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ENTERPRISE COMPETITIVENESS: INTERNATIONALIZATION STRATEGY

Internationalization Process of *Gallo Worldwide:* Introduction of Olive Oil in a Non-Traditional Market- China

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Executive Summary

This work has the main objective to provide the proper approach to the Portuguese brand Gallo to introduce olive oil in China, tackling Shanghai has point of entry, but also targeting in very short-term two other main cities, Beijing and Guangzhou. Although Gallo very recently established a team in Shanghai, due to confidentiality reasons, it was only provided the information that they are working on a way to introduce the product in China, as it is developed in this study. A deep study of the Chinese market was conducted in order to assess the viability of introducing olive oil, providing a combination of trends and proving that there is a clear possibility of doing so. Hence, it is delivered a prospective analysis of what the company should do and focus on to successfully approach a non-traditional olive oil market. It includes a Porter's five forces and SWOT analyses for Shanghai's region, as well as information about the current stage of International and Chinese olive oil markets. It is also offered a marketing plan with different promotion strategies to be conducted in order to fight the two major problems found in the country, product and brand awareness. According to the information gathered, the recommended appropriate mode of entry is exporting through a local distribution partner, including main advantages and disadvantages. Concluding, three different implementation strategies are suggested for the brand to survive and prosper in China, with the main objective of forcing Chinese population's familiarity and involvement with the product. *Please take into consideration that in order to have a deeper understanding and appraisal of the work project as a whole, it is essential* ***to check all the exhibits*** *as they are highly linked throughout all the study conducted.*

Firm Description

Gallo Worldwide is the most notorious Portuguese olive oil brand and one of the most famous worldwide. It works as an olive oil mixer and seller all over the five continents. The company operates in the industry of oils and fats, particularly in the olive oil sub-category, and it produces annually more than 30 thousand tons of olive oil, from which 70% are exported.

The company runs towards a clear mission: to introduce Gallo's olive oil in every population eating habits, clearly transmitting to consumers the benefits of this "Liquid

Gold" and the importance of using it on a daily basis. Hence, Gallo's vision turns to take advantage of opportunities outside of Portugal, introducing its olive oil in different countries and cultures. Its strategic objectives in the last decade and in the near future are then concerned to studying and creating new markets for olive oil commerce where there are potential demands for olive oil commerce, in order to be, in the near future, number one olive oil brand in the world[1]. Although its core product is olive oil the company also produces vinegar and olive paste. Until the year of 1989, Gallo was a family business owned by Victor Guedes. However, he decided to sell the company and in 1989 Unilever-Jerónimo Martins acquired the brand Gallo. The group Jerónimo Martins, which holds a joint venture with Unilever, owns 45% of the company together with Unilever with 55%. Unilever-Jerónimo Martins priority was to primarily focus on the Portuguese market, in order to achieve a leadership position in its domestic country, but taking into consideration that very soon Gallo should target international markets. In Portugal, demand characteristics for olive oil differ a lot from other international markets mainly because 90% of Portuguese people use olive oil in their daily life[2] (**Exhibit 1.1)**. The situation is not the same, however, in some other countries and consequently growth opportunities for Gallo are located away from its origin country.

Gallo is perceived to be the first olive oil brand in Portugal and the fifth worldwide from a top 10 ranking where Gallo is the only Portuguese brand. The brand is commercialized all over five continents, which accounts for a total of 49 countries with official offices located in Portugal, Brazil and China (**Exhibit 1.2**). Today, Gallo assumes a leadership position in Portugal, Angola, Brazil and Venezuela. Brazil is the strongest market, where it enjoyed a 32% market share in 2012 and huge brand awareness. Besides, Gallo alone is responsible for 14% of global Portuguese exports to Brazil **(Exhibit 1.3).**

Gallo's Value Chain

Prior to describing Gallo's value chain, it is firstly important to illustrate supplier's value chain, which works as an input for the firm's value chain. The olive oil industry is very particular in terms of raw material, mainly because the olive oil has aromas and flavours that derive from climatic characteristics of the production region, water

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[1] Information provided by Gallo Worldwide
[2] Information provided by Gallo Worldwide

composition, type of soil and the moment and method of extraction. Hence, on each crop, olives receive different influence from nature itself, which affects their quality and is not controllable by companies. Gallo does not own land for olive's cultivation and this is not considered a disadvantage given the company's high volume of olive oil commerce[3]. The company acquires the olive oil on its final stage before mixing, which is the input for Gallo's value chain and is called "mill olive oil". It is suppliers' duty to perform the production process from olives to mill olive oil, which consists on seven different phases shown in **Exhibit 7**. The company holds one single plant in Abrantes, Portugal, with 98 employees and a production capacity of 30 thousand tons. On average, the plant receives 7000 samples of olives from different worldwide producers every year. Once the company receives the olives samples, a quality test takes place. According to Gallo's statistics, around 70% of those samples are rejected for not meeting the required quality and the remainder are acquired already transformed into mill olive oil. Later when the mill olive oil is received another quality test takes place. Due to the high volatility on olives' quality each year of production, Gallo has no fix suppliers. Indeed, the company works with some key suppliers, however if for some natural reason their olives don't have the demanded quality, Gallo is forced to change. This situation is only possible because once decided which olives samples will be acquired, the company monitors the whole production process, ensuring that suppliers perform correctly in crucial phases, such as the harvest, that needs to happens in the exact moment of olive's maturity, and the extraction process. Usually, Gallo acquires mill olive oil in Portugal, Spain, Greece, Italy or Chile[4]. There are no geographical restrictions; the only demanded feature is that the mill olive oil has to be within the quality patterns. Transportation to Gallo's storage in Abrantes, where the mixing and packaging will take place, is usually part of the suppliers' duty but can differ according to each negotiation deal. The olive oil commercialized in international markets follows exactly the same process, since every bottle of Gallo is assembled in Abrantes and is only then exported to international markets.

Gallo's value activities **(Exhibit 8)** can be divided into two broad types: *Primary activities,* the activities involved in the physical creation of the product and its sale, *and*

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[3] Information provided by Gallo Worldwide

[4] Information provided by Gallo Worldwide

Support activities, activities that support the previous by providing purchased inputs. One of the primary activities of Gallo is considered to be *Operations,* but only the activity of mixing the different types of mill olive oil and packaging, since the production process is suppliers' duty. The mixing accounts for 3% of total unit costs[5]. The olive oil bottles are outsourced from a Portuguese company and account for 12% of total unit costs[6]. The mill olive oil mixing requires an extensive knowledge detained by Gallo's master blenders, which is transmitted within the company through generations. It involves mixing the exact quantity of different types of mill olive oil, arising from more than 400 types of olives with different characteristics and quality, to achieve the perfect aroma, exact acidity and intensity. Another primary activity is *Outbound Logistics,* activities associated with collecting, storing and physically distributing the product to buyers. The final product is stored at Gallo's plant in a warehouse with temperatures rounding 15 to 16 degrees, so that it allows the decantation of solid that resulted from the extraction process. The distribution activity of final product to main channels isn't done by Gallo. Product is transported by vehicles within Portugal and through containers into international markets. *Marketing & Sales* and *Service* are also part of company's primary activities. Gallo divides its support activities into three main categories *Procurement, Human Resources and Firm infrastructure.* As for procurement, it accounts for the cost of purchasing inputs to be used in the firm's value chain. Procurement of mill olive oil is considered to be the firm's major cost, accounting for 90% of total production costs and 82% of total unit cost. The company also detains a HR team in Portugal where only two people work and thus it doesn't constitute a high portion of total costs. Firm infrastructure is constituted by activities that support the entire value chain and not individual activities. It most probably represents a significant portion of total costs, however, this information was not provided by the company.

Gallo's Competitive Advantages in Portugal

There are many factors that contributed to Gallo's leadership position in Portugal today that allowed the company to develop competitive advantages. The first main point is the fact that Gallo was bought by a partnership between two multinational firms that

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[5] Information provided by Gallo Worldwide
[6] Information provided by Gallo Worldwide

provided the brand the necessary financial resources and stability to develop internally and abroad[7] (CA1). As the JV was made of firms that operate in the whole world, Gallo was also able to acquire expertise and experience in approaching international markets[8](CA2). The long time existence of operations allowed the company to achieve a superior level of industry know-how, especially on mixing the mill olive oil, which allows Gallo to offer a superior quality product [9](CA3). The one single brand strategy relies on having a brand that would be recognized all over the world with the same name, symbol, vision, mission and quality. Its intention is to invest as much as possible in one brand instead of creating different other brand in each country of operations (CA4). Today, in Portugal, the brand has an awareness of basically 100% (CA5) and a very positive brand image (CA6), which should as well be considered competitive advantages. To conclude, in Portugal, Gallo is able to offer a very competitive price because the product is seen as commodity and consequently there is stable and mature demand. Moreover, retailers often see the products as a traffic builder then are able to abdicate margins (CA6). VRIO Analysis is present in **Exhibit 9.**

Porters' Five Forces to Shanghai Region

Threat of new entrances- Moderate

It is predicted that the rising health consciousness and consequent demand for healthier oils will certainly attract more olive oil brands to the region. Besides, the European crisis is turning even more companies to pursue markets for massive sales. However, there are some barriers to new entrances. First of all the know how on mixing the olive oil, which is determinant to define final product's quality, can only be acquired after operating for a long time in the industry. Hence, there will be a high barrier on product quality, since Gallo and other international operators have years of experience and high know how on mixing. Moreover, the low product awareness in the region is considered another barrier to new entrances. Considering that approach Shanghai olive oil market will take time, since it is necessary to migrate from other oils and create a necessity of using olive oil within the population, exit barriers are considered to be low. It is already difficult to enter Shanghai's market with an inferior quality product because consumers

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[7] Information provided by Gallo Worldwide
[8] Information provided by Gallo Worldwide
[9] Information provided by Gallo Worldwide

are demanding the highest quality available. Only a few international brands and one domestic brand detain superior quality and those already operate in the market. Moreover, the approach to non-traditional olive oil markets is only available for big size high experience companies. Consequently, despite its high attractiveness, the threat of new entrances is considered Moderate.

Threat of substitute products- High

The threat of substitute products for olive oil in Shanghai region is considered to be high, mainly because the consumption of other types of oils is more common. Olive oil traditionally has no connection with regional Chinese cuisines and it is usually 8 to 10 times more expensive than other vegetable oils. The most consumed oil is soybean oil, followed by palm oil and rapeseed oil (**Exhibit 10**). All of those vegetable oils are considered to be substitute to olive oil, especially in cooking terms, but don't delivery health benefits, can't be consumed directly and in excess are harmful to health.

Bargaining power of customers- High

Prosper economic conditions in Shanghai make consumers low price sensitive, which reduce buyers' power. If consumers were very price sensitive, they would have increased power, since they would always opt for the cheaper option. Switching costs are considered to be low because consumers will mainly acquire olive oil products from large surfaces and they can opt for a vast range of brands, which empowers consumers. Chinese consumers are not yet loyal to any specific brand and it empowers buyers even more. Moreover, consumer's perception over olive oil introduction is crucial, because they will only start to acquire it if they clearly understand its associated benefits. Olive oil in China is not seen as a commodity and the majority of consumers do not know the product. Considering this, Gallo's success on approaching Shanghai is highly dependent on consumers' reactions to the product and consequently consumers bargaining power is considered to be High.

Bargaining power of suppliers- Moderate

Gallo assumes a high dependence from suppliers mainly because it is their job to perform the production process from olives to mill olive oil. Given the volatility of olives quality from one campaign to another, the company is very used to change suppliers on each year, assuming a high rotation of suppliers. Hence, suppliers bargaining power is considered Moderate.

Competitive rivalry within the industry- Moderate

Ninety per cent of the imported olive oil to China is sold in big cities and it is not sold in 95% of small and medium cities, which means that the commercialization of olive oil has significant market only in major cities. The fast growth of the market does not go unnoticed to major international olive oil players, as well as for domestic brands that are investing not only on commercializing the product but also in producing it. Today, there are more than 200 olive oil brands commercializing in China, from which nearly 100% are imported from Spain, Italy, Greece, Turkey and Portugal. It is provided a list of international brands that are already commercialized in China and detain the superior quality to compete with Gallo's products[10] in **Exhibit 11**, while some others brands are already selling in China but do not constitute a threat because of lower quality patterns. The company Extenda, a business promotion enterprise, is leading the campaign of promoting Spanish olive oils in China, allowing a greater visibility of Spanish olive oils compared to others.

The majority of domestic brands detain fewer years of operations and experience in the industry and therefore are not able to produce superior quality olive oil[11]. It is provided in **Exhibit 12** a list of domestic competitors and their respective market shares in the Chinese olive oil market. The brand *Olivoila* is the most powerful domestic brand with a market share of 18,8% in 2012 and a product quality above other Chinese brands[12]. The brand is part of the vastly diversified and high coverage portfolio of *Wilmar International*, which is the leader (by far) of the Chinese oils and fats industry and reinforced that position with a 44% market share in 2012 (**Exhibit 13**). Given this, and although Chinese population show no brand loyalty to food products, they show preference for this group's portfolio of brands. The long time leadership and consequently high experience on oils and fats domestic market provides the brand *Olivoila* the necessary knowledge to constitute a threat for international players that offer high quality olive oil. A well-known reliable brand is key to strive in China's olive

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[10] Information provided by Gallo Worldwide

[11] Information provided by Gallo Worldwide

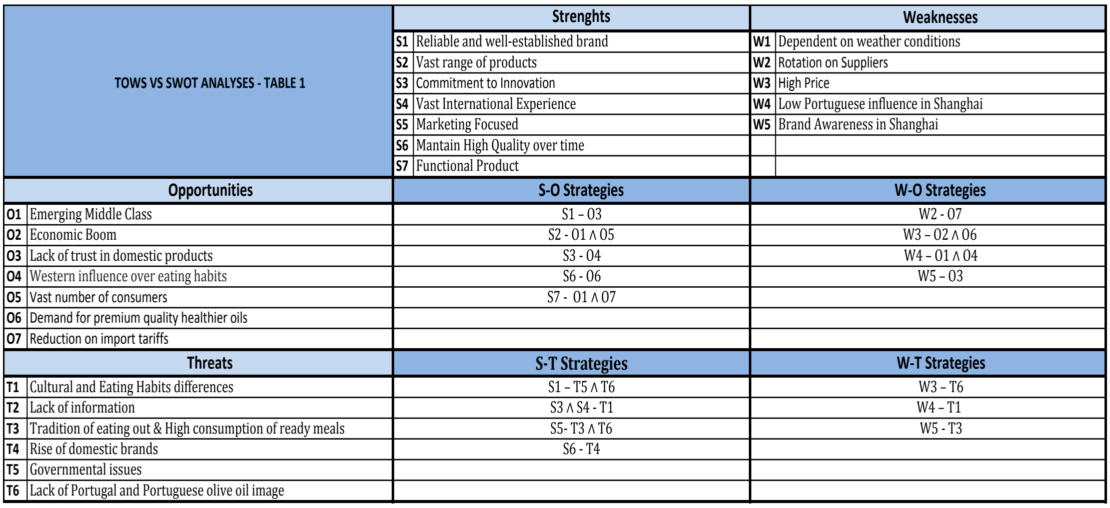
[12] Information provided by Gallo Worlwide

oil market and then more and more competition in this market is focusing on branding. Although some brands arrived earlier than others, they all still on a premature phase of promotional activities to introduce olive oil routines in the region[13]. Hence, competition in Shanghai is still moderate but the market will certainly become crowded in the near future because it is a rapidly growing consumer market and it is expected that more olive oil brands will be set to enter the fast-growing olive oil sub-category in order to tap into the rising demand and to pursue massive sales.

TOWS Analyses

The following TOWS analyses result from the SWOT analyses presented in **Exhibit 14**. A TOWS analyses will help the company minimizing risks and threats.

