.627 women who purchase S'Edera soaps. However 55% of the women according to illustration 15 spend maximum 4 Euros for purchasing; and knowing in advance some of the extra costs to place the product in Colombia it can be subtracted from the 11.627 such percentage since it is very probable that the price of the soap will be higher. In total, the final quantity of market would be reduced to 5.233.

From the survey, table 11, the purchasing analysis result is that 41% purchases soaps every month, 39% every two months, 18 % every three months and 3% every six months. According to these values, the operational quantity of soaps for every month in the starting point should be 2.160.

The costs for every item are described in the next table and it is detailed which frequency the business has to pay the costs. The values in the table can be compared with the previous chapter in the "Internal Analysis"

		Quantity (soaps)	Cost (€)	Operational Quantity	Frequency	Operational Cost (€)	Fixed - Variable	Unit cost (€)
FOB	Product	1	1,5	4.320	Every 2 months	6.480	Variable	1,50
SANITY	INVIMA	1	1.066,0	12	Once	12.792	Fixed	
TRANSPORTATION	Ship Transport	46.656	1.850,0	4.320	Every 2 months	171	Variable	0,04
	Assistance	46.656	200,0	4.320	Every 2 months	200	Fixed	0,00
	Insurance	1	0,2	4.320	Every 2 months	972	Variable	0,23
	Road Cargo	4.320	240,0	4.320	Every 2 months	240	Variable	0,06
	Assistance	4.320	25,9	4.320	Every 2 months	26	Fixed	0,01
	Insurance	1	0,2	4.320	Every 2 months	972	Variable	0,23
Taxes	Tariff	1	0,2	4.320	Every 2 months	972	Variable	0,23
	VAT	1	0,3	4.320	Every 2 months	1.192	Variable	0,28
DISTRIBUTION	Picking	4.320	20,0	4.320	Every 2 months	20	Fixed	0,00
	Distribution	4.320	1.880,0	4.320	Every 2 months	1.880	Variable	0,44
RESOURCES	Personnel	2.160	1.200,0	2.160	Monthly	1.200	Fixed	0,56
RESOURCES	Inventory	4.320	10,0	4.320	Every 2 months	20	Fixed	0,00
MARKETING	Marketing Budget	4.320	2.000,0	12.960	Semester	6.000	Fixed	0,46
TOTAL					Every 2 months	17.546		4,02

Table 15

There are three important numbers from this table; the first one is the one referring to the initial investment for the health certificate which is 12.792 Euros, the second

one is the bi monthly expenses of 17.546 Euros for running the business and the final and maybe more important is the final cost of the soap when it is in Colombia and more specifically on hands of the final consumer. The product reaches the customer with a cost of 4.02 Euros.

7. PRODUCT PORTFOLIO

Saponificio Artigianale S´Edera has a range of products with different ingredients and different therapeutic actions.

To start the business and select the portfolio among all the variety of soaps, it is going to be taken the result # 9 in the survey. When the customer was asked about selecting ingredients for the soaps they preferred oat and almonds because these are the most known ingredients in the market.

PROPERTIES	SOAP NAME	INGREDIENTS
- Slimming	Edera	Ivy, Red Vid, Mint
- Purifying	Edera, Murta, Tinnéberu, Olia	Ivy, Red Vid, Mint, Myrtle´s oil, Olive´s oil
- Moisturizing	Méndula, Oèna, Marmaredda	Almonds oil, Oat
- Elasticity	Méndula	Almonds oil
- Soothing	Oèna	Oat
- Refreshing	Marmaredda, Tinnéberu	Mallow
- Antioxidants	Sarmenta	Red vid, Grape seed´s oil
- Revitalizing	Sarmenta	Red vid, Grape seed´s oil
- Toning	Sarmenta	Red vid, Grape seed´s oil
- Anti-inflammatory	Elicriso	Helichrysum, wheat´s germ oil
- Restructuring	Elicriso, Olistincu	Helichrysum, wheat´s germ oil, Mastic´s oil
- Stimulating	Tinnéberu	Juniper, Ivy, Mint
- Nourishing	Olia	Olive´s oil
- Protective	Olia, Olistincu	Olive´s oil, Mastic´s oil
- Aromatic	Latte ´e cabra, Archimissa	Goat´s milk, Lavender