Table 1- SWOT vs. TOWS Matrix



	TOWS VS SWOT ANALYSES - TABLE 1		Strenghts		Weaknesses
		S1	Reliable and well-established brand	W1	Dependent on weather conditions
		S2	Vast range of products	W2	Rotation on Suppliers
		S3	Commitment to Innovation	W3	High Price
		S4	Vast International Experience	W4	Low Portuguese influence in Shanghai
		S5	Marketing Focused	W5	Brand Awareness in Shanghai
		S6	Mantain High Quality over time		
		S7	Functional Product		
	Opportunities		S-O Strategies		W-O Strategies
O1	Emerging Middle Class		S1 – 03		W2 - 07
O2	Economic Boom		S2 - 01 ∧ 05		W3 – 02 ∧ 06
O3	Lack of trust in domestic products		S3 - 04		W4 – 01 ∧ 04
O4	Western influence over eating habits		S6 - 06		W5 – 03
O5	Vast number of consumers		S7 - 01 ∧ 07		
O6	Demand for premium quality healthier oils				
O7	Reduction on import tariffs				
	Threats		S-T Strategies		W-T Strategies
T1	Cultural and Eating Habits differences		S1 – T5 ∧ T6		W3 – T6
T2	Lack of information		S3 ∧ S4 - T1		W4 – T1
T3	Tradition of eating out & High consumption of ready meals		S5- T3 ∧ T6		W5 - T3
T4	Rise of domestic brands		S6 - T4		
T5	Governmental issues				
T6	Lack of Portugal and Portuguese olive oil image				

Strategies to use strengths to maximize opportunities (S/O);

Chinese consumers lack of trust in domestic products and are then switching to imported products. For consumers in Shanghai one of the most demanded attributes for a product is trust, given the numerous scandals recorded in the country about product quality. Gallo, that is a reliable and well-established brand, must invest on gaining Shanghai's consumers trust by communicating its vast brand history, success on each market it operates and high quality patterns. Moreover, Chinese consumers perceive imported products, especially western, to be of higher quality than domestic products, therefore Gallo needs to transmit its western origin. Consumers should easily reach this information, it should be printed on the bottle's label. (S1 – O3)

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[13] Information provided by Gallo Worldwide

In China due to low education about the product there might not be demand for olive oil's different lines. Nevertheless, the emerging middle class brings a more westernized consumption pattern as well as more educated consumers. Consequently, in the near future, if Gallo successfully approaches China, there might be an increased demand for different lines and Gallo will have more ability to offer a wider range of products. Moreover in close future, the vast portfolio of products guarantees that Gallo will be more able to satisfy a broader range of very diversified customers with different preferences and requirements. (S2 - O1 ∧ O5)

The commitment that Gallo assumes with innovation will make the company better able to respond to those consumers who are under western influence and start showing western consumption patterns. (S3 – O4)

Gallo is able to maintain each year of production a functional superior quality product, avoiding quality fluctuations, and consequently the company is more able to tap the rising constant demand for healthy premium quality oils. (S6 – O6)

The reduction of tariffs on imported food to China makes Gallo able to export the exact same functional quality product delivering the same attributes for lower tax costs, with no additional costs for the company. Hence, it is able to practice a lower price in the region, even though that reduction is small. Furthermore, in countries like China and India, premium lines with health benefits already started conquering middle-class consumers in urban areas. (S7 – O1 ∧ O7)

Strategies using strengths to minimize threats (S/T);

When approaching Shanghai, the brand Gallo brings along its reputation as a reliable and well-established worldwide brand, which can be crucial minimizing possible issues with Chinese government and increasing Portuguese olive oil awareness in the region. It is then crucial to diffuse Gallo's history and positive reputation worldwide all over Shanghai region. (S1 – T5 ∧ T6)

The fact that Gallo is always innovating its range of product and their characteristics will certainly make the firm better positioned to deal with different cultural and eating habits. A deep study of Chinese consumers is highly required in order to offer a product that suits on their preferences. The vast international experience and successful approach to different markets all over the world also ensures that Gallo will be able to respond to differences. For instance, Gallo in Brazil developed an extra line of a lower quality and cheaper olive oil in order to target lower income people[14]. (S3 ∧ S4 – T1)

Gallo should use its superior marketing skills to induce olive oil as the healthier oil to cook, forcing Chinese to return to home cooking, and to successful promote Portuguese olive oil in the region, minimizing this way their preference for eating out and ready meals, as well as the threat of low image of Portuguese olive oil. (S5 – T3 ∧ T6)

The fact that Gallo's products suffer very low quality fluctuations clearly diminish the threat imposed by domestic brands because they operate for a much shorter time in the industry and then do not detain the necessary know-how on mixing that ensures no quality volatility. Gallo needs to invest in transmitting its product's superior quality stability all over time. (S6 – T4)

Strategies that minimize weaknesses by using opportunities (W/O);

The high rotation of suppliers is considered a weakness to the company because it doesn't allow Gallo to develop a relationship with a fix supplier and consequently the company can't get the advantage of possible benefits provided by a fix supplier. However, this weakness can be minimized by the fact that import tariffs have been reduced recently and Gallo is able to export to China paying lower taxes. (W2 – O7)

The rising health consciousness turned consumers to look for premium quality healthier oils, showing no price sensitivity. If consumers clearly understand the health benefits of using olive oil in detriment of other cheaper oils, they will be able to switch. Consequently, Gallo needs to invest strongly on educating consumers about the product and its functionality in order to justify the higher price. (W3 – O2 ∧ O6)

There is no Portuguese influence in Shanghai as were in other countries where Gallo expanded and there are no routines on using olive oil. Nevertheless, this weakness can be minimized by the high western influence in eating habits and by the emerging middle class that displays more westernized consumption patterns. (W4 – O1 ∧ O4)

It is clear that Gallo's approach to Shanghai will incorporate a brand and product awareness problem. However, considering that Chinese people are losing trust in domestic products, they will tend to look for international (especially western) brands to consume, which represents an opportunity for Gallo to increase awareness in the region.

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[14] Information provided by Gallo Worldwide

Gallo needs to invest on the presence on main distribution channels to promote its product and brand through marketing campaigns. (W5 – O3)

Strategies that minimize weaknesses by avoiding threats (W/T);

Gallo needs to invest in promoting Portuguese olive oil high quality and its associated health benefits in the region in order to justify its high price, as Spanish brands have been doing. (W3 – T6)

The only way of turning the high cultural differences is by learning and adapting to domestic culture. Gallo must be prepared to adapt their business models to suit the specific demands and preferences of Shanghai's market consumers. By doing so the company is minimizing the weakness of low olive oil usage. (W4 – T1)

Gallo should invest on promoting the return to home cooking aligned with the introduction of olive oil as the healthier oil to cook. By doing so it would not only be avoiding the threat of high consumption of ready meals and preference for eating out, but at the same time be increasing awareness, especially on the product. (W5 – T3)

International Olive Oil Market

The amount of commercialized olive oil worldwide in 2012 accounted for 12.231,00 Million US$ and 2.255,6 thousands of tonnes, an average rise of 3% and 2% since 2007, respectively **(Exhibit 21**). Spain accounts for 25% of the world's olive oil commerce in volume terms, followed by Italy with 16% and USA with 11%. In value terms Italy accounts for 14% of global olive oil commerce followed by Spain with 13,6% and USA with 8,8%. (**Exhibit 22)**. Olive oil represents only 3% of all fats and oils consumed in the world and producers countries are also the major consumers of the product. Spain is the main olive oil producer in the world, counting for 46% of total world production, followed by Italy with 15% and Greece with 10% (**Exhibit 23)**.

Competitive Landscape

Gallo's worldwide competitors are other olive oil brands mainly from Italy and Spain that produce high quality olive oil. The brand *Bertolli* has been the world market leader for a while and reached a world market share of 5,1% in 2012, followed by *Carbonell* with 3,6%. Both belong to the main worldwide olive oil group, *Deoleo SA.* Gallo occupies the third place with a world market share of 2,6%. In **Exhibit 24** is provided the evolution of world market shares since 2008, as well as a full list of Gallo's worldwide competitors.

Chinese Olive Oil Market

A major conclusion of this study is that Chinese olive oil market is in a very premature phase mainly due to the population's low awareness and wrong perception of the product. In China, olive oil is not perceived as a commodity daily use product, instead it is considered a very special product, usually offered as a gift or for medical use. Not surprisingly, in 2012 China accounted for 1% and 1,1% of world olive oil market both in volume and value, respectively (**Exhibit 22)**. In **Exhibit 25** it is possible to analyse Chinese olive oil market sales from 2007 to 2012 in value and volume terms. Olive oil sales recorded a constant growth since 2007 and grew 25% and 13% from 2011 to 2012, both in value and volume terms, respectively. Imports to China accounted for 45,058 tonnes in the 11/12 campaign, a rise of 38% compared to last year. About 60% of that imported olive oil was shipped from Spain, 24% from Italy and 6% from Greece. Although Greek products are low represented in the market, they constitute a serious threat due to its very competitive prices. The most required olive oil type is Extra-Virgin, accounting for 84% of all imports, followed by Olive Pomace Oil[15] with 12% and Virgin olive oil with 5% (**Exhibit 26**). There are a combination of trends, described in **Exhibit 27,** that predict olive oil's future success in the market, which is also predicted in the constant increased demand for olive oil in China over the forecast period from 2012 to 2017, making olive oil the most promising sub-category within Chinese oils and fats (**Exhibit 28**). Globally, the industry will be driven by a health trend in the forecast period from 2012 to 2017, being olive oil the sub-category that will mostly benefit from it (**Exhibit 29)**.

Why Shanghai as Entry Point – Foreign Market Choice Analyses

The main reason for targeting China is because it perfectly suits in Gallo's vision and strategic objectives - taking advantage of growth opportunities outside Portugal and introducing the olive oil in countries where there are no routines on using it[16]. Moreover, China's per capita disposable income has grown at an average annual rate of

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[15] Olive pomace oil is olive oil that is extracted from olive pulp after the first press. Once the mechanical oil extraction of olive oil is complete, approximately 5-8% of the oil remains in the pulp, which then needs to be extracted with the help of solvents.

[16] Information provided by Gallo Worldwide

8% since 1990. Its economy has been growing by double digits rates in the past few years and it is the best country poised to overtake the US as the second largest global economy by 2020. As a result, China is considered to be one of the most attractive markets for mass international expansion.

It was decided to target Shanghai region as point of entry, although it is known that 90% of olive oil commerce in China is also concentrated in two more major cities Beijing and Guangzhou. Hence, in very short-term, Gallo needs to expand its olive oil commerce to Beijing and Guangzhou. However, there are many reasons that favour Gallo in targeting Shanghai as entry point. First of all, it is where the company detains official office with three people working[17]. Although the information of what that team is specifically doing today in Shanghai was not provided- it was only informed that they are working on promoting both the brand and product in order to induce routines on using it – it is highly recommended not to invest in local presence in China prior to researching the market thoroughly and finding a clear niche. If Gallo invested in official offices in Shanghai is because in its country research, the company found the same opportunities for olive oil's introduction as this study. Local offices are an important source of local knowledge, support to the commerce of olive oil and to final customers. Shanghai is China's most mature market in terms of consumer behaviour and it is a more suitable testing ground than any other city for foreign companies with limited experience in operating in China. Additionally, it is the most populated region in China with 23 million people and 14.2 million households. Consumers from Shanghai register the highest income average of all China's 21 provinces (40,188 RMB) and thus it detains the customers with higher purchasing power.

There are over 214 different nationalities living in the region, which promotes high cultural exchange and high influence from other cultures in domestic people. Therefore, Shanghai's population is much more able to try new products from different cultures, to receive and to adapt new cultures. The successful Shanghai Expo 2010 with the theme "Better City, Better Life" reinforced population health consciousness and created opportunities for introduction of healthier eating habits. It was also a great marketing tool for the city, increasing tourists' flow and provided a positive image of the city to the world, being today the fifth city worldwide with the best image (**Exhibit 30**). From

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[17] Information provided by Gallo Worldwide

the same study conducted by KPMG in 2013, Shanghai is the third most attractive city in the world to setting up a business, one position ahead of Beijing (**Exhibit 31**). In fact, Shanghai's high attractiveness and credibility is clear, earning confidence of European and North American investors, which represent 43% and 35% of total FDI in the region, respectively. The city attracts large amounts of FDI being considered the third city worldwide receiving more investments and one of the most dynamic and growth-guaranteed markets in the world (**Exhibit 32**). Investors consider it to be the city that exhibits the most economic growth worldwide, the second with the biggest and more accessible market and the third city with the best infrastructures (**Exhibit 33**). As a result, it is considered the main gateway to China and it is placed third in an overall ranking of 2013 that combines image's elements with attractiveness' elements, only behind New York City and London and surpassing Beijing (**Exhibit 34**). The government is one of the major pushers for FDI in the region, which shows political stability, at least in FDI terms. In addition, Shanghai is considered to be China's financial centre, with most sophisticated infrastructures and better prepared to receive foreign investment than any other region. Likewise, Shanghai is a coastal city located and detains China's top seaport and one of the most important seaports worldwide with established business connections with over 500 ports of 200 countries/regions. That is fundamental to Gallo since the company will export through contenders until Shanghai.

Mode of Entry

When approaching China, the mode of entry is a crucial decision to determine the success of the company's approach. A well-chosen mode can enable the company to gain a competitive advantage, whereas inappropriate choices are difficult to change. In China, the entrants in some industries are required by law to set a local Chinese entity while in others setting local intermediaries and a small representative office might be enough. It is vital to check **Exhibit 35** for advisory about legal issues when exporting to China. The entry mode is then dependent on a variety of factors, such as the competitive landscape, the geographical size and the scope of the market, whether the company will manufacture locally or not, and the level of local sales and technical support required by customers. For olive oil exporting companies results from a Delphi Survey **(Exhibit 37)** conducted in Spain[18] show that the most suitable mode of entry for penetration into new markets is *partnerships with import local companies and/or distributors at the destination*, which has also been the used mode of entry of Gallo in each market it started operations in[19]. Exporting through a *local distribution partner* is highly required mainly because Chinese store owners always prefer to receive products from local distributors since they offer a free returning policy of non-sold products, high listing fees for new products and good credit terms. It is assessed in **Exhibit 38** the viability of different possible modes of entry. The company will then export its olive oil from Portugal and sell it to the distributor, who will afterwards re-sell it on main distribution channels. A contract will be celebrated between both, where Gallo's duty is to promote its product and brand in the expansion country, ensuring demand for its products to the distributor.

Advantages and Disadvantages of Local Distribution Partner

By using a local distribution partner Gallo could take advantage of the network of business and government contacts detained by local distributors that can be useful in resolving problems with minimal fuss. Shanghai, Guangzhou and Beijing have China's best infrastructure and the largest number of experienced distributors, which will facilitate Gallo's search for local distributors in Shanghai. It also includes the advantage of low risk involved- if Chinese people do not correctly accept the product, Gallo will stop exporting with no additional costs. It doesn't need registered capital requirements and is quick and cheap to set up. The company can benefit from the distributor's local knowledge in distributing imported products, which is essential given the complex Chinese consumer profile and the high cultural barrier. In addition, by using a local distribution partner, Gallo can ensure full channel coverage that is vital when approaching China. Nevertheless, the contract with a local partner also gets the disadvantage of low control over final product quality. The product can be damaged or submitted to adverse temperatures that would make it lose quality and freshness, for instance. Gallo will also face difficulties in negotiating terms with a Chinese local distributor because he/she will probably want to negotiate the terms on its favour. Additionally, with this approach, Gallo doesn't get a formal authorization to sell in the

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[18] Mili and Rodríguez Zúñiga, 2001
[19] Information provided by Gallo Worldwide

region, only its partner will have the ability to commercialize Gallo's products, which can become an issue in the long-term.

Local Distributor recommendation

The local distribution partner selection is a very important decision and a major goal of this study. Gallo's distributors in other markets detain vast experience in working with imported products and international brands, in China both conditions must be also accomplished. It is provided in **Exhibit 39** a list of possible distributors for Gallo in Shanghai. From the list it is possible to recommend to Gallo the company *Sidonis Food Co., Ltd*. It is based at Shanghai, distributes a big variety of daily consumed products of other very important international brands and registered in 2008 revenues of 154 millions RMB. Using the same criteria it is also possible to recommend the company *Shanghai Kerry Oils & Grains Industrial Co., Ltd.,* which is also located in Shanghai, imports the mill olive oil for the best domestic brand, *Olivoila*, and recorded revenues of 100 millions RMB in 2010.

Implications of the chosen Mode of Entry

Gallo's chosen mode of expansion encloses some implications totally independent from partner's selection. It is very dependent on branding, promotion and advertising, hence marketing activities of both product and brand, which is Gallo's duty in the celebrated contract, play an essential role. For instance, the world's leading olive oil brand by consumer awareness and market value today, Bertolli, reached that position by the simultaneous use of various marketing strategies, supported by heavy financial investments. Besides, when advertising is used as a tool to differentiate brands and to segment the market, it helps to raise profit margins, creating a good product image and customer loyalty. Gallo can expect an essentially costly investment in a marketing plan to develop the most appropriate promotion and advertising activities.

Marketing Plan

When tackling external markets the most critical barrier Gallo will face is the adaptation of the product to consumer tastes and preferences. Hence, a major question facing any olive oil exporting company is what marketing strategies to adopt to enter foreign markets and to obtain sustained competitive advantages, in view of the dramatic changes in consumption patterns. It is essential to continue consolidating the prestigious, top-quality image of olive oil, which constitutes one of the best reasons for internationalizing the product. Considering all different marketing strategies, the most appropriate for Gallo on approaching China is *Market Development* (**Exhibit 40**)*,* since the company is looking for growth opportunities by targeting its product to a new market segment in a new region. Gallo should hire a local marketing/PR agency so that it could use local knowledge to a better marketing approach. In **Exhibit 41** it is provided a list of local agencies. Target, Segmentation and Positioning are provided in **Exhibit 42**. Once consumer preferences and market trends have been noted, target markets selected and the method for entering decided, export olive oil companies need to draw up a marketing plan. Decisions on product characteristics, pricing strategies, distribution channels and communication policies will be crucial factors for the success on foreign markets.

Marketing Mix (4 P's)

Product

Gallo assumes a high commitment with quality and it is considered one of its sources of success. It will then offer in China the same premium quality olive oil, mixed by Gallo's master blenders. Gallo's products will be sold under the brand Gallo, with the same logo and attributes, only including the feature that it will be a luxury product. When entering Shanghai's market the company will offer two types of olive oil with different purposes and price: The extra-virgin olive oil, that should be used to direct consumption and also targeting hotels and restaurants; and the virgin olive oil, that should be mainly used to cook and is sold for a lower price. Due to low familiarity with the product it would make no sense to launch in the implementation phase a vast range of different olive oil types, flavours and intensity. Yet, if successful, Gallo should invest on launching them in the long-term. Gallo's olive oil in China will be introduced in small 100ml and 250ml bottles, since the levels of consumption are much smaller compared to other markets. It is also important to keep the innovative dark glass bottle, since it ensures greater protection to light, avoiding oxidation effects on olive oil taste. Moreover, and considering that usually Chinese look to olive oil as a gift, it is crucial to create a gift package. The label of the bottle is another crucial aspect because the

Chinese reports difficulties in understanding from the label the product's country of origin, characteristics, how to use and what stands for. This way, Gallo needs to invest in a revolutionary label when entering China, with information easy to understand and reach, in order to educate consumers. It is vital to communicate its western origin, due to the common idea of western products to be safer. Since olive oil is also often used for medical purposes, the health benefits of using it should assume a notable place on the label. Olive oil is the only vegetable oil that can be consumed directly[20] and it is crucial to communicate it in the label, since the majority of Chinese individuals do not understand it[21]. Chinese people are very superstitious and each colour has a different purpose. For instance, the red colour symbolizes the fire, which avoids bad luck, and is often associated with luck and happiness. Gallo should then design a package and label using mainly red colour. Each Chinese year is also associated to an animal. In the 28th January 2017 starts the rooster's years and Gallo should take advantage of it by developing a new label and package for that year, promoting its rooster symbol.

Place

Chinese consumers are changing their purchase methods and starting to acquire consumer goods in volume instead of small quantities on a daily basis. Moreover, the emerging of middle class ensures a generation of consumers that will tend to buy more consumers good in one single purchase. As a result, traffic in hypermarkets and supermarkets in China will tend to increase, making large surfaces as these the main distribution channels for Gallo's olive oil. Gallo should target both foreign controlled and domestic controlled hypermarkets and supermarkets, since in Shanghai the 82 foreign own hypermarkets accounted for 78.6% of the total hypermarket sales volume in 2008. These benefit from offering better quality products, better hygiene controls and a higher volume flow rate than most domestic retailers, being then able to ensure better food safety for consumers, which is vital in China. The company should also use distribution channels like small grocery shops and convenience stores, since those channels are becoming more interested in selling a wider variety of imported products. Also, the company should target gift stores to sell its gift package because it appears to

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[20] Study on the Promotion of Consumption of Olive Oil and Table Olives in China, March 2010
[21] Study on the Promotion of Consumption of Olive Oil and Table Olives in China, March 2010

be very well accepted[22]. **Exhibit 44** provides a list of supermarkets, hypermarkets and convenience stores in Shanghai that need to be targeted as distribution channel by Gallo. Considering that Gallo in the implementation phase will only sell its products in urban areas, it is not necessary to target as channels small grocery stores or wet markets, since rural less educated people mostly frequent those channels. It is crucial for Gallo to have high channel coverage, including e-commerce, given the Internet transactions boom recorded in China, which is considered one of major ten trends for Chinese consumers (**Exhibit 45**). As a result, developing an appropriate online platform to sell Gallo's olive oil must be a priority, especially in the long term, since in short term the low product awareness might represent a barrier to online commerce. Restaurants and Luxury Hotels should as well be used as channels since there is untapped demand for olive oil[23]. Distribution until Chinese distributor will be done through contenders shipped from Portugal.

Promotion

A survey conducted by the China Internet Network Information Center shows that 85% of interviewees uses Internet as their first source of information, followed of TV (66,1%) and newspaper (61,1%). Promotion activities and information campaigns are a key aspect for Gallo since it will be its major source of product and brand awareness. It is vital for Gallo to focus on the benefits of using olive oil in detriment of other vegetable oils and communicate its western origin, high quality patterns and luxury in its advertising and promotion activities, using the correct channels to do so. Companies that wish to be successful in China's consumer market should first recognize the diversity of this country's consumer base and only then develop a strategy to make their advertising and marketing promotion more efficient and effective. Moreover, in China, when promoting its products to consumers with low purchase preferences, companies should focus on the price, channel coverage and channel marketing of their products instead of increased price promotions. Gallo's target will be high-income people who detain high education and consequently read a lot of newspapers and magazines. This way Gallo should invest in propagating its brand and product through those channels, as well as promoting a monthly newsletter reaching the main target and informing about

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[22] Information Provided by Gallo Worldwide

[23] Study on the Promotion of Consumption of Olive Oil and Table Olives in China, March 2010

olive oil production methods, origin, producers, health benefits and methods of usage. The communication in the mentioned channel should be mainly informative. In **Exhibit 46** is provided a list of Chinese most important magazines. Besides classic advertising, it should be a main aim to get the support of journalists to write articles in journals and magazines regarding olive oil. Given target characteristics and the Internet boom, Gallo's target will easily reach the Internet. Therefore, Gallo should invest a lot in online advertising and social media. It is crucial for the company to create its own website and it needs to be written in Chinese, so that the company can increase popularity, influence consumers by content and design, and create a company image for Chinese consumers. In China, social media differs from the rest of the world, mainly because of the prohibition to Facebook. The most popular social media is Weibo, where around 5000 food products are opening accounts. Today, one in two Chinese use it, which makes it a powerful tool that should be used by Gallo to promote its product. Launching a TV commercial is discussable because, in the implementation phase, due to low familiarity with the brand and product, consumers may get confused. However, it is the most powerful promotion channel and then a commercial should be launched in a more advanced stage. In order to promote its brand, Gallo needs to be present in the annual *China International Olive Oil & Edible Oil Exhibition,* that takes place in Beijing and Shanghai. Additionally, there are some local exhibitions, like *China Yangling Agricultural Hi-TechFair*, *Longnan Olive Products Exhibition* and *China Agricultural Trade Fair* happening every year[24] and Gallo should take advantage of them by participating and promoting its brand. Another important campaign that should be taken by Gallo is advertisement in the Points of Sale (POS) and shelves. At the time Gallo reaches Chinese supermarkets and stores the brand must be visible and attractive, so that it would call for consumers attention. Activities in order to educate consumers and samples' distribution should be done in POS, especially reaching consumers that are acquiring other vegetable oils. Considering that in the implementation phase Gallo's priority should not be price promotions, the company should invest in a partnership with other vegetable oil brands and, for instance, offer a small bottle of Gallo's olive oil with the purchase of another vegetable oil. As a consequence of information restriction originated from the hard dictatorial system in China, people trust more on consumers'

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[24] Study on the Promotion of Consumption of Olive Oil and Table Olives in China, March 2010

information and opinion than brands communication strategies. Given this, the word-of-mouth phenomenon is crucial and Gallo should invest on promoting a positive brand image. Gallo should as well invest on creating a green free line to answer customers' doubts and provide information about the product. The company already has a team in Shanghai's region, which is vital for success and use of correct communication methods[25]. Moreover, Gallo should get advantage of the book written in mandarin and released by a Portuguese, named "*O Amanhecer do Azeite*", which educates about olive oil characteristics, benefits and usage. The company could promote even more the book in China and this way would be educating consumers regarding olive oil and increasing product awareness. To conclude, the company should sponsor key culinary television programs, organize *olive oil weeks* in selected restaurants and hotels and tasting activities, in order to promote home cooking with olive oil and educate consumers regarding its usage. In **Exhibit 47** it is provided a list of Chinese most popular cooking shows that could be addressed.

Price

In China, olive oil is sold at a high price, especially when compared to other vegetable oils. On average, one litre of olive oil costs from 85 to 110 RMB (8€ - 10€), being the maximum price paid for it 130 RMB (12€) and the minimum 70 RMB (7€). It could be useful for Gallo to introduce the olive oil at a lower price, pursuing a penetration pricing strategy in the implementation phase. The fact that Chinese people compare different prices, analyze products to detail and do not buy impulsively reinforces even more the necessity of such strategy. By doing so, Gallo would be able to conquer brand awareness and market share from other international competitors. A premium price should be charged only when customers clearly understand its product's superior quality. The company will, however, have to abdicate margins and profits in the implementation phase in order to conquer consumers. In the long-term, given the potential of the Chinese market, the company will certainly easily recover from this investment with massive volume sales, if successful. In **Exhibit 48** it is provided information about pricing in Portugal and China. The recommended price to approach Chinese market for Extra-Virgin olive is 11,24€/liter while for Virgin is 9,26€/liter.

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[25] Information Provided by Gallo Worldwide

Having entered the market, Gallo will need to consolidate its position and gain a competitive edge in order to survive and prosper. According to Porter's normative model for analyzing competitiveness there are three alternative strategic options to do so: *cost leadership*, *product differentiation* and *specialization in a particular market segment*. Considering the information gathered, it is possible to recommend Gallo three different strategies to force the population's involvement with olive oil by creating a necessity of using it.

Launch a new product targeting a specific target- Child Olive Oil

The olive oil market is an imperfectly competitive market where the opportunities to compete on cost are limited (although Gallo will enter through reducing margins to offer a lower price, competitors will tend to pursue the same strategy in the very short-term). Competitive edge has to be acquired through proactive differentiation and segmentation policies. It is a question of offering unique, superior products to specific consumers who perceive them as such.

The one-child policy entered into force in China in 1979 with the main purpose of moderating population's growth. Couples with one only child are today a regular situation in China and the law promoted massive changes in Chinese society. For instance, as a result of the Chinese one child policy, parents do anything for their children, making them a very powerful target within Chinese society, often used as consumption drivers. Surprisingly, on the December 28, 2013 the law was softened and couples are now allowed to have two children. Yet, there are not expected massive changes with this small change. In fact, one of the top ten consumer trends in China is that parents will increase their efforts to do everything for their child, being the rising income a major pusher for the situation. Chinese parents regard their children as being the centre of the family and are able to spend anything in child-specific products. Even the price sensitive parents show their availability to spend high amounts in child-specific products and according to the founder *James Feldkamp* a growing number of Chinese parents, especially those under western influence, are willing to pay more for higher quality products for their children. Indeed, Chinese children are often called "little emperors". Furthermore, children's food and nutrition is going premium, mainly because of the food safety scandals. Parents are getting away from local brands and towards premium, high quality and healthier products to feed their children. Hence, vitamins, healthier eating and cooking, as well as aversion to inferior quality food products are all massive trends in the consumer behaviour of Chinese parents today. The tendency is that Chinese parents will increase even more their efforts on giving their children the best in every category, including education, food products, toys, among other vital children requirements. As a result, in food terms, parents are demanding the top quality and healthier food products to feed their children, which in their perception is imported food. Therefore it is recommended to Gallo to design and launch a new type of olive oil, targeting children, with less acidity and intensity, so that it will be more suitable for the target. The communication strategy of the product should reinforce that cooking with that olive oil will deliver healthier meals for their children. This way, Gallo would be forcing parents to buy that oil, since they would do anything to provide healthier and premium quality products/meals for their children. At the same time, Gallo would also be betting on the parents' involvement and familiarity with the product. By doing so, Gallo would be easily reaching part of the main target (parents) and educating them about the product's correct usage and health benefits. On a first phase, parents will acquire the olive oil for their children, increasing both product and brand awareness, and if they successful perceive how to use it and its associated health benefits, on a second phase, they will be able to acquire it for themselves as well. A major statistic contributing for a successful launch of this product is the fact that child-specific products detain high penetration in major cities such as Shanghai, Beijing and Guangzhou. Also, the acceptance of child-specific products is already high and is predicted to greatly increase in future. However, there are two factors that can compromise the success of this strategy. First, the one-child policy leads birth rates to fall and consequently makes the children population decrease in the country, diminishing Gallo's new product's target. Another factor contributing for the birth fall is the urbanization trend that reinforced women's role in society and consequently less availability to have and raise children. Secondly, the main objective with this launch is to reach parents, hence, the fact that modern couples work hard during the whole week is turning Chinese parents away from their children. The parenting distance is another obstacle to the success of Gallo's new product. The new olive oil targeting children should be launched in the common distribution channels, such as big surfaces, but there are also other important channels, given the target, that need to be covered. The e-commerce channel is predicted to take a bigger share of value sales in child-specific products in the near future and then needs to be covered. *Suning Appliance,* a top retailer, recently acquired a major child-specific e-commerce platform, *redbaby.com.cn*. With *Suning Appliance's* 88 delivery centers and nearly 2,000 express delivery stations, *Redbaby* will be able to further penetrate major cities. Commercializing the new olive oil on it might be an important source of product flow. Another crucial channel to cover is baby's specialist stores, not only because it is gaining popularity in selling child-specific products but also because they offer advice and recommendations from in-store consultants when shopping, which is vital for Gallo due to low education about the product.

Introduce Olive Oil as an ally on the Obesity fight

Given the serious obesity problem recorded in China's major cities **(Exhibit 49)**, another possible strategy that would force the introduction of olive oil mainly for cooking is looking for an entity that fights obesity and introducing olive oil as an ally on the obesity fight, transmitting to consumers the importance of olive oil's health benefits in fighting obesity. The obesity problem is a major driver for the rising health consciousness in the country and its fight is one of the major five global trends for the next five years. The problem is not only recorded in adults, as around 40% of Shanghai's adults suffer from overweight, but also in children. The percentage of Chinese teenage population suffering from diabetes, as a direct consequence of obesity, is quadruple of their American peers. The implementation of fast food and the one-child policy that lead parents to express their affection through food are major drivers of the rising obesity problem in Chinese children. Government is aware of it, as it is currently promoting the consumption of healthy products, which would diminish this social problem. Therefore, the government could be an interesting partner, and together with Gallo it could develop promotional campaigns, such as a health committee, health activities or information sessions, to promote the usage of healthier oils and educate about olive oil. The most popular home cooking methods in China are sautéed and fried foods, which increases even more the necessity of using healthier oils. UNICEF is already helping China on the fight against obesity and then it could be an interesting partner to do so. The organization funded a plan to promote a healthier life style in children along with the popular football club Manchester United. Hence, Gallo could challenge UNICEF to launch a campaign promoting healthier eating habits through the consumption and usage of healthier oils, thus introducing olive oil. Gallo should also promote healthier eating habits in schools by introducing the product in a simple manner directly to children and clearly showing how important it can be to prevent diabetes, for instance. By educating younger generations in schools, Gallo is also preparing olive oil's future success in the country, since that age group will be more educated about the product. Moreover, since the information is acquired in school, children would probably introduce the topic to their parents and awake their curiosity about the product.

Line range extension- Special premium edition olive oil

Furthermore, given that there is an untapped demand for olive oil in Chinese luxurious restaurants and hotels[26], Gallo should introduce its Extra-Virgin premium edition (which is already part of Gallo's portfolio in Portugal) to be sold in those mentioned channels, mainly for consumption rather than for cooking, like its use in salads or wetting in a peace of bread. This premium edition is an olive oil made with a mix of different unique olives types arising from different production regions that when combined, achieves an extreme tastiness and very low acidity olive oil. Those olives are the first to be harvested and thus detain more freshness and quality. The luxury trend (and consequently demand for exclusive luxury products) aligned with a rise of disposal income, guarantees the demand for this product in common distribution channels as well. By introducing this special olive oil line, Gallo would be covering an emerging demand, increasing the usage of its goods and reaching its main target.

Implementation Plan

After this deep research, conducted in order to prove that there is a possibility of introducing olive oil in a non-traditional market as China, and after choosing the most suitable distribution partner, it is imperative to identify, enlighten and schedule the

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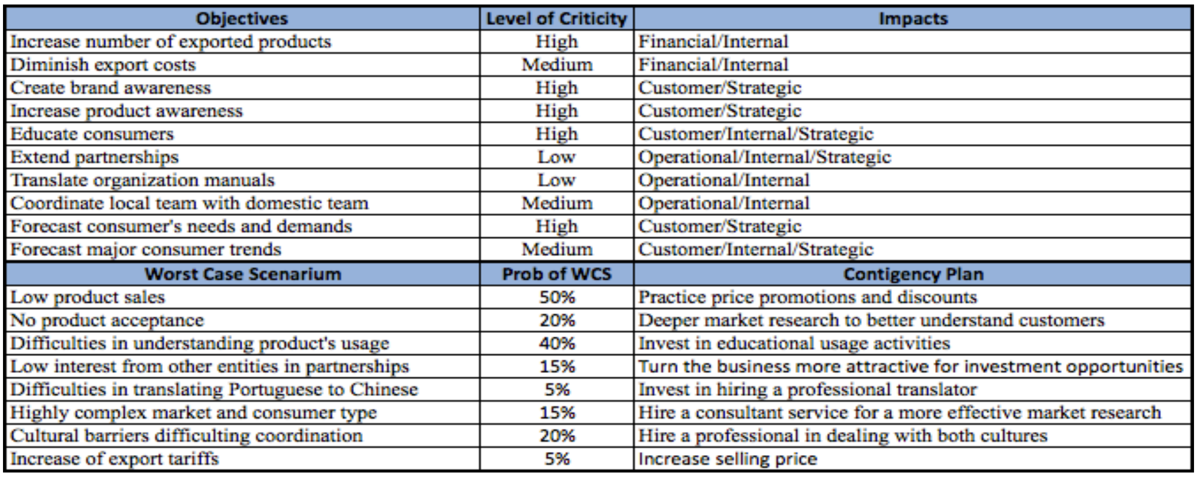
[26] Study on the Promotion of Consumption of Olive Oil and Table Olives in China, March 2010

company's objectives and to allocate tasks through an implementation plan. There is the need to start as soon as possible since the market is becoming crowded due to high attractiveness. The chosen method to address this subject is the 4M's approach (Men, Money, Minute and Memo). **Men:** It is vital to have sources of local knowledge, which are already detained by Gallo. The company has offices in Shanghai, where three Chinese people work together with a Portuguese country manager[27]. **Money:** As a result, the company will have to support salaries and the office rent in China. There are also expected expenses in promotional activities and developing a differentiated product. It is recommended a distributor, however, since it is crucial, Gallo could hire first an advisory service in order to recommend the most suitable distributor, which would increase expenses. **Minute: Exhibit 50** detains each activity to be done before starting exporting and each respective duration and associated cost. **Memo:** it is provided in **Exhibit 51.**

Risk Assessment and Contingency Plan



Objectives	Level of Criticity	Impacts
Increase number of exported products	High	Financial/Internal
Diminish export costs	Medium	Financial/Internal
Create brand awareness	High	Customer/Strategic
Increase product awareness	High	Customer/Strategic
Educate consumers	High	Customer/Internal/Strategic
Extend partnerships	Low	Operational/Internal/Strategic
Translate organization manuals	Low	Operational/Internal
Coordinate local team with domestic team	Medium	Operational/Internal
Forecast consumer's needs and demands	High	Customer/Strategic
Forecast major consumer trends	Medium	Customer/Internal/Strategic
Worst Case Scenarium	**Prob of WCS**	**Contigency Plan**
Low product sales	50%	Practice price promotions and discounts
No product acceptance	20%	Deeper market research to better understand customers
Difficulties in understanding product's usage	40%	Invest in educational usage activities
Low interest from other entities in partnerships	15%	Turn the business more attractive for investment opportunities
Difficulties in translating Portuguese to Chinese	5%	Invest in hiring a professional translator
Highly complex market and consumer type	15%	Hire a consultant service for a more effective market research
Cultural barriers difficulting coordination	20%	Hire a professional in dealing with both cultures
Increase of export tariffs	5%	Increase selling price

Conclusion

After the deep study conducted on the Chinese market, it was concluded that there is a massive opportunity to introduce olive oil. A combination of trends aligned with Chinese market attractiveness justifies the introduction of such products immediately, especially because those facts don't go unnoticed to major international olive oil players. Nevertheless, Gallo's implementation in China will always be a costly long-term approach, mainly because it will take time for consumers to get attached to the

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[27] Information provided by Gallo Worldwide

product through understanding its health benefits, knowing the correct mode of usage and creating the necessity of using it on a daily basis. Gallo needs to pay attention to small details as the ones highlighted all over this study because they can be crucial when approaching such a complex and culturally different country. It is certain that the company will need to adapt its business model according to consumer's desires and demands, by diversifying its product and strategies.