Table 16

Illustration 16 shows the level of interest for the soap ingredients and assuming that the purchasing percentages will behave in the same proportion the 4.320 soaps per bi-month will be divided in the following order: 1.492 Oèna, 943 Méndula, 628 Sarmenta, 497 Olia, 340 Archimisa, 157 Latte ´e craba , 52 Tinnéberu, 52 Edera, 52 Murta, 52 Marmaredda, 26 Elicriso and 26 Olistincu.

7.1. Value proposition

S'Edera soaps is a product aiming to satisfy the customer who likes to use natural ingredients for the skin care, products with the lowest use of chemicals and variety of smells and treatments to every kind of woman.

Furthermore S'Edera offers different ingredients taken from plants grown in the Mediterranean Sea islands, which makes the final product almost unique in the Colombian market.

8. MARKETING MIX

In the operational budget it was stated that the budget for the marketing expenses must be 1.000 Euros monthly because the price must be competitive among the other products in the same range.

Some low budget marketing ideas are:

- Facebook account for Spanish speaking consumer
- Brochure included in every soap box explaining the origin of the soap and the soap properties and ingredients.
- Posters with models showing the concept of the product.
- Voice to voice promotion.
- Conferences explaining the properties of the soaps and promotion of benefits and characteristics.

8.1. Product

The logo consists in the picture below where it also can be read in Italian the slogan "produzione artigianale di saponette naturali". This sentence is very easy to understand for the market, Spanish speakers, and it is a direct way to show in the first contact the most important value which is the natural production and ingredients.



Without packaging the product looks as follows.



The single and kit packaging look as follows



- **Features:** Natural production, natural ingredients, exotic plants and different kind of treatments for different kind of skins.
- **Brand name:** Saponificio Artigianale S'edera (short name: S'edera)
- **Packaging:** for the single unit it consists in a piece of paper with the design of the plant the soap is produced from. And for 9 units, as the picture above shows, it is a carton box with a big logo of the brand.
- **Service:** The business idea consists in the distribution to soap retailers. The product will be delivered with posters to put in the place and brochures to give to the buyer in order to explain the properties of all the range of soaps. Furthermore there will be organized meetings with retailers to explain more in detail all the benefits of the product.

- Warranty: Every product is approved for the health controller (INVIMA) and the ingredients as a rule have to be written in Spanish for knowledge of the clients.

8.2. Place

The objective is presented in the next table, with a total of 376 retailers distributed as follows:

	Target ratio objective/month	# of distributors
Pharmacy	8	95
Direct seller	5	123
Esthetic center	5	63
Bio shop	6	47
Artisanship	6	24
Health center	6	16
SPA	6	8

Table 17

The delivery can be once a month or every two months as it is agreed with the retailer.

It is not possible to have direct contact with the consumer since the service just arrives to the retailer; therefore it is very important to explain the benefits to the final seller (retailers and direct sellers) and to include in the product the guide to use the soap in accordance to the customer requirements, for instance the type of skin or the desired treatment.