It is recommended to Gallo to do a gradual expansion, to create and strengthen relationships with the Chinese, and better understand their routines and consumer profile. A major conclusion is that an investment in promotion activities is highly required and therefore, in order to survive and prosper in China, Gallo needs to pursue a marketing plan as the one presented in this report. Another vital conclusion of this study is that a strong and very influent penetration strategy that could force the Chinese consumers' involvement with the product is extremely required. Hence, the company needs to invest in at least two of the three recommended implementation strategies in order to gain brand awareness, increase product awareness and fight the major problem found in the expansion country- population's low involvement and no routines with olive oil. It was also determined that Gallo needs to search for a local distribution partner, not only for the different reasons that were provided all over this report but also because it is the mode of entry often used by major international players when expanding abroad. Shanghai was identified as the preferable point of entry but other big cities should be targeted in a very short-term. All over this study its is possible to find recommendations and indication that might help Gallo to effectively enter China. If Gallo successfully approaches China, there is a high probability of inducing in massive sales that could push the brand towards a colossal worldwide success.

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ENTERPRISE COMPETITIVENESS: INTERNATIONALIZATION STRATEGY

Internationalization Process of *Gallo Worldwide:* Introduction of Olive Oil in a Non-Traditional Market- China

EXHIBITS

Luis Botelho Moniz Patricio Dias

#1231

A Project carried out on the Management course, under the supervision of:

Prof. Sónia Dahab

6th January 2014

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Exhibit 1.1

Portuguese Olive Oil industry

The oils and fats industry in Portugal, considering all their categories, recorded in the years of 2011 and 2012 a small decline in sales, mainly due to the recent health concerns about oils and consumer's reduced purchasing power. Within the categories, only butter and olive oil recorded a small constant growth in volume, yet butter with small decline in the year of 2011 and olive oil in 2012, as it is possible to see in **Exhibit 2**. However, despite some small drops, the volume sales remained quite stable, which allows classifying the industry as mature. In value terms the performance of each category has been unstable for many years, recording ups and downs and showing high volatility, as it is possible to see in **Exhibit 3**. Hence, in 2012, it was expected a decline of 2% of sales in both value and volume terms in the Portuguese oils and fats industry[1]. The success of ready meals and ready-to-cook products had a detrimental effect on the demand for oils and fats. The poor economical conditions that clearly reduce Portuguese purchasing power might be another reason for this sale decline. The unit price of oils and fats in Portugal was set

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[1] http://www.portal.euromonitor.com/Portal/Handlers/accessPDF.ashx/Oils_and_Fats_in_Portugal.pdf?c=82%5CPDF%5C&f=S-221586-

to rise in 2012[2], mainly due to consumers rising health consciousness that made them more willing to invest in higher quality cooking-oils. Olive oil remains one of the most important categories mainly because Portugal is a major producer. Moreover, the majority of Portuguese consumers use olive oil on a daily basis and are able to understand the benefits of using the product. Yet, many Portuguese families, especially in rural areas, still produce their own olive oil for their own consumption. Although it is difficult to quantify this phenomenon, it is quite obvious that it influenced negatively both value and volume sales recorded in the country in the period from 2008 to 2012.

Regarding the competitive landscape of the industry focusing on olive oil sub-category, Unilever-Jerónimo Martins continued to lead in 2012 with 24% market share, followed by its major competitor, the group Sovena with 15,8% share (**Exhibit 4)**. Brands offering healthy and functional products saw the higher increases in 2012. All other brands were expected to decrease in sales with exception for Unilever-Jerónimo Martins brands and private labels. Consumers are clearly looking for products that can ally health benefits and good taste, which explains decreases on brands that do not offer both conditions. The industry in Portugal is fairly split between domestic and international manufactures. Nevertheless, in the olive oil sub-category, which accounts for 36% of overall value sales of oils and fats in 2012, there is a multitude of local players. Gallo and *Oliveira da Serra* are the two leading brands offering high quality olive oil, distantly followed by *Condestável* and *Herdade do Esporão*. There are also a vast number of small local producers offering other olive oil brands that do not constitute a threat to Gallo or Oliveira da Serra given their superior quality and worldwide dimension of operations[3]. It is important to notice that among the local players are private labels, which accounted for 31% share of sales in oils and fats in 2012 and then assume a relevant role in the market.

In Portugal, where the macroeconomics scenario is difficult and the trend is that consumption will keep on contracting, Gallo maintained a high performance and only recorded a 4% fall on sales, while other premium brands had higher losses. The Portuguese olive oil market is considered to be very particular, the product is seen as a commodity and retailers are able to abdicate margins since it is considered a traffic

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[2]http://www.portal.euromonitor.com/Portal/Handlers/accessPDF.ashx/Oils_and_Fats_in_Portugal.pdf?c=82%5CPDF%5C&f=S-221586-22619782.pdf&saveAsName=Oils_and_Fats_in_Portugal&code=CGyalxAdGXXs8LzDMyiFIPEeXnM%3d

[3] Information provided by Gallo Worldwide

builder[4]. The poor economic conditions lead them to choose mainly according to price, which reinforced private labels power within the industry. Gallo has been market leader for a while, however, due to this peculiar economical situation, if for instance the main and almost only competitor, *Oliveira da Serra*, invest in price promotion during one week, it will easily appear in the statistics as market leader, surpassing Gallo. If Gallo follows competitor's strategy the same will happen and Gallo will be leader again in next week. It is a mature market, with already high average purchase, penetration and consumption per capita[5]. There is not much to improve and competition relies to price wars. However, in brand terms, Gallo is clearly leader[6] with hundred of years of experience, which is truly valuable by Portuguese consumers[7]. There is a high brand loyalty to Gallo and the brand is clearly number one for Portuguese consumers[8]. If there were no price restrictions, Portuguese will certainly chose Gallo as their first choice. Consequently, the Portuguese market does not record massive variations in terms of consumption and brand leaders. Considering Gallo's main objective of become number one brand in the world, there are other international markets much more important, interesting and with much more growing opportunities for the company.

In the forecast period from 2012 to 2017, the increase interest in health and wellness among Portuguese consumers will be the main driver and will impact the development of the industry. Therefore, sales will be driven by categories that are seen as healthier alternatives, as olive oil and functional spreads. Consequently, the olive oil category is considered to be the less affected sub-category by crisis over the forecast period. As it is possible to see in **Exhibit 5,** olive oil is the only sub-category that registers a constant sales volume growth over the forecast period. The average unit price of the industry is projected to decrease by 6% in constant terms. The reason behind this fall is the constant price pushing made by private labels, which forces brands to follow the same strategy. Align with the expected trends, from 2014 the category will record again positive and constant sales growth in value terms until 2017 **(Exhibit 6)**. Leading companies are aware that the price fall might represent a serious threat. As private labels decrease market prices drastically, brands might not be able to reduce prices even more and stay profitable at the same time.

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[4] Information provided by Gallo Worldwide
[5] Information provided by Gallo Worldwide
[6] Information provided by Gallo Worldwide
[7] Information provided by Gallo Worldwide
[8] Information provided by Gallo Worldwide

Market Share Evolution in Portugal

Portugal		
	2011	2012
Oliveira da Serra	20%	19%
Gallo	19%	18%
Condestável	4%	3%
Outras Marcas	56%	61%

Exhibit 1.2

Gallo worldwide presence map

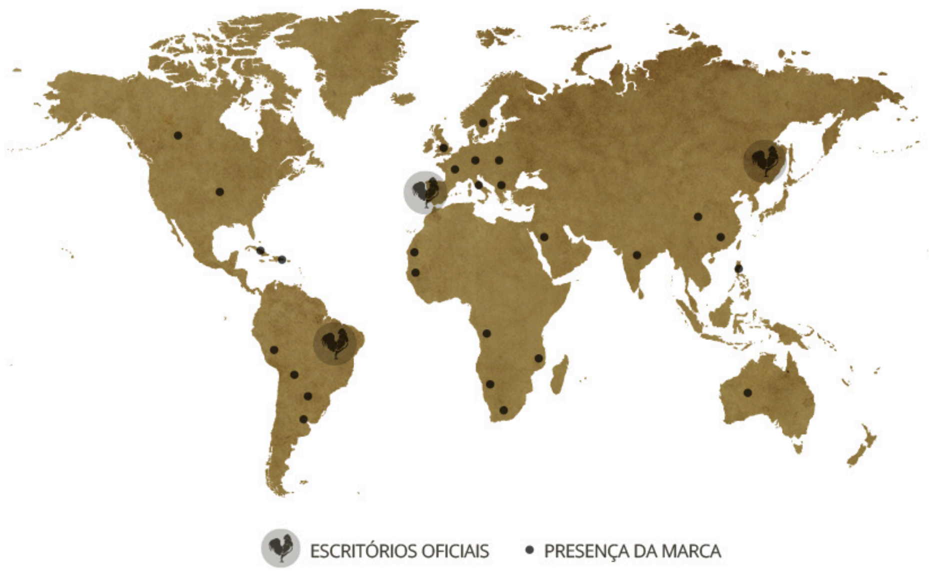

Exhibit 1.3

Countries of Operation information

Gallo in Brazil, 2012

All over the year of 2012, Gallo consolidated its presence in key markets, especially in Brazil where the brand increased its market share and enlarged distance to competitors. Sales performance in 2012 was very positive and Gallo recorded an increase of 17,8% in its sales, accompanied by a similar increase in volume terms[9]. The major reasons for this growth was the high investment in marketing that was made in Brazil and three other key markets, and due to strong growth recorded in international markets where the company operates, which accounts for 71% of total

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[9] http://www.jeronimomartins.pt/media/436686/RelatorioeContasJeronimoMartins2011.pdf

sales.

Market Share evolution in Brazil

Brasil	Brand	Company	2010	2011	2012
1	Gallo	Unilever Group	28,6	29,7	32,0
2	Andorinha	Simão & Cia Comércio e Indústria SA	10,2	10,8	10,5
3	Carbonell	Deoleo SA	-	7,9	7,8
4	Serrata	Manuel Serra SA	6,7	6,7	6,3
5	Borges	Borges Mediterranean Group	4,7	4,9	5,5
6	Cocinero	Bunge Ltd	4,2	4,6	4,4
7	La Violetera	Importadora de Frutas La Violetera Ltda	3,9	4,2	4,1
8	Delícia	Bunge Ltd	0,2	0,1	0,0
9	Carbonell	SOS Corp Alimentaria SA	7,5	-	-
10	Arisco	Unilever Group	-	-	-
11	Borges	Borges SA	-	-	-
12	Private label	Private Label	1,9	2,4	2,6
13	Others	Others	32,0	28,7	26,8
	Total	Total	100,0	100,0	100,0

Gallo in Angola, 2012

In Angola, besides the difficult beginning of 2012, the sales growth was positive as a consequence of a very positive advertisement campaigned launched during the summer.

Gallo in Venezuela and Russia, 2012

In Venezuela, the positive sales growth recorded until October slowly decrease due to difficulties in obtaining import licenses. Regarding Russia, 2012 was a year dedicated to improvements in the distribution network and process, in order to make both markets more suitable for company's strategic objectives[10].

Market Share evolution in Venezuela and Russia

Venezuela	Brand	Company	2010	2011	2012
1	Gallo	Unilever Group	52,5	52,7	53,1
2	Carbonell	Deoleo SA	-	16,9	16,8
3	Agnesi	Colussi Group SpA	5,1	4,6	3,9
4	Carbonell	SOS Corp Alimentaria SA	17,1	-	-
5	Others	Others	25,3	25,7	26,2
	Total	Total	100,0	100,0	100,0

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[10] http://www.jeronimomartins.pt/media/502071/RelatorioeContasJeronimoMartins2012.pdf

Russia	Brand	Company	2010	2011	2012
1	Borges	Borges Mediterranean Group	14,2	13,1	13,2
2	ITLV	Borges Mediterranean Group	7,9	8,2	8,4
3	Carbonell	Deoleo SA	-	7,2	7,3
4	Monini	Monini SpA	7,3	6,9	6,9
5	Terra Creta	Terra Creta SA	5,8	6,4	5,6
6	Maestro de O	Olive Oil International sl	4,8	4,7	4,7
7	Granoliva	Borges Mediterranean Group	4,6	3,7	3,9
8	Iberica	Olive Oil International sl	3,5	3,5	3,6
9	Tomadini	Colussi Group SpA	2,8	2,7	2,6
10	Olive Oil	Olivola	2,1	2,0	1,9
11	Bertolli	Deoleo SA	-	1,8	1,7
12	Karsak	Karkasidis	1,4	1,5	1,4
13	Fernando Gir	Olive Oil International sl	1,2	1,1	1,0
14	Carbonell	SOS Corp Alimentaria SA	7,1	-	-
15	Bertolli	SOS Corp Alimentaria SA	1,9	-	-
16	Bertolli	Unilever Group	-	-	-
17	Borges	Borges SA	-	-	-
18	Granoliva	Borges SA	-	-	-
19	ITLV	Borges SA	-	-	-
20	ITLV	ITLV Corp	-	-	-
21	Others	Others	35,4	37,2	37,8
	Total	Total	100,0	100,0	100,0

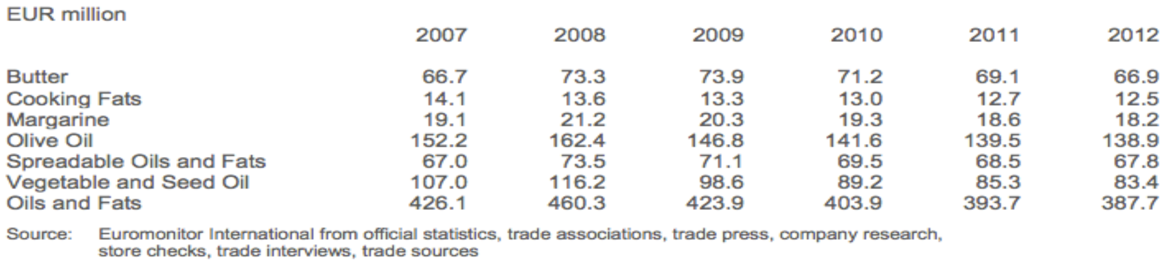
Exhibit 2

Oils and Fats industry each category sales between 2007 and 2012 in volume

Sub-Categories ('000 tonnes)	2007	2008	2009	2010	2011	2012
Butter	12.55	12.96	13.22	13.36	13.33	12.83
Cooking Fats	3.04	3.00	2.96	2.92	2.89	2.81
Margarine	8.26	8.26	7.73	7.35	7.19	7.02
Olive Oil	41.21	43.40	44.44	45.16	46.23	46.07
Spreadable Oils and Fats	17.26	17.52	17.02	16.72	16.59	16.25
Vegetable and Seed Oil	75.18	77.48	74.96	73.48	73.28	71.77
Oils and Fats	157.51	162.61	160.33	158.99	159.51	156.74

Exhibit 3

Oils and Fats industry each category sales between 2007 and 2012 in value

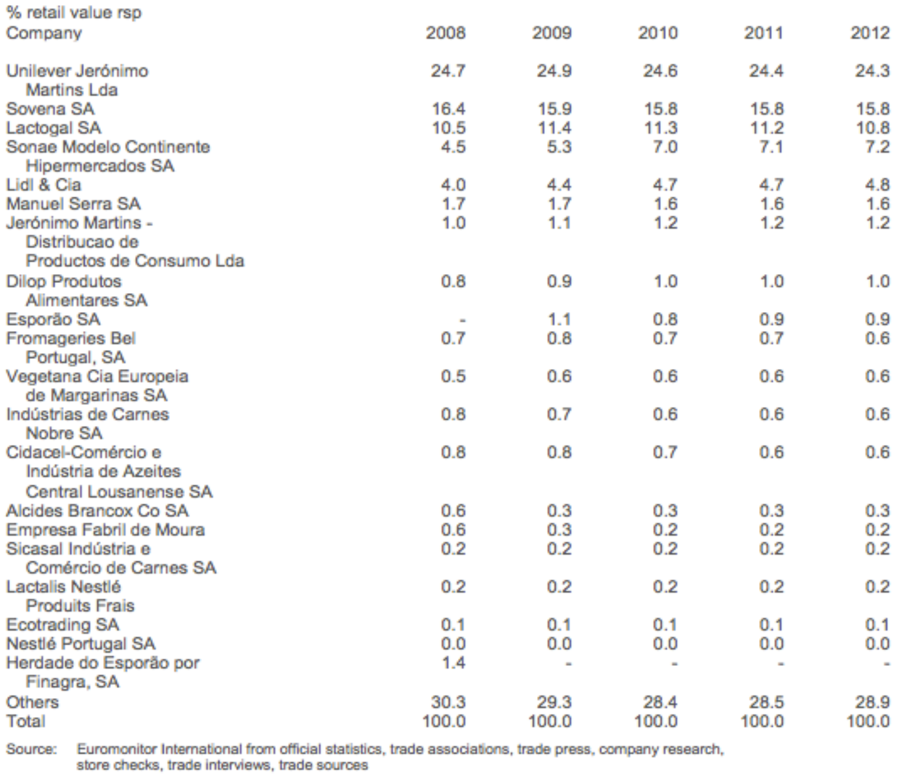


EUR million	2007	2008	2009	2010	2011	2012
Butter	66.7	73.3	73.9	71.2	69.1	66.9
Cooking Fats	14.1	13.6	13.3	13.0	12.7	12.5
Margarine	19.1	21.2	20.3	19.3	18.6	18.2
Olive Oil	152.2	162.4	146.8	141.6	139.5	138.9
Spreadable Oils and Fats	67.0	73.5	71.1	69.5	68.5	67.8
Vegetable and Seed Oil	107.0	116.2	98.6	89.2	85.3	83.4
Oils and Fats	426.1	460.3	423.9	403.9	393.7	387.7

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Exhibit 4

Portuguese Oils and Fats industry: Companies Market Share Evolution



% retail value rsp

Company	2008	2009	2010	2011	2012
Unilever Jerónimo Martins Lda	24.7	24.9	24.6	24.4	24.3
Sovena SA	16.4	15.9	15.8	15.8	15.8
Lactogal SA	10.5	11.4	11.3	11.2	10.8
Sonae Modelo Continente Hipermercados SA	4.5	5.3	7.0	7.1	7.2
Lidl & Cia	4.0	4.4	4.7	4.7	4.8
Manuel Serra SA	1.7	1.7	1.6	1.6	1.6
Jerónimo Martins - Distribucao de Productos de Consumo Lda	1.0	1.1	1.2	1.2	1.2
Dilop Produtos Alimentares SA	0.8	0.9	1.0	1.0	1.0
Esporão SA	-	1.1	0.8	0.9	0.9
Fromageries Bel Portugal, SA	0.7	0.8	0.7	0.7	0.6
Vegetana Cia Europeia de Margarinas SA	0.5	0.6	0.6	0.6	0.6
Indústrias de Carnes Nobre SA	0.8	0.7	0.6	0.6	0.6
Cidacel-Comércio e Indústria de Azeites Central Lousanense SA	0.8	0.8	0.7	0.6	0.6
Alcides Brancox Co SA	0.6	0.3	0.3	0.3	0.3
Empresa Fabril de Moura	0.6	0.3	0.2	0.2	0.2
Sicasal Indústria e Comércio de Carnes SA	0.2	0.2	0.2	0.2	0.2
Lactalis Nestlé Produits Frais	0.2	0.2	0.2	0.2	0.2
Ecotrading SA	0.1	0.1	0.1	0.1	0.1
Nestlé Portugal SA	0.0	0.0	0.0	0.0	0.0
Herdade do Esporão por Finagra, SA	1.4	-	-	-	-
Others	30.3	29.3	28.4	28.5	28.9
Total	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Exhibit 5

Portuguese Oils and Fats industry each category sales in the forecast period from 2012 to 2017 in volume

Sub-Categories ('000 tonnes)	2012	2013	2014	2015	2016	2017
Butter	12.83	12.67	12.65	12.69	12.74	12.76
Cooking Fats	2.81	2.77	2.74	2.73	2.73	2.75
Margarine	7.02	6.94	6.91	6.88	6.88	6.91
Olive Oil	46.07	46.65	47.15	47.68	48.33	49.11
Spreadable Oils and Fats	16.25	16.17	16.12	16.14	16.23	16.44
Vegetable and Seed Oil	71.77	71.81	71.91	72.03	72.24	72.96
Oils and Fats	156.74	157.00	157.48	158.15	159.15	160.93

Exhibit 6

Portuguese Oils and Fats industry each category sales in the forecast period from 2012 to 2017 in value

Sub-Categories (EUR Millions)	2012	2013	2014	2015	2016	2017
Butter	66.88	65.22	64.32	63.80	63.69	63.84
Cooking Fats	12.47	12.13	11.87	11.65	11.48	11.39
Margarine	18.19	17.63	17.27	16.96	16.68	16.45
Olive Oil	138.94	137.48	136.81	137.14	138.52	140.38
Spreadable Oils and Fats	67.82	66.57	66.06	65.92	66.05	66.28
Vegetable and Seed Oil	83.43	81.24	79.81	78.79	78.11	77.78
Oils and Fats	387.74	380.28	376.15	374.26	374.54	376.11

Exhibit 7

Mill Olive Oil Production Process[11]

There are a variety of factors affecting the output quality of produced olive oil, such as the region, the degree of olive's maturity, the extraction process and the conservation method. Then, because of the shinny and dry weather, the Mediterranean region is responsible for 95% of world's olive oil production. The production process of olive oil appears to be complex and requires an intensive know-how about the industry. It goes through different phases where the raw materials suffer successive transformations. Nowadays and due to technological advances, the traditional olive's extraction cold pressing method is barely used. Olive oil producers are now using more sophisticated methods to extract olives using temperature variations and pressure.

The process of producing olive oil starts with the olives harvest. The responsible for extracting olives from the olive tree must be extremely careful to avoid cracks in the olive's skin, which hurries the oxidation process. The harvest time should also be chosen with precision, it should happens in the exact moment of olive's maturity so that the olive oil has lower acidity, full flavour and perfect density/texture. The olives are then received and ready for cleaning stage, where everything that is not important for the process is retired, such as olive tree leaves, branches, rocks and usually land. In the washing stage all olives extracted are washed with water and then weighted in the following stage. At this time the olives are separated according to its origin and type. It also happens here the first quality control where a sample will be driven to the lab. After not more than 24h, the olives are transformed into a mass through metal

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[11] http://www.borgesalimentos.com.br/azeite/processos-tipos

structures, using mechanical hammer mills. The milling stage is followed of the hammering, where the mass undergoes a slow and continuous pulse, supplemented by a gentle heating at low temperatures (25 to 30 degrees) for 25 or 30 minutes in the traditional presses system, or 50 minutes in the centrifuge. The heat temperature cannot go over 30 degree, because if it exceeds that temperature the E vitamin present on the olives, that helps preserving the olive oil, will denature. Then a crucial phase happens, the stage where the olive oil is actually extracted from olives. It can be done through decantation, an old and traditional method, or by centrifuging the mass, which consists on impose a rotational high speed movement to the mass, causing a separation of the olive oil from water and olive residue. The next stage consists in filtrating the olive oil in order to eliminate particles that might exist. The filtrating process is considered to be optional, however when it is done it can be done multiples times. The temperature becomes again very important in the warehousing stage. The olive oil must be warehoused at temperatures rounding 15 to 16 degrees, so that it allows the decantation of solids that resulted from the previously extraction process. The last stage consists on mixing the different types of mill olive oil in order to achieve a superior quality with less acidity olive oil. Different olive oil types require as well different mixing, since they are mainly distinguished by acidity. It is followed of packaging where the olive oil is packed into glass bottles in a temperature rounding 18 to 20 degrees.

The output in producing olive oil is not always exactly the same. Producers are forced after the production process to examine quality and classify its olive oil mainly according to its acidity. Indeed, there is a technique called refining used to remove acidity from olive oil. However, this process also reduces the aroma, taste and colour of olive oil and consequently when this process is used the olive oil should be called refined olive oil.

Production Process Diagram

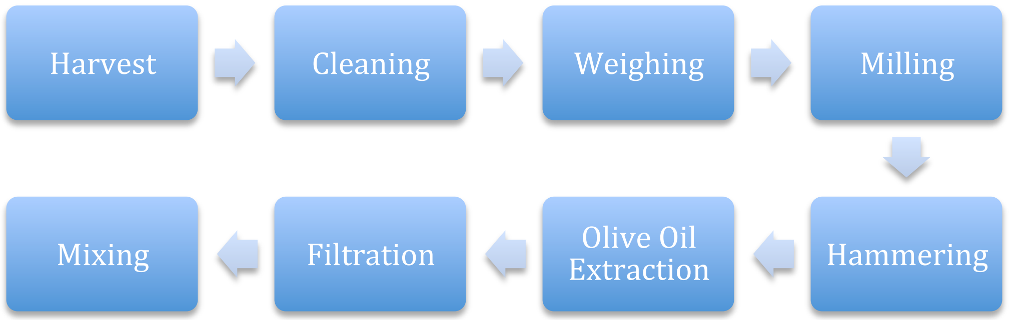


Exhibit 8

Gallo’s Value Chain

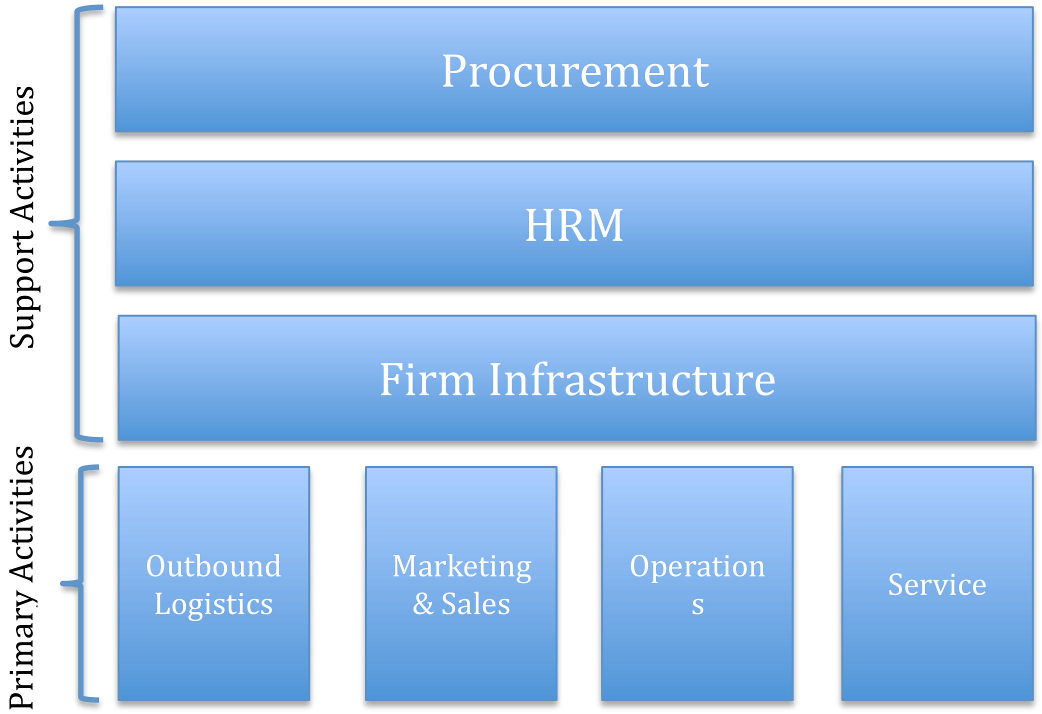


Exhibit 9

VRIO Framework Analyses

	Valuable?	Rare?	Costly to imitate?	Competitive Implication
(CA1) **Financial Capacity and Stability**	YES	YES	YES	Sustained CA
(CA2) **Vast Expertise and Experience in International Markets**	YES	YES	YES	Sustained CA
(CA3) **Superior Quality Product**	YES	YES	YES	Sustained CA
(CA4) **One Single Brand**	YES	YES	NO	Temporary CA
(CA4) **High Brand Awareness**	YES	YES	YES	Sustained CA
(CA5) **Positive Brand Image**	YES	YES	YES	Sustained CA
(CA6) **Competitive Price**	YES	NO	NO	Competitive Parity

The financial capacity, stability, vast expertise and experience provided by the JV between Unilever and the group Jerónimo Martins was crucial in developing the brand internally and externally. Therefore it is very valuable for the company, as well as rare and costly to imitate because there is not much olive oil brands with such background.

The company calls their mixers "master blenders" because they detain the know-how to mix mill olive oil perfectly, detaining a superior know-how on doing so, which allows to offer a superior quality product. This know-how is rare and requires years of operation to be reached.

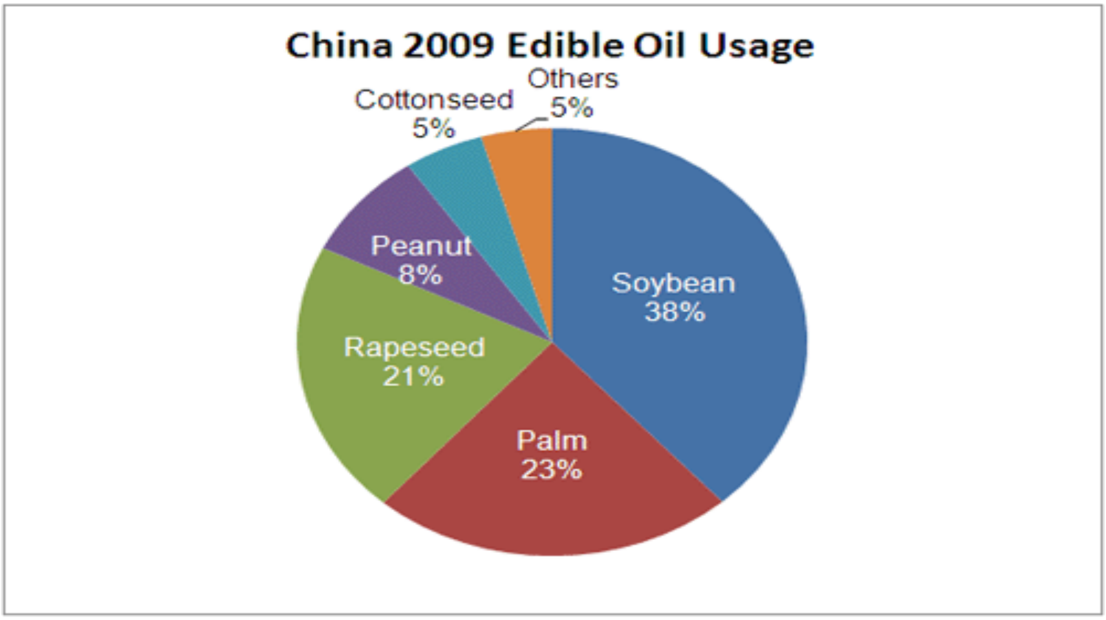
The one single brand strategy is rare since according to the information gathered only the Spanish brand *Borges* follows the same strategy, however it is not costly to imitate and then it should be considered a temporary competitive advantage.

In Portugal, Gallo is a brand that today's generation recall immediately since it is part of people's lives for a long time. The long time of operations aligned with strong investment in marketing and promotion helped Gallo to develop as well a very positive brand image. This is only possible to acquire after years of successful operations and then it is rare and very costly to imitate. Consequently, it is considered a sustainable competitive advantage.

The competitive price Gallo is able to offer in Portugal is valuable for the company however it is not rare since the majority of olive oil brands are able to offer a relatively low price for the product.

Exhibit 10

Oil type usage in China



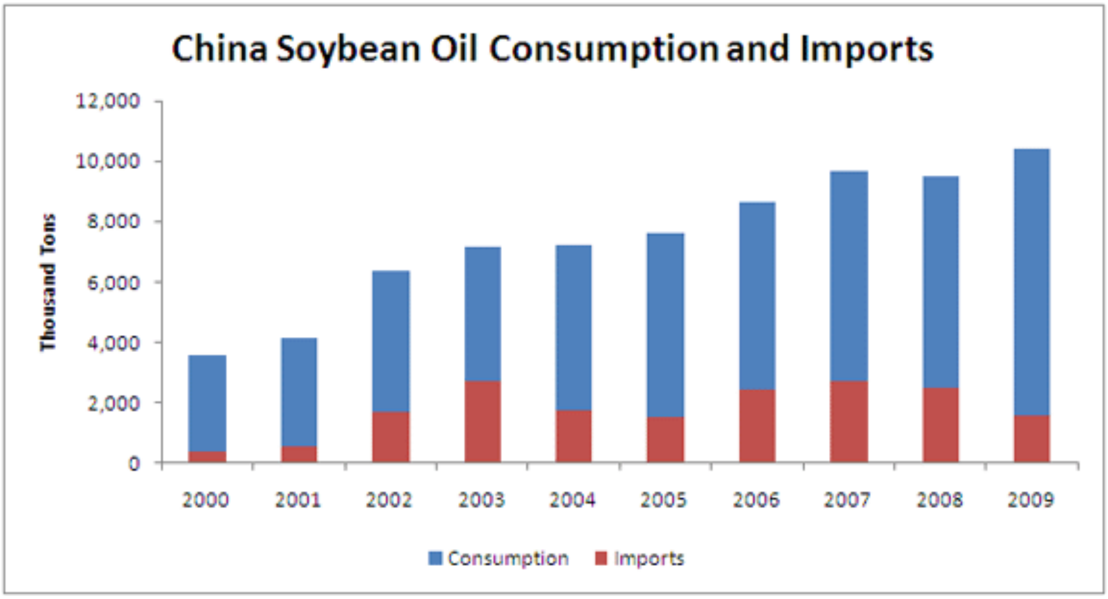


Exhibit 11

List of international olive oil Brands already commercialized in China

Brand	Country
Filippo Berio	Italy
Carapelli	Spain
Colavita	Italy/USA
Carbonell	Spain
Borges	Spain
Hojiblanca	Spain
Minerva	Greece
Ionia	Greece
Oliveira da Serra	Portugal
Bertolli	Spain
Monini	Italy

Information about Gallo's major Worldwide Competitors

Deoleo Group[12]

The group is world leader of the olive oil market, owns the popular olive oil brands Bertolli, Carbonell, Carapelli, Sasso, Koipe, Sensat, Figaro and Frio. In Spain, Deoleo brands, headed by Carbonell and Koipe, are unrivalled leaders on the domestic market. Carbonell is not just the leading brand on the olive oil market in Spain, but is the best selling brand in all types of oil and the Spanish brand of olive oil with the highest sales in the world. Deoleo is present on the Italian market through brands such as Bertolli, Carapelli and Sasso, leaders in the extra virgin olive oil and olive oil segments. In North America, Bertolli is the brand with the highest sales, although Carapelli and Carbonell have also large market shares. Bertolli is also leader in Germany, the Netherlands and Belgium, while Carapelli is the best selling foreign brand in France. Lupi, Bertolli and Carbonell brands are leaders in countries such as Australia and New Zealand. Figaro is a leading brand in India. Bertolli and Carbonell stand out in Japan and Carapelli and Carbonell are major brands in *China*. Deoleo is organised into several business units according to the location of its operations: Southern Europe, Spain, North America and Other Markets, which umbrellas all other countries. Deoleo sells its products in more than 80 countries. It also has its own plants in Spain and Italy and its own commercial delegations in another 10 countries.