- Spa



Source: <http://www.rodigosamper.com/pages/club-nogal-spa-bogota.html>

- Pharmacy



Source: <http://www.uhs.wisc.edu/services/pharmacy/>

- Direct seller



Source: http://www.caffarena.cl/asi_somos.php?id=1&idx=2&idxs=&namepage=asi_somos

- Esthetic center



Source: <http://blog-andcoffee.blogspot.it/2010/02/glam-centro-de-estetica.html>

- Bio shop



Source: <http://farmacias.com.co/NATURALLIGHT/>

- Health center



Source: <http://noticiadesalud.blogspot.it/2010/02/se-inaugura-en-el-hosp-univ-madrid.html>

- Artisanship



Source: <http://www.radiosantafe.com/2009/04/26/hoy-termina-feria-artesanal-capitalina/>

8.3. Promotion

The promotion is based on three tools. The first one is voice to voice from the direct seller who will explain to the customers the benefits of the soap. The second one is the posters in the retailer place and the brochures included in every product.

The third one is via Facebook and personalized e mails explaining the product and the place or the people they can contact to acquire S'Edera.

- Facebook



Source: <http://www.facebook.com/pages/Saponificio-artigianale-SEdera/311642078900608?fref=ts>

- Brochure, Posters



Source: <http://www.dynamic-e-motion.com/print-design.html>

8.4. Price

In the previous part of the work, in operational budget, the final cost of every product ended up in 4.02 Euros. Now in comparison with one of the strongest

competitors “L’Occitane” who sells the soap, 100 gr, to the final consumer in 8 Euros approximately S’Edera has some advantage which consists in more variety of plants and treatments. However L’Occitane has advantage in price because they are more consolidated and import products in higher quantities.

By using the Mark-up method to calculate the price and fixing it in 50% the final price would be 6.03 Euros for S’Edera. This would be the price that retailers and direct sellers buy the product and then they would have to fix a markup for their interest.

9. IMPLEMENTATION AND CONTROL

9.1. Checking Survey

After telling the final price that the soap unit would be sold to the retailers, it is necessary to do a final survey to ensure that they accept the price and finally the business is feasible.

In order to undertake the survey, the target channels were asked about their interest to buy the soap and how many they would buy per month.

The results are as follows:

Category	Maximum Purchase	% of Success
Artisanship	6	100%
Direct seller	6	78%
Pharmacy	6	64%
Spa	4	60%
Esthetic center	4	33%
Bio shop	6	29%
Gym	2	11%
Health center	0	0%

Table 18

Taking the Artisanship shops as the more effective to sell the soaps the other categories look as the table shows. But the most important thing in this table is the

maximum of product purchased by the retailers; it is the 10 % of the value estimated previously to cover the demand of Bogotá.

This is an important aspect to consider because the retailers are not willing to buy the quantity of product that the study proposes. Consequently there have to be some solutions for this problem.

There are two possibilities to solve the problem in this stage; the first is to find a new channel to distribute the product and the other one is to reduce the quantity of product and calculate the increase of costs included. About searching for new channels it is possible to think about using online shop to promote and also collect the cash for the business, however accordingly to illustration 14, the most important aspect for the people to buy soap is the smell therefore online channel it is difficult to undertake. Consequently, the solution will be taken for granted is the one reducing the quantities of soap imports and do the sensibility analysis for the costs.

In the next table it is possible to appreciate the costs per item and how they behave with the change of quantity. Here there is a big assumption; it is not possible to work with orders below 1000 units per month. As it was expected to sell 8 soaps to the pharmacies and they are buying 4, from 2.160 soaps it is assumed a reduction of quantity in almost 50%, so the 1.000 per month seem to be rational to continue the business analysis.

		Quantity (soaps)	Cost (€)	Operational Quantity	Frequency	Operational Cost (€)	Fixed - Variable	Unit cost (€)
FOB	Product	1	1,5	2.000	Every 2 months	3.000	Variable	1,50
SANITY	INVIMA	1	1.066,0	12	Once	12.792	Fixed	
TRANSPORTATION	Ship Transport	46.656	1.850,0	2.000	Every 2 months	79	Variable	0,04
	Assistance	46.656	200,0	2.000	Every 2 months	200	Fixed	0,10
	Insurance	1	0,2	2.000	Every 2 months	450	Variable	0,23
	Road Cargo	4.320	240,0	2.000	Every 2 months	111	Variable	0,06
	Assistance	4.320	25,9	2.000	Every 2 months	26	Fixed	0,01
	Insurance	1	0,2	2.000	Every 2 months	450	Variable	0,23
Taxes	Tariff	1	0,2	2.000	Every 2 months	450	Variable	0,23
	VAT	1	0,3	2.000	Every 2 months	552	Variable	0,28
DISTRIBUTION	Picking	2.000	20,0	2.000	Every 2 months	20	Fixed	0,01
	Distribution	2.000	1.250,0	2.000	Every 2 months	1.250	Variable	0,63
RESOURCES	Personnel	2.000	1.200,0	1.000	Monthly	1.200	Fixed	1,20
RESOURCES	Inventory	2.000	10,0	2.000	Every 2 months	20	Fixed	0,01
MARKETING	Marketing Budget	4.320	2.000,0	6.000	Semester	2.778	Fixed	0,46
TOTAL					Every 2 months	8.734		4,97

Table 19

In comparison to the previous table of costs, what it changes is the bi monthly orders, previously it was 4.320 and now they are 2.000 per month.

For the distribution, it is used the same assumption, the cost for delivering to every distributor is 5 € per month. This time there are not 376 but 250 (1000 soaps/average purchase of 4) distributors separated in categories as follows:

	Target ratio objective	# of distributors
Pharmacy	4	83
Direct seller	4	68
Esthetic center	4	40
Bio shop	4	30
Artisanship	4	20
Health center	4	0
SPA	4	10

Table 20

In total the unitary cost increases 90 cents for reducing the quantity to 1000 per month and maintaining the same objective or mark up of 50 %, the final price to the market would be: 7.5 € per soap.

The unitary costs are distributed as follows:

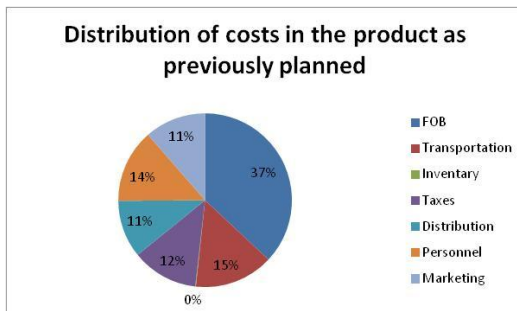


Illustration 20

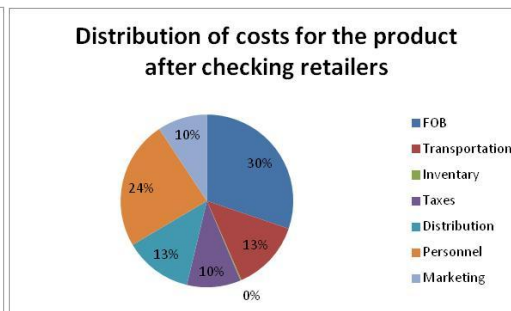


Illustration 21

As it is possible to see, as the quantity of soaps sold decreases, the percentages of costs for personnel and distribution are the ones which go up. It is reasonable because there are either fixed costs that need to be covered and some other which increases, for instance it is necessary to cover more area in proportion to the soaps sold because the retailers purchase in small quantities.

9.2. Scenario perspectives

For analyzing the 3 standard scenarios there are the following assumptions:

- The optimistic scenario is not the optimal for the business but a short term forecast on base of the final survey which decreases the objective of sales per month to 1000 units/month.
- There is an initial investment which consists in the certification of health safety from the Colombian government. The value is €12.792; for the study reasons there is the assumption of a standard loan payable in 24 months with effective annual rate interest of 20%.