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[12] http://deoleo.eu/?wpfb_dl=357

In China the group worked throughout 2012 to establish the first of our own new commercial structures, while its sales have grown by 15%. Once our own structure is operational, the group hopes to step up the pace of growth.

SALOV Group[13]

Owns the olive oil brands Filippo Berio and Sagra. Filippo Berio is market leader in UK and in the USA, and the brand is exported to 60 countries. It was for many years number one oil brand in Japan. Filippo Berio is already commercialized in China. SALOV's olive oil brand in Italy is Sagra, the brand is top seller in the olive oil and vegetable oil categories. SALOV has offices in locations such as Singapore and strategic partnerships with countries such as Japan.

Borges Group[14]

Owns the olive oil brand Borges, which is already commercialized in China. The group follows the strategy of one single brand all over the world and estimates that its projects in India and Brazil will need at least 3 years to consolidate. Tackling the Chinese market is another great challenge ahead. China is a country with a very different culture, and a language and writing that have nothing in common with Latin languages and script, and with complex legal and judicial regulations, and therefore defining a business model in this enormous country is vital for the future. The group must then be aware that it is not exactly the first to arrive and so its first objective is to get aboard an already fast moving train. A television campaign was conducted on CCTV China. Over 7 months Borges was on the screen three times a day on one of the 8 channels that make up public television in China. Participation in Great Spanish Brands Day in China. Borges gave an award to the publication Food & Wine and was one of 12 well known brands that sponsored the event.

Hojiblanca Group[15]

The Spanish group owns the brand Hojiblanca. The group is made up of 51 smaller oil producing cooperatives in the Adalusian region. The group currently makes up 12.5 percent of Chinese imports and aims to develop this to 20 percent.

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[13] http://www.salov.com/en/company/salov-around-the-world/

[14] http://www.borges.es/memorias/2011/inicio.php#url=24-zonas-geograficas&nav=2&children=1&subsection=china

[15] http://www.oliveoiltimes.com/olive-oil-business/asia/spain-leads-olive-oil-sales-to-china/14091

Sovena Group [16]

The group owns the olive oil brands Oliveira da Serra, Olivari, Fontoliva, Gem and Andorinha. The brand Olivari is commercialized in the USA, while the brand Oliveira da Serra is commercialized in Portugal and assumes a determinant position in this market, leading side by side with Gallo. The brand Andorinha is a Portuguese brand but is in the Brazilian market that the brand assumes a top position. It is adapted to Brazilian consumers and sold in cans. The brand is also available in countries where there are Portuguese communities, such as EUA, Canada, South Africa, Angola, Macau, Timor Leste, Poland, Sweden and Germany. The brand Fontoliva is a Spanish brand owned by Sovena. It is considered to be a low cost brand. Gem is a brant that includes olive oil in its portfolio and is commercialized in the USA market.

Exhibit 12

Domestic Competitors and their respective market shares in Chinese Olive Oil Market

China	Brand	Group	2010	2011	2012
1	Olivoila	Wilmar International Ltd	12,9	15,0	18,8
2	Mighty	Standard Food Group	5,5	5,9	6,6
3	Luhua	Shandong Luhua Group Co Ltd	5,2	5,5	5,4
4	Knife	Lam Soon Group	6,5	5,7	5,3
5	Lion & Globe	Hop Hing Holdings Ltd	1,7	1,3	1,0
6	Others	Others	68,2	66,6	62,9
	Total	Total	100,0	100,0	100,0

There are also present more domestic brands, such as *Soliva,* imported olive oil from Italy and then detains slightly higher quality than other domestic and is part of CFCO's portfolio; *Hua Yuan,* imported from Greece and then reveals a very competitive price[17]; *Qing Lv, Hua Ao* and *Bai Long Hu*.

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[16] http://www.sovenagroup.com/pt/group/marcas/olivari

[17] http://www.ccilc.pt/sites/default/files/docs/dossier_azeite_aicep.pdf

Exhibit 13

Chinese Oils and Fats Industry: Companies Market share evolution

% retail value rsp	2008	2009	2010	2011	2012
Wilmar International	41.05	42.00	43.38	43.76	43.47
China National Cereals, Oils & Foodstuffs Imp & Exp Corp (COFCO)	12.42	10.06	12.15	16.43	18.61
Shandong Luhua Peanut Oil Ltd	8.95	9.56	9.31	9.61	9.63
Shanghai Liangyou Haishi Oils & Fats Industrial Co Ltd	5.72	4.14	4.23	3.89	3.60
China Corn Oil Co Ltd	0.34	0.43	0.81	1.87	3.37
Shanghai Standard Foods Co Ltd	1.81	1.94	1.91	1.90	1.82
Xiamen Zhongsheng Oil & Grain Co Ltd	1.61	1.56	1.52	1.45	1.39
Zhongshan Eagle Brand Food Co Ltd	0.89	1.03	0.96	1.06	1.05
Quanzhou Jin Hua Oil Co Ltd	0.54	0.69	0.86	0.86	0.88
Chongqing Oil & Fat Parent Co	0.85	0.88	0.77	0.70	0.64
Shenzhen Lam Soon Edible Oil Co	1.74	1.24	0.93	0.73	0.59
Hubei Zhongchang Oil Co Ltd	0.67	0.63	0.60	0.58	0.55
Hunan Jinhao Camellia Oil Corp Ltd	0.80	0.92	0.69	0.54	0.45
Beijing Elsen-Lubao Oil Co Ltd	0.52	0.52	0.44	0.40	0.37
Panyu Hexing Oils & Fats Co Ltd	0.68	0.54	0.39	0.33	0.27
Goodman Fielder Ltd	0.21	0.20	0.19	0.18	0.16
Bright Dairy & Food Co Ltd	0.13	0.13	0.12	0.13	0.13
Fonterra Commercial Trading (Shanghai) Co Ltd	-	0.14	0.13	0.13	0.12
Shanghai Gaofu Longhui Foods Co Ltd	0.14	0.13	0.12	0.11	0.11
Lactalis, Groupe	0.10	0.10	0.10	0.10	0.09
New Zealand Dairy Board Beijing	0.14	-	-	-	-
Beijing Tong Yi Oil Co Ltd	-	-	-	-	-
Others	20.70	23.16	20.39	15.24	12.70
Total	100.00	100.00	100.00	100.00	100.00

Exhibit 14- SWOT Analyses to Shanghai Region

Strengths

In Portugal, Gallo is seen as a trustable and well-established brand. When approaching China it is crucial to promote the same image because competition in this market is focused on branding[18] and the key to succeed is to offer a well-known reliable brand. Moreover, Chinese innumerous food scandals turned Chinese to seek even more for trustable brands[19](S1). According to consumer's preferences the brand offers several different types of olive oil, in different flavors, quality and purpose. Each of the categories offers more than one type according to aroma, intensity and flavor[20]. It is considered strength in Portugal because there is consistent demand for different lines of the product (S2). Indeed, Gallo is truly focused in product

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[18] http://marketingtochina.com/olive-oil-market-in-china/
[19] http://marketingtochina.com/olive-oil-market-in-china/
[20] http://www.galloliveoil.com/pt/produtos/olive-oil.aspx

innovation and it is considered another strength of the company[21]. All over the years Gallo has been innovating its product portfolio by launching special editions, reducing olive oil's acidity and creating new products, such as vinegar and olives paste. The company has been innovating as well packages and bottles, last year launched a total innovative dark glass bottle to protect the product from light and loosing quality[22], ensuring to consumers for the same price and quality a longer longevity product (S3). Gallo operates in international markets for more than one hundred years and counts lots of successful approaches to different countries, being actually leader in four different world markets. It ensures to Gallo a vast international experience in approaching new markets for olive oil commerce (S4), as well as high geographical coverage. The promotion of Gallo's olive oil in Portugal has been very successful and well accepted. It always globes brand's values such as trust, confidence, quality, tradition, innovation and proud, which are the personality traits that the company want to transmit. Gallo knows better than anyone to transmit the message to consumers, enhancing that there is no better olive oil and narrating its vast history through emotion, proud and tradition[23]. In its home country, the company is highly succeeded in promoting its products and then is considered to be vey focused on marketing (S5), which will be crucial to approach China. It is known that Gallo operates with high quality patterns and is truly focused in maintaining quality over production years, which is a major challenge for olive oil companies given the quality volatility of mill olive oil offered each year and also because there are lots of different types of mill olive oil to be mixed, where only the perfect combination achieves the highest quality. Gallo detains a vast experience in the industry and a unique know how on mixing the mill olive oil that allows the company to maintain high quality each year of production[24] (S6). The company is then able to offer a premium product that deliveries not only high quality but also health benefits (**Exhibit 15)** that can be used for cook and/or direct consumption; hence it offers a very functional product (S7).

Weaknesses

Gallo is highly dependent on weather condition due to the impact of natural conditions in olives output quality. The company is then forced to do an early market

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[21] Information provided by Gallo Worldwide
[22] http://www.portugalglobal.pt/PT/PortugalNews/Documents/Revistas_PDFs/Portugalglobal_n40.pdf
[23] Information provided by Gallo Worldwide
[24] Information provided by Gallo Worldwide

research to identify where grew the highest quality olives (W1). Consequently, each production years, Gallo needs to search for suppliers that offer the highest quality olives, obligating to high rotation on suppliers (W2). In Portugal, Gallo is forced to sell its olive oil under low prices because it is a commodity product and high cost of raw materials that account for almost 90% of production costs. Food retail sector in Portugal is highly based on promotions and even tough raw material prices fall the profit won't increase because clients will demand to decrease selling price[25]. As a consequence, olive oil price is as well very volatile, which obligates Gallo to negotiate with retailers every month. In China, the product is not a commodity and promotions and discounts are smaller than in Portugal. As a result and adding distribution costs and taxes on exporting, in China, Gallo will be forced to sell under a high price (W3). Every market where Gallo is market leader experienced from Portuguese influence and consequently had already contact with the product, some were ex-colonies and others were countries recording high Portuguese influence. Gallo will have to take into account that in China there is low Portuguese influence and consequently no involvement with the product (W4). Therefore, Gallo will find a brand and product awareness problems when approaching Shanghai. Gallo must be aware that the majority of consumers do not know the brand and the product it is selling (W5).

Opportunities

One of the major global macro trends for the next five years is the emerging of a middle class, especially in developing markets, such as China. The new middle class moved out from poverty and formed an increasingly demanding and sophisticated consumer base. In emerging countries, middle class has the ability to spend on non-essentials for the first time, creating significant opportunities for consumer goods companies. Moreover, the new middle class consumer base in developing markets holds as well exciting opportunities for multinational companies, since it guarantees stagnant demand at home and increased consumption levels[26]. As a consequence of the expansion of the middle class hypermarkets and supermarkets will see more people from this group using their stores, instead of buying food in smaller quantities they will tend to buy more food in a single purchase, which is as well a great indicator for Gallo (O1) (**Exhibit 16**). In the past few years, China has been living an economic

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[25] Information provided by Gallo Worldwide

[26] http://www.portal.euromonitor.com/Portal/Handlers/accessPDF.ashx/10_Global_Macro_Trends_for_the_Next_Five_Years.pdf?c=96%5CPDF%5C&f=F-216026-22219596.pdf&saveAsName=10_Global_Macro_Trends_for_the_Next_Five_Years&code=FsF1zjNEQTo8r9yliikOoH7ty3o%3d

boom. In 2012, Shanghai's urban residents recorded an average disposable income of 40,188 Yuan (4,884€), earning the major average income among China's 21 provincial areas[27]. Shanghai was the only city where people earned more than 40,000 Yuan on average in 2012. Beijing came second in the disposable income list with 36,469 Yuan (4,432€) and Zhejiang Province with 34,550 Yuan (4,198€) is in third place[28]. The average income is considered to be high compared to the average, which gives consumers in the region a high purchasing power, and it is forecasted to rise by a further 64% in China over the 2011-2016 period[29]. This fact drove to a luxury trend in Chinese major cities (**Exhibit 17)**. As income increase, the disposal for consumption will also tend to increase, and therefore there will be more consumers able to afford expensive premium and luxury products, such as Gallo's olive oil. In addiction, the high available income aroused curiosity in trying new types of food and consequently is changing Chinese preferences and tastes to a more westernized patter, which might constitute as well an opportunity for Gallo (O2). The awareness on food safety has been increasing in China and this trend lead consumers to demand higher quality and safer food products. 'Safety first' is one of the major Chinese consumer trend for the near future[30]. All over China, and consequently in Shanghai region, there is the general idea that foreign products, especially western, are higher quality, safer and more nutritious[31] than domestic mainly because of the high quality patterns western products are submitted[32]. A growing number of urban Chinese consumers are turning to imported food due to rising concerns over food safety in recent years (**Exhibit 18**), which constitute as well an opportunity for Gallo in the region (O3). Another major opportunity for Gallo is the fact that Shanghai suffers from high western influence (O4). Shanghai is a multicultural city, with over 214 nationalities living in the region[33], which promotes high cultures exchange and influence over eating habits. For instance, European brought to Shanghai the Mediterranean diet, which is inspired on the traditional dietary patterns of Greece, Italy and Spain and is considered to be the healthier way of eating, highly based on olive oil consumption. The popularity of this diet has been increasing on the region and raised the usage of

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[27] http://www.china.org.cn/china/2013-01/26/content_27800262.htm

[28] http://www.china.org.cn/china/2013-01/26/content_27800262.htm

[29]http://www.portal.euromonitor.com/Portal/Handlers/accessPDF.ashx/10_Global_Macro_Trends_for_the_Next_Five_Years.pdf?c=96%5CPDF%5C&f=F-216026-22219596.pdf&saveAsName=10_Global_Macro_Trends_for_the_Next_Five_Years&code=FsF1zjNEQTo8r9yliikOoH7ty3o%3d

[30]http://www.portal.euromonitor.com/Portal/Handlers/accessPDF.ashx/Consumer_Lifestyles_in_China.pdf?c=87%5CPDF%5C&f=F-236940-23685487.pdf&saveAsName=Consumer_Lifestyles_in_China&code=TCTuSJUvCfIe62jh6Chi7frQa%2bY%3d

[31] http://www.pma.com/system/files/China%20Retail%20Report_Shanghai%20ATO_China%20-%20Peoples%20Republic%20of_6-15-2012.pdf

[32]Information provided by Gallo Worldwide

[33] http://shanghaiist.com/2011/09/23/china_census_foreigners_make_up_1_o.php

olive oil[34]. Furthermore, Younger generations, with increased levels of education, more open minds and more exposure to foreign cultures, tend to be more prepared to try foreign food[35] and then are more able to change their eating habits. Shanghai is considered to be the most populated region in China. According to 2010 census, Shanghai's total population is 23 millions recording a growth of 37.53% from 2000. From total population 89.3% (20.6 million) are urban and 10.7% (2.5 million) are rural population. The high number of consumers in Shanghai makes the region very interesting and attractive for massive sales. Moreover, the urbanization global trend ensures that the number of urban consumers will keep on increasing, as it is possible to see on the graph present in **Exhibit 19**, in 2020 Shanghai will be by far the most populated city among major Chinese cities (O5). Concerned about Chinese population health, the government is encouraging people to buy healthier oils, such as olive oil. The government is doing so by increasing consumers' awareness regarding health, which resulted in rising health conscious[36]. This situation increased demand for functional products that deliver more attributes than just high quality and safety. Hence, it represents a massive opportunity to introduce olive oil in the region given its health benefits (O6). Moreover, the industry in China is expected to conform to health trend in the forecast period from 2012 to 2017[37], which will also increase demand for products such as olive oil. As a result from the reduction in the import tariffs on imported food to China[38], imported goods are now more affordable to Chinese consumers and consequently Gallo is prepared to display olive oil in a more competitive price with no additional cost (O7).

Threats

When approaching Shanghai, Gallo will find cultural differences that can compromise its business on the region. One of the most difficult points will concern to the relationship with Chinese people[39]. Eating habits differ a lot according to region; in the Chinese northern provinces there is a general preference for using soybean oil. In the Central and western regions there is a preference for using coal seed oil and in the Southern provinces, peanut oil[40]. Chinese eating habits are also highly based on rice, which is often fried with fat oil, noodles and vegetables. The most common cooking

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[34] http://www.portal.euromonitor.com/Portal/Pages/Common/Pdf.aspx/The_Impact_of_Health_and_Wellness_on_Oils_and_Fats
[35] http://www.portal.euromonitor.com/Portal/Pages/Common/Pdf.aspx/The_Impact_of_Health_and_Wellness_on_Oils_and_Fats
[36] http://www.portal.euromonitor.com/Portal/Pages/Common/Pdf.aspx/China_Country_Pulse
[37] http://www.portal.euromonitor.com/Portal/Pages/Common/Pdf.aspx/The_Impact_of_Health_and_Wellness_on_Oils_and_Fats
[38] http://www.portal.euromonitor.com/Portal/Pages/Common/Pdf.aspx/China_Country_Pulse
[39] Information provided by Gallo Worldwide
[40] http://lup.lub.lu.se/luur/download?func=downloadFile&recordOId=1331369&fileOId=1331370

method is stir-frying, which makes China the higher consumer of vegetable oils. However, usually Chinese uses palm oil or soybean oil to fry and not olive oil (T1). Although the China opened to the world, there still issues that are only possible to understand when operating over there for many years. There is a level of complexity associated to Chinese business and society that must be taken into account. Companies operating for a long time in the Chinese market say that are constantly learning and improving its local knowledge[41]. In China, what appears to be obvious can become a serious issue mainly due to difficult access and lack of information. Moreover, Chinese still have a very conservative view on information sharing; typically they will not share information even if it is necessary. The main reason is lack of trust and fear to have its information stolen, for them it is foolish to share and cooperate[42]. When approaching Shanghai, Gallo may have to take decisions with incomplete or without information at all, which is very difficult for some companies to do[43] (T2). Recent research conducted by Euromonitor International has revealed that cooking at home is not common in most Chinese households, as kitchens are small and eating out, especially from mobile street vendors, is cheap and plentiful. Traditionally, Chinese people do not cook at home but instead meet together to eat in cheap local restaurants. In fact, many households can go the entire working week only consuming snacks within the house[44]. Moreover, in Shanghai region the take away levels are considered to be high and general consumer usually acquire their meal in a cheap restaurant and consume it at home, without cooking it. Furthermore, the tendency is that the away-from-home food expenditure is higher when consumer income increases. Shanghai records a high number of people consuming ready meals, which the majority classifies as tastier than their own cooked food, especially older people. Chinese youngest generations lack of confidence on their cooking abilities and therefore ready meals are again a popular option. The success of ready meals and the tradition of eating out in China constitute a serious threat to olive oil commerce mainly because consumers do not cook at home and therefore do not use olive oil to cook[45] (T3). A major trend for the next five years is the globalization of Chinese

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[41] http://www.topsecretwriters.com/2012/12/doing-business-in-china-foreigners-beware/

[42] http://www.topsecretwriters.com/2012/12/doing-business-in-china-foreigners-beware/

[43] http://www.chinalawblog.com/2013/04/the-five-biggest-challenges-to-doing-business-in-china.html

[44] http://www.portal.euromonitor.com/Portal/Handlers/accessPDF.ashx/Consumer_Lifestyles_in_China.pdf?c=87%5CPDF%5C&f=F-236940-23685487.pdf&saveAsName=Consumer_Lifestyles_in_China&code=TCTuSJUvCfIe62jh6Chi7frQa%2bY%3d

[45] http://www.portal.euromonitor.com/Portal/Handlers/accessPDF.ashx/Home_Cooking_and_Eating_Habits_Global_Survey_Strategic_Analysis.pdf?c=12%5CPDF%5C&f=X-203711-21504812.pdf&saveAsName=Home_Cooking_and_Eating_Habits_Global_Survey_Strategic_Analysis&code=t9%2bmP5LhfmZAxQyyA%2f9PGX9EWEI%3d

brands[46], which can play a serious threat for Gallo when approaching Shanghai. Several Chinese brands have entered the global arena and are looking to challenge the positions of well-established international brands. China's growth in FDI outflows and the launch of its new global brands will have significant consequences on economies and consumer spending choices around the world, and pose formidable competition for well-established western brands, both inside and outside China (**Exhibit 20)** (T4). Fifth teen years ago the Chinese Government published a statement saying that it would decrease its influence in business all over China. However, years later the government stated that still wanted to detain control and influence over some key industries. Given this, there still lots of Chinese companies controlled, detained and under government influence. When finding a local partner in Shanghai it is highly probable that Gallo need to know government position and opinion about it. Although government is more opened to rest of the world, it can be a serious threat in Gallo's implementation in Shanghai[47] (T5). Contrarily to Spanish and Italian olive oil, which already detain a very positive image in Shanghai's region[48], Portugal and consequently the Portuguese olive oil still very unknown for the majority of Chinese[49]. Italian and Spanish olive oil are then a step ahead from Portuguese olive oil, which can be a serious threat for Gallo (T6).

Exhibit 15

Olive Oil's Health Benefits

There is a large body of clinical data showing that consumption of olive oil can provide heart-health benefits such as a favorable influence on cholesterol regulation and LDL cholesterol oxidation, and that it exerts anti-inflammatory, antithrombotic, antihypertensive as well as vasodilator effects both in animals and humans. Extra-virgin olive oil is considered to be the healthier olive oil type because it has more monounsaturated fatty acids and also contain more polyphenols, which may have additional benefits for the heart[50]. Mediterranean diet is considered to be the healthier way of eating and it is highly based on olive oil, due to its health benefits. The health benefits of the product are rapidly reflected on society, for instance, in Europe, mortality rate dropped by more than 50% among elderly Europeans who stuck to such

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[46] http://www.portal.euromonitor.com/Portal/Handlers/accessPDF.ashx/10_Global_Macro_Trends_for_the_Next_Five_Years.pdf?c=96%5CPDF%5C&f=F-216026-22219596.pdf&saveAsName=10_Global_Macro_Trends_for_the_Next_Five_Years&code=FsF1zjNEQTo8r9yliikOoH7ty3o%3d

[47] http://www.chinalawblog.com/2013/04/the-five-biggest-challenges-to-doing-business-in-china.html

[48] http://www.ccilc.pt/sites/default/files/docs/dossier_azeite_aicep.pdf

[49] http://www.ccilc.pt/sites/default/files/docs/dossier_azeite_aicep.pdf

[50] http://www.portal.euromonitor.com/Portal/Pages/Common/Pdf.aspx/Heart_Claims_Underpin_Demand_for_Olive_Oil_in_US

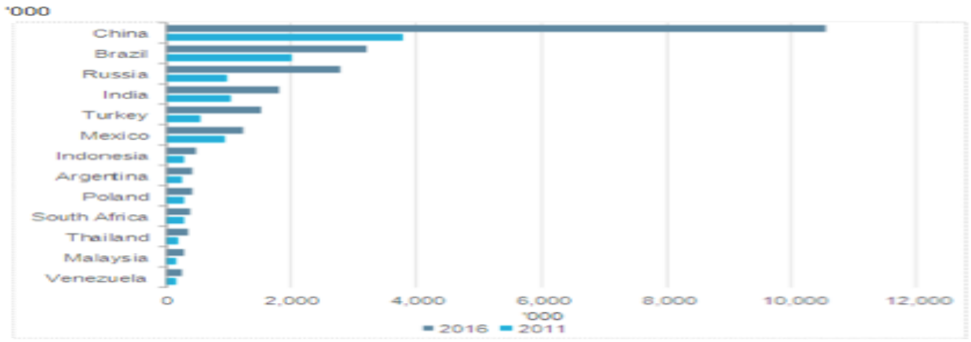
traditional diets and led healthy lifestyles[51]. Given the health benefits of the product and taking into consideration that Chinese most popular cooking method is food frying, olive oil is chemically better suitable to fry food in and it is healthier to prepare food in olive oil than with any other vegetable oil.

Exhibit 16

Middle Class disposal income evolution

In developing countries middle class consumers will become increasingly important over the forecast period, given their sheer size and the rate at which their real incomes are growing. Disposal income of households is forecast to rise in all emerging countries. China, Russia and Turkey will witness particularly dynamic growth from 2011, of 178%, 191% and 171%, respectively, to reach 10.5 million, 2.8 million and 1.5 million by 2016.

Disposal Income of households Growth in Emerging Markets



Source: Euromonitor International

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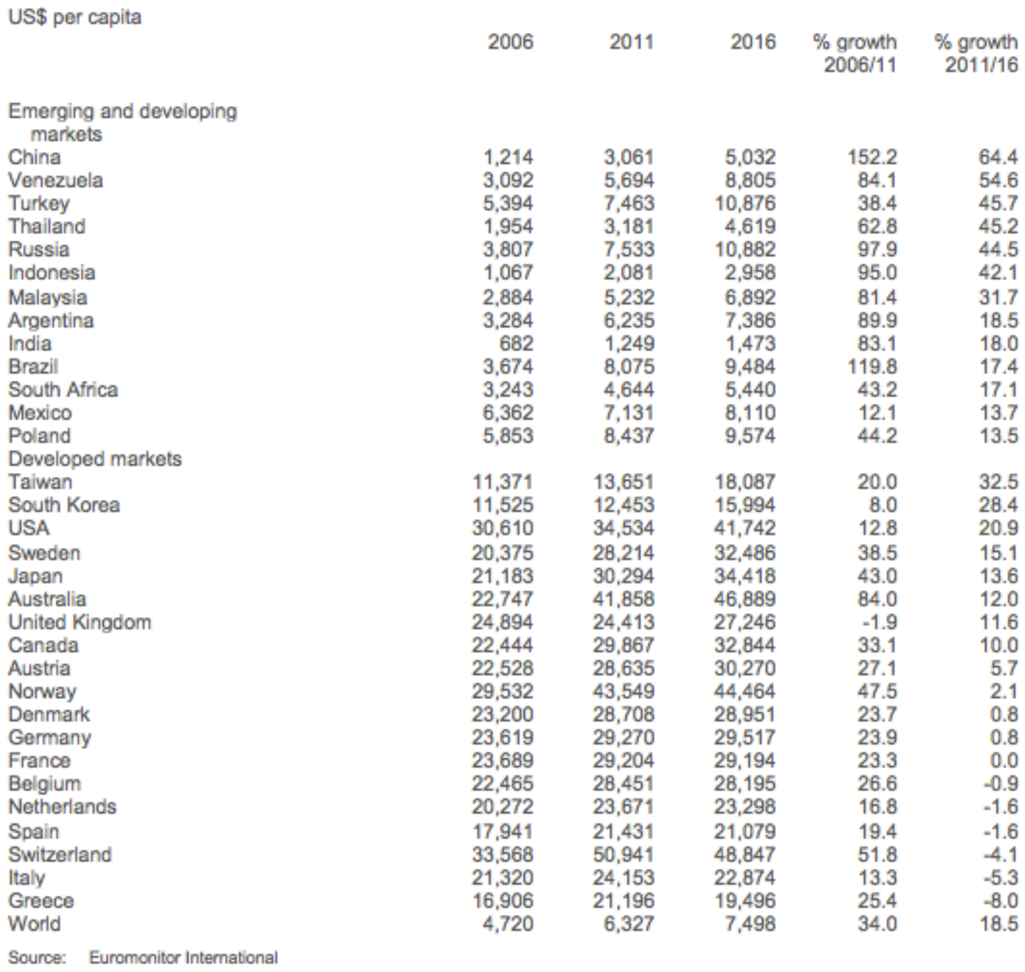
[51] http://www.portal.euromonitor.com/Portal/Pages/Common/Pdf.aspx/Heart_Claims_Underpin_Demand_for_Olive_Oil_in_US

Disposal Income Growth in Emerging Markets US$ per capita



US$ per capita

	2006	2011	2016	% growth 2006/11	% growth 2011/16
Emerging and developing markets					
China	1,214	3,061	5,032	152.2	64.4
Venezuela	3,092	5,694	8,805	84.1	54.6
Turkey	5,394	7,463	10,876	38.4	45.7
Thailand	1,954	3,181	4,619	62.8	45.2
Russia	3,807	7,533	10,882	97.9	44.5
Indonesia	1,067	2,081	2,958	95.0	42.1
Malaysia	2,884	5,232	6,892	81.4	31.7
Argentina	3,284	6,235	7,386	89.9	18.5
India	682	1,249	1,473	83.1	18.0
Brazil	3,674	8,075	9,484	119.8	17.4
South Africa	3,243	4,644	5,440	43.2	17.1
Mexico	6,362	7,131	8,110	12.1	13.7
Poland	5,853	8,437	9,574	44.2	13.5
Developed markets					
Taiwan	11,371	13,651	18,087	20.0	32.5
South Korea	11,525	12,453	15,994	8.0	28.4
USA	30,610	34,534	41,742	12.8	20.9
Sweden	20,375	28,214	32,486	38.5	15.1
Japan	21,183	30,294	34,418	43.0	13.6
Australia	22,747	41,858	46,889	84.0	12.0
United Kingdom	24,894	24,413	27,246	-1.9	11.6
Canada	22,444	29,867	32,844	33.1	10.0
Austria	22,528	28,635	30,270	27.1	5.7
Norway	29,532	43,549	44,464	47.5	2.1
Denmark	23,200	28,708	28,951	23.7	0.8
Germany	23,619	29,270	29,517	23.9	0.8
France	23,689	29,204	29,194	23.3	0.0
Belgium	22,465	28,451	28,195	26.6	-0.9
Netherlands	20,272	23,671	23,298	16.8	-1.6
Spain	17,941	21,431	21,079	19.4	-1.6
Switzerland	33,568	50,941	48,847	51.8	-4.1
Italy	21,320	24,153	22,874	13.3	-5.3
Greece	16,906	21,196	19,496	25.4	-8.0
World	4,720	6,327	7,498	34.0	18.5

Source: Euromonitor International

Exhibit 17

Chinese Luxury Market

In 2010, China was the world's second largest consumer market for luxury goods, next only to Japan and surpassing the USA. The World Luxury Association estimated the total amount of consumption for luxury goods in China was $8.6 billion in 2008, which accounts for 25% of world's luxury goods sales. Moreover, this tendency is predicted to continue, since Mckinsey&Company estimates that in 2015 China will account for $27 billion of global luxury goods sales, which will correspond in that time to 20% of the world's market[52]. The rising demand for luxury goods is actually one of the ten major trends for Chinese consumers[53] and then represents an opportunity for Gallo given the fact that the olive oil must be perceived as a luxury goof in China.

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[52] http://www.mckinsey.com/insights/marketing_sales/tapping_chinas_luxury-goods_market

[53] http://www.portal.euromonitor.com/Portal/Pages/Common/Pdf.aspx/Top_10_consumer_trends_in_China

Exhibit 18

Food Scandals in China and Survey results for Chinese preference of acquiring imported food

China is the country where most food safety scandals are recorded and government is making efforts to change it through legislation. When one local product has a safety issue, all local brands within the same product category suffer from the impact. As a result, consumers switch to international brands[54]. According to a survey conducted in five of the country's largest cities by the survey company IPSOS[55], it found that 61% of consumers said their confidence in domestically produced foods had declined in the past year, while 28% said they intended to buy more imported food. Dairy products were found to be the most popular imported food, followed by grains, oil, and baby food[56]. In the same study, one consumer quoted that stopped buying domestic brands two years ago, due to safety concerns, she prefers to buy imported, even tough it is much more expensive. Furthermore, consumers appear highly concerned about safety and low concerned about price, as a random Chinese mother of a one-year-old child shows by quoting the following: "I don't buy foreign food products because I'm rich but because I'm afraid of some domestic food items"[57]. The lacks of trust in domestic products align with the rising disposal income and globalization started a branding trend all over China. Chinese consumers start to understand the value delivered by brands and getting attached to it, which represents an opportunity for the brand Gallo.

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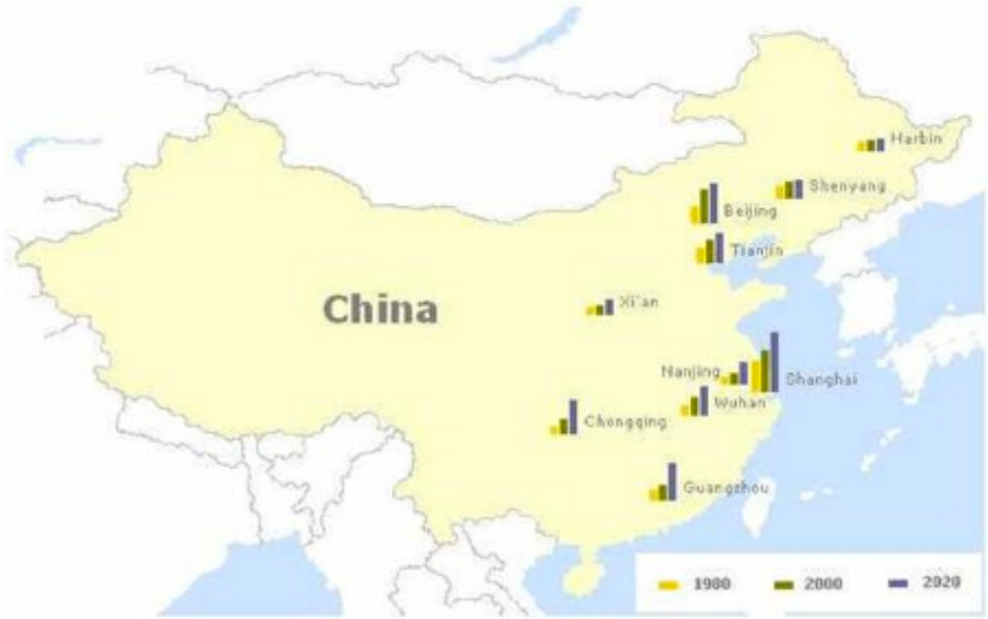
[54] http://www.portal.euromonitor.com/Portal/Pages/Common/Pdf.aspx/China_Country_Pulse
[55] http://www.portal.euromonitor.com/Portal/Pages/Common/Pdf.aspx/China_Country_Pulse
[56] http://www.portal.euromonitor.com/Portal/Pages/Common/Pdf.aspx/China_Country_Pulse
[57] http://www.portal.euromonitor.com/Portal/Pages/Common/Pdf.aspx/China_Country_Pulse

Exhibit 19

China’s population by city growth from 1980 to 2020

Population of major cities: 1990, 2000 and 2020



Source: Euromonitor International from national statistics

Exhibit 20

Rise of Chinese Domestic Brands

Experts expect Chinese companies’ investments overseas to see explosive growth in the next decade, especially with China’s “Go Global” strategy being part of the official 12th Five-year Plan (2011-2015) announced by the government in March 2011. Fuelled by improving technologies, a higher quality workforce, better marketing expertise and booming domestic consumption, Chinese brands are set to become more dominant in the future. Established brands will face increasing competition for their products, both in China and elsewhere. Additionally, Chinese domestic brands ‘understand’ Chinese consumers - meaning their way of think, desires and needs – in a better way compared to foreign brands[58].