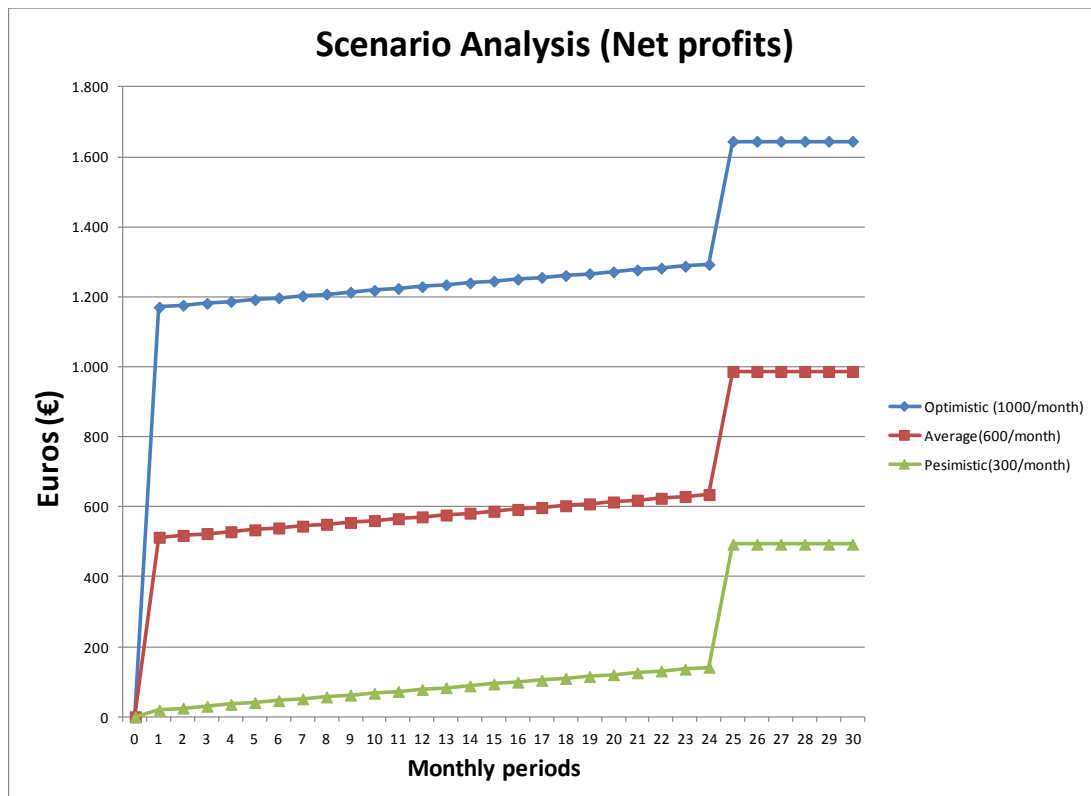


Illustration 22

9.3. Optimal situation

The final purpose for this business plan is to aim and get the market analyzed in Bogota; this means to reach €13.000 in sales which means to sell 2.160 units of soaps per month.

Assuming the same investment in the beginning and the changes in the unitary costs for changing the selling quantities, the result of profits would be as follows:

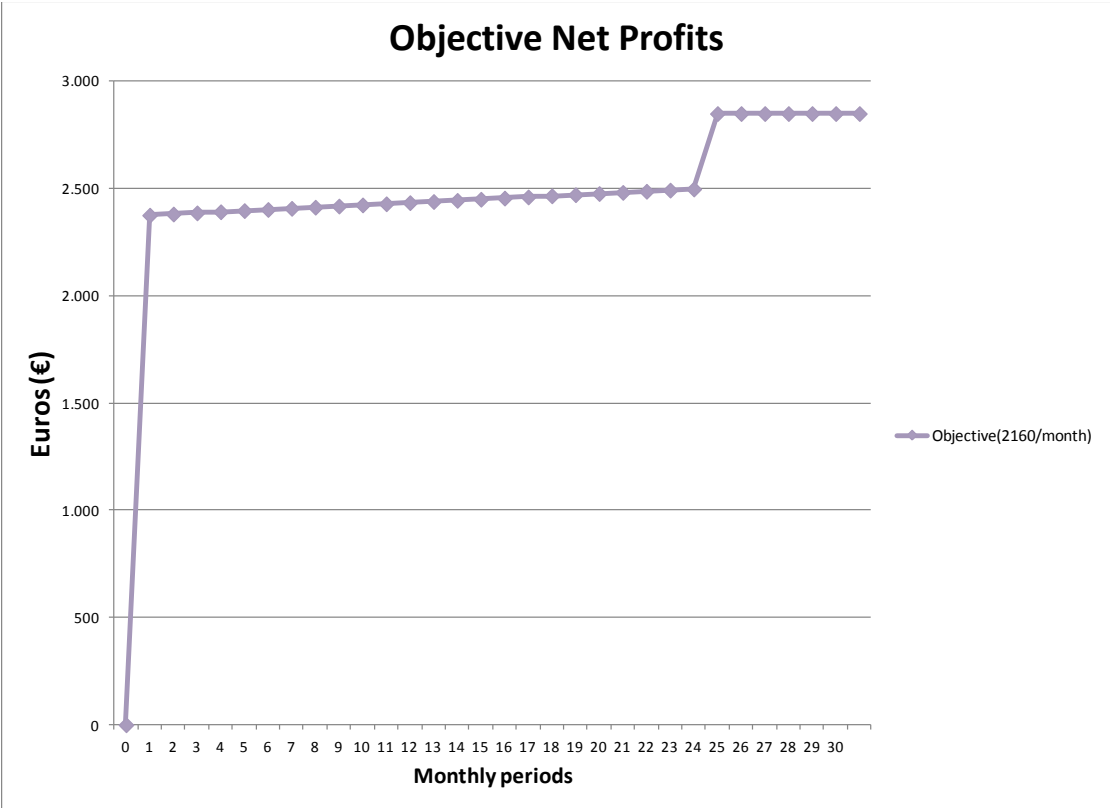


Illustration 23

The previous illustration, the same as illustration 22, shows the result of combining all the cash flows of the business giving as a result the net profits. It can be analyzed month by month for the payback period of the initial investment (INVIMA checking) and taking as an assumption that the demand is constant every period (2.160 soaps per month).

9.4. Conclusions and recommendations

- Theoretically the marketing study it is useful to show the goal of the business in the medium term. Even if in this time the target net profits are not superior to €3.000 per month, this model can be applied to a large range of products produced in Italy and maybe in the future can be exported to Colombia not just in Bogota but in different cities.

- It is normal that the first product orders are lower than 10 units; this fact is not favorable for the business because for this kind of product it is crucial to have large orders for every distributor in order to decrease the unitary costs. However the marketing analysis gives the basis to be confident that there is a big growing potential for the natural cosmetics.
- S'Edera soap will enter to the market competing with imported products like L'Occitane and Amway products among others which have comparable prices to the ones in the result. For instance L'Occitane soaps are sold to the final consumer in 10 or 12 Euros per unit. For S'Edera it is a competitive advantage to promote the natural characteristics because it is a good distinction and the Colombian market likes it according to the surveys.
- The marketing mix that it is proposed for the product, needs to fit to the budget. For the study proposal there is the assumption to allocate €0.5 per soap in order to have a small brochure, support posters in some point of sales and support the time and space in Facebook, where also the product can be promoted.
- Every two months there is the possibility to change the portfolio of products, for instance the quantities for every kind of soap.

The Scenario analysis and the Profit objective graphic are useful to check time to time where the business is. In the first two years the goal is to achieve the optimistic scenario but in 4 years the minimum of profit has to be the objective one. However this perspective is just for Bogotá but it is possible to expand the business to different Colombian cities like Medellín, Barranquilla and Cali.

10. BIBLIOGRAPHY

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