Moreover, in around ten years China can actually threat Spain as world’s leader producer of olives. It is predicted that in ten to twelve years China can threat Spain as

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[58] http://www.trendwatching.com/pt/trends/localizasian/

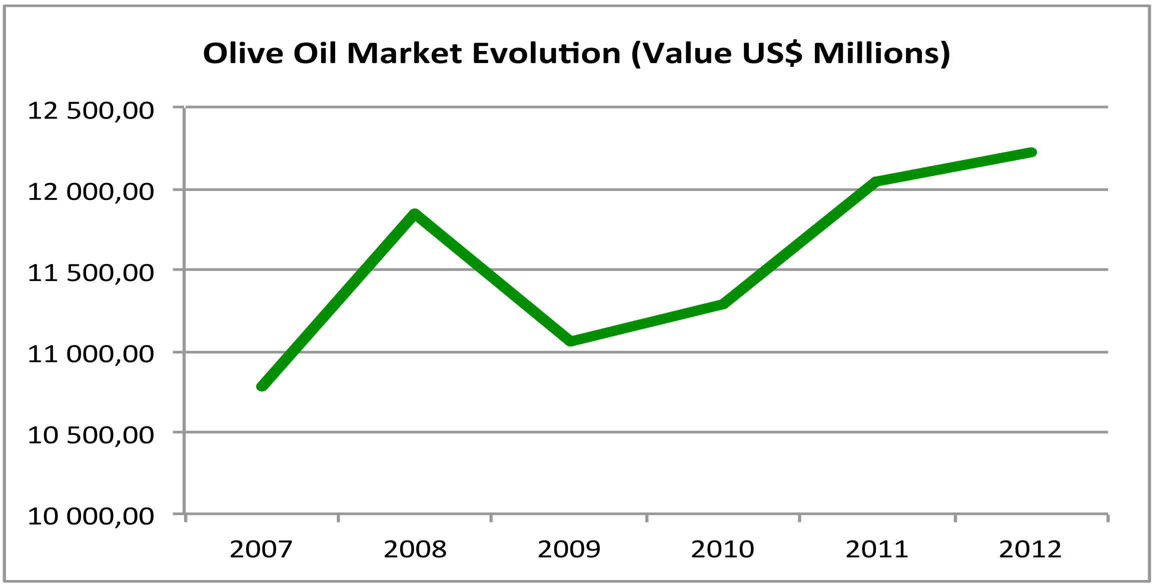
world's leader olive oil producer[59]. In just a few years China could have about 59 million olive trees in full production, up 50 % on its current 39 million spread over 136,000 hectares, matching the plantation area of Jaén, the biggest olive oil producer region globally. China's main competitive edge is cheap labor, equivalent to about €20 ($27) per person per month. It also has the key advantage of abundant water for its mountainside plantations, such as in the provinces of Gansu, Sichuan and Shaanxi. Moreover in recent years, Chinese agricultures and businessman have visited Spain in order to learn about olive oil production, showing their determination on starting producing it. China's intention reveal potential for the commerce of the product in the country and considering that Gallo detains the most important resource, mixing the mill olive oil, olives production plants in China can be seen as an opportunity for Gallo to acquire mill olive oil in China, reducing export costs.

Exhibit 21

World Commercialized Olive Oil

Value

Geographies	2007	2008	2009	2010	2011	2012	Average Growth
World	10 784,10	11 857,60	11 063,30	11 289,00	12 051,00	12 231,00	3%



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[59] http://www.oliveoiltimes.com/olive-oil-business/asia/could-china-rival-spain-as-world-olive-oil-capital/32167

Volume

Geographies	2007	2008	2009	2010	2011	2012	Average Growth
World	2 004,60	2 070,90	2 090,30	2 142,50	2 202,20	2 255,60	2%

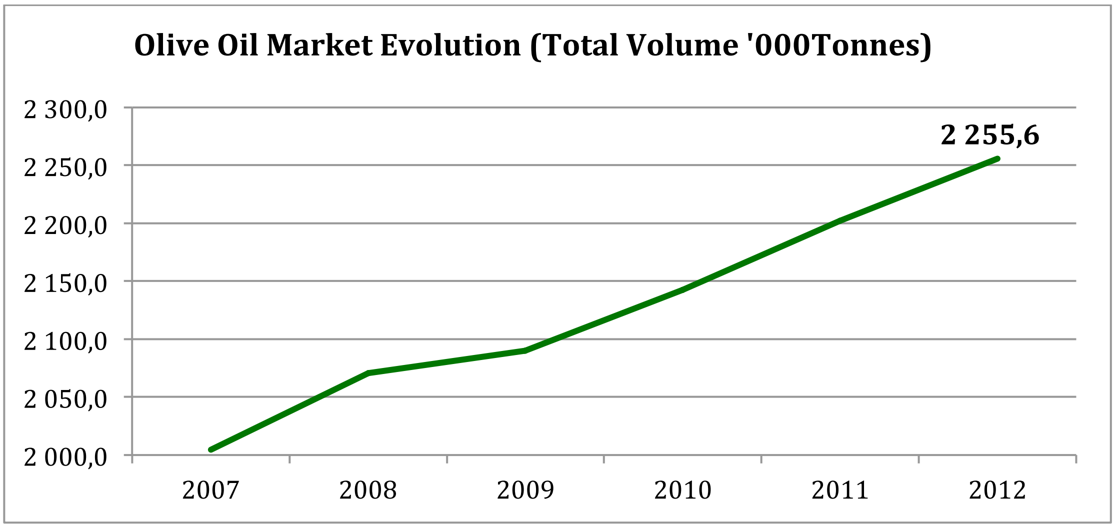
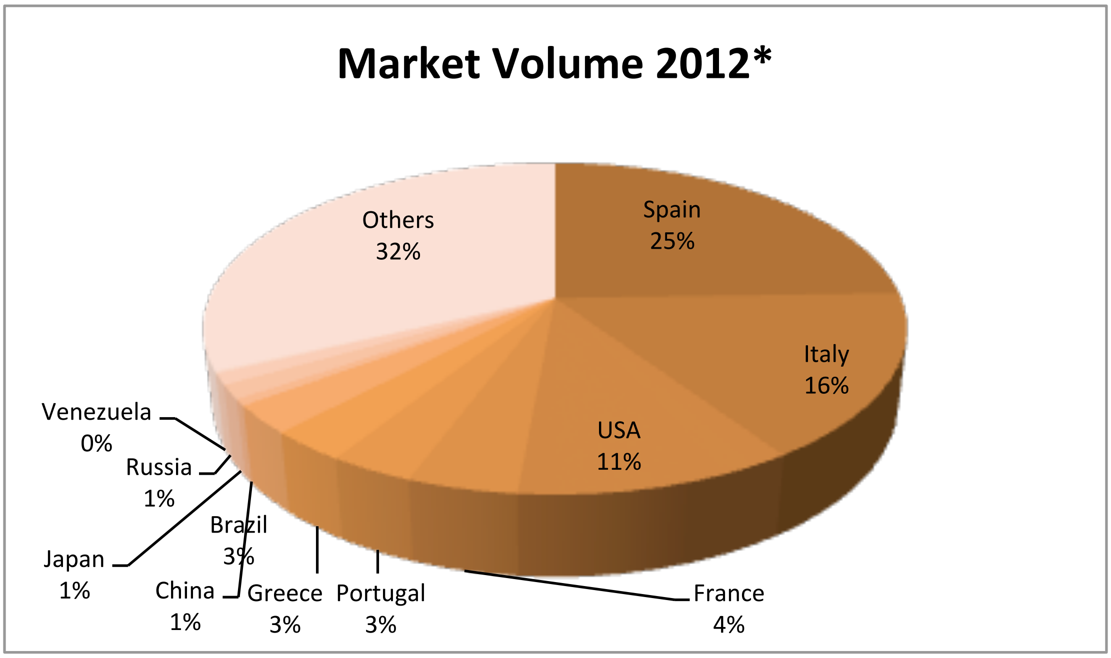

Olive Oil Market Evolution (Total Volume '000Tonnes)

Exhibit 22

World Market Volume by Country

	2007	2008	2009	2010	2011	2012		Market Volume 2012*
World	2 004,6	2 070,9	2 090,3	2 142,5	2 202,2	2 255,6		
Spain	543,1	558,5	562,1	565,5	558,2	554,0	Spain	25%
Italy	355,8	359,7	349,9	349,8	358,9	363,1	Italy	16%
USA	231,7	236,4	235,4	238,5	242,4	245,3	USA	11%
France	90,3	89,8	90,4	90,0	93,3	96,5	France	4%
Portugal	68,7	71,4	72,7	73,7	74,6	74,3	Portugal	3%
Greece	72,2	74,5	71,7	69,8	68,9	68,2	Greece	3%
Brazil	34,5	41,6	43,5	47,7	57,3	63,3	Brazil	3%
China	7,0	8,1	9,0	10,3	11,9	13,5	China	1%
Japan	23,3	23,9	27,6	31,3	30,6	31,3	Japan	1%
Russia	15,8	17,8	14,8	23,3	22,6	24,4	Russia	1%
Venezuela	3,7	4,5	3,1	3,5	4,2	4,9	Venezuela	0,2%
Others							Others	32%
Historic								
Total Volume (Tonnes)								
'000 tonnes								



World Market Value by Country

	2007	2008	2009	2010	2011	2012	
World	10 784,10	11 857,60	11 063,30	11 289,00	12 051,00	12 231,00	Market Value in 2012
Italy	2 049,90	2 167,90	1 963,30	1 744,40	1 827,40	1 714,30	14,0%
Spain	1 957,20	2 086,40	1 779,00	1 697,20	1 769,40	1 668,40	13,6%
USA	1 019,90	1 061,90	1 088,30	1 065,70	1 071,00	1 081,20	8,8%
Brazil	344,1	474,5	457	547	641,1	693,6	5,7%
France	585,1	612,5	571,8	533	582,2	570,2	4,7%
Russia	240	283,8	190,9	323,9	302	354,6	2,9%
Greece	330,5	349,9	295,7	275,6	287,9	267,3	2,2%
Japan	100,3	118,1	163,4	205,4	224,8	226,2	1,8%
Portugal	208,3	237,6	204	187,5	194	182,5	1,5%
China	45,8	60,7	69,9	85	110,2	137,8	1,1%
Venezuela	22,2	38,1	33,9	46,1	45,8	73,1	0,6%
Others						5 261,80	43,0%
Historic							
Total Value							
US$ Millions							

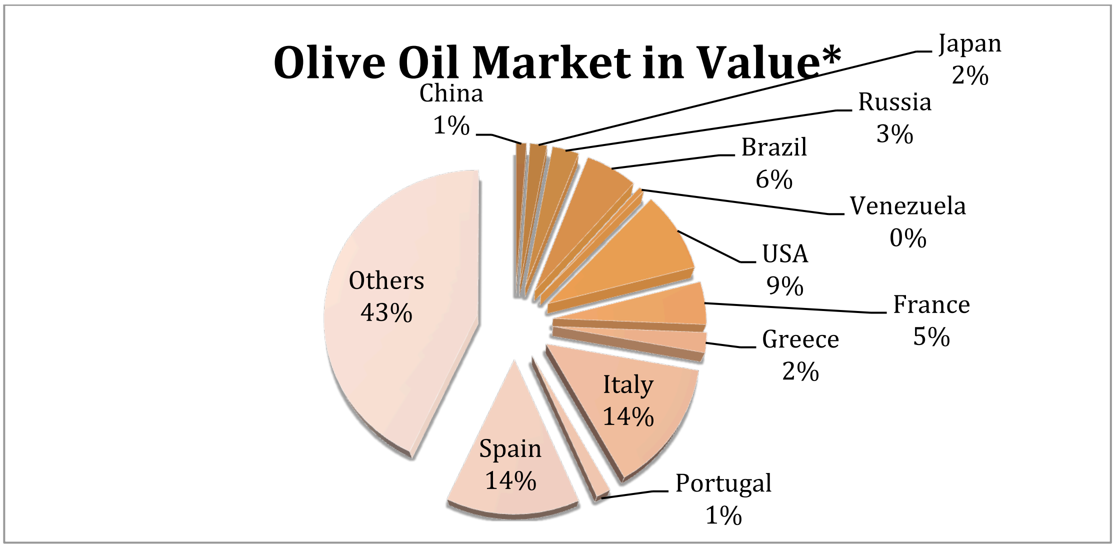


Exhibit 23

Olive Oil World Production by Country

Producer Country	%
Spain	46%
Italy	15%
Greece	10%
Syria	6%
Turkey	5%
Tunisia	4%
Morocco	4%
Portugal	2%
Algeria	2%
Others	6%
	100%

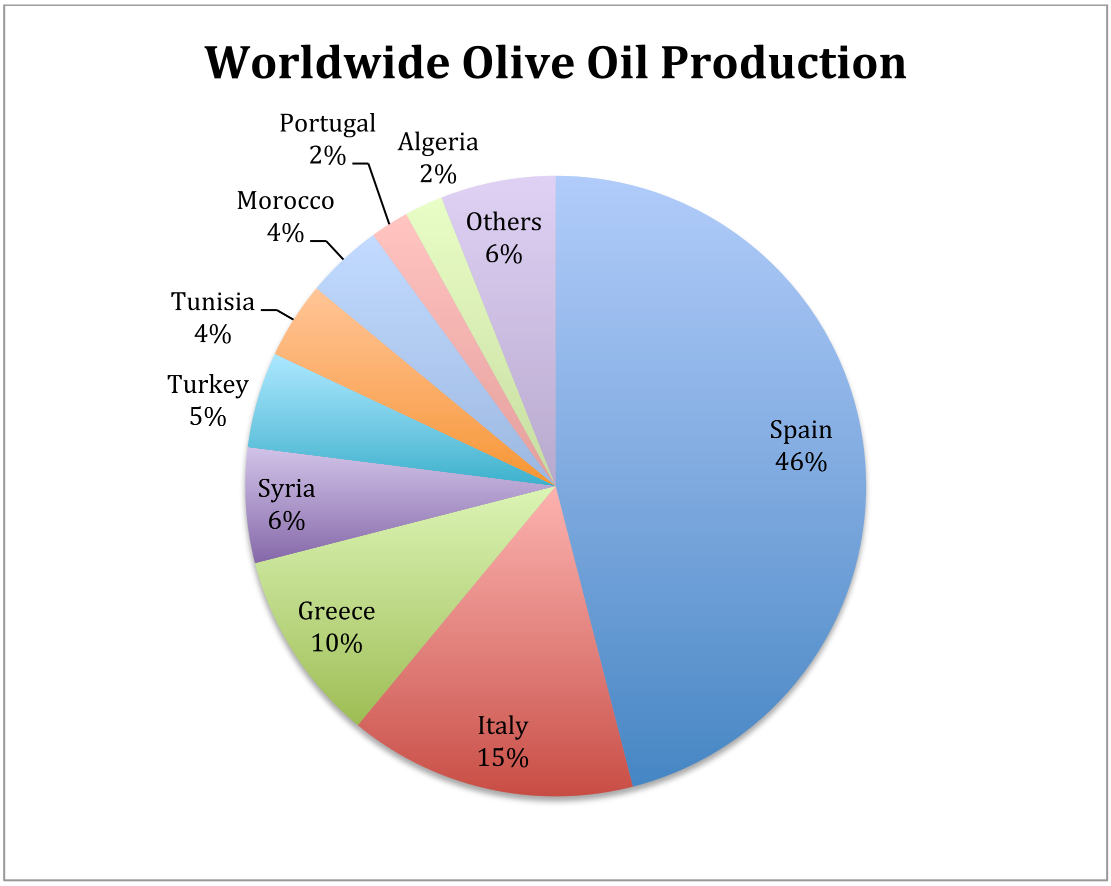


Exhibit 24

Major Worldwide Competitors and respective world market shares

	Brand	2008	2009	2010	2011	2012
1	Bertolli	5,0%	5,1%	5,2%	5,2%	5,1%
2	Carbonell	3,6%	3,3%	3,5%	3,6%	3,6%
3	Gallo	2,8%	2,7%	2,5%	2,2%	2,6%
4	Filippo Berio	2,6%	2,7%	2,6%	2,4%	2,3%
5	Carapelli	2,8%	2,7%	2,5%	2,4%	2,2%
6	Monini	2,2%	2,2%	2,2%	2,1%	2,2%
7	Borges	1,1%	1,1%	1,4%	1,4%	1,6%

Full list of worldwide competitors and respective world market shares

	Brand	Company	Origin	2008	2009	2010	2011	2012
1	Bertolli	Deoleo SA	Spain	5	5,1	5,2	5,2	5,1
2	Carbonell	Deoleo SA	Spain	3,6	3,3	3,5	3,6	3,6
3	Gallo	Unilever Group	Portugal	2,8	2,7	2,5	2,2	2,6
4	Filippo Berio	SALOV - Società per Azioni Lucchese Olii e V	Italy	2,6	2,7	2,6	2,4	2,3
5	Carapelli	Deoleo SA	Spain	2,8	2,7	2,5	2,4	2,2
6	Monini	Monini SpA	Italy	2,2	2,2	2,2	2,1	2,2
7	Borges	Borges Mediterranean Group	Spain	1,1	1,1	1,4	1,4	1,6
8	Puget	Lesieur SAS	France	-	-	1,4	1,4	1,3
9	Komili	Anadolu Group	Turkey	-	-	1,4	1,3	1,2
10	Pompeian	Pompeian Inc	USA	-	-	1,1	1,1	1,1
11	Olio Carli	Flli Carli SpA	Italy	-	-	1,2	1,2	1,1
12	Taris	Taris Zeytin ve Zeytinyagi Birligi	Turkey	-	-	1,0	0,9	0,8
13	Sasso	Deoleo SA	Spain	-	-	-	0,8	0,8
14	Moro	Conga Foods Pty Ltd	Australia	-	-	0,8	0,8	0,8
15	Minerva	PZ Cussons Plc	Greece	-	-	0,8	0,8	0,7
16	Altis	Unilever Group	Greece	-	-	0,8	0,8	0,7
17	Andorinha	Simão & Cia Comércio e Indústria SA	Brazil	-	-	0,5	0,6	0,6
18	Oued Souss	Les Huileries de Oued Souss	Morocco	-	-	0,6	0,6	0,5
19	Farchioni	Farchioni Olii SpA	Italy	-	-	0,6	0,6	0,5
20	Oila	Golrang Industrial Group	Iran	-	-	0,4	0,5	0,5

World Market share evolution graph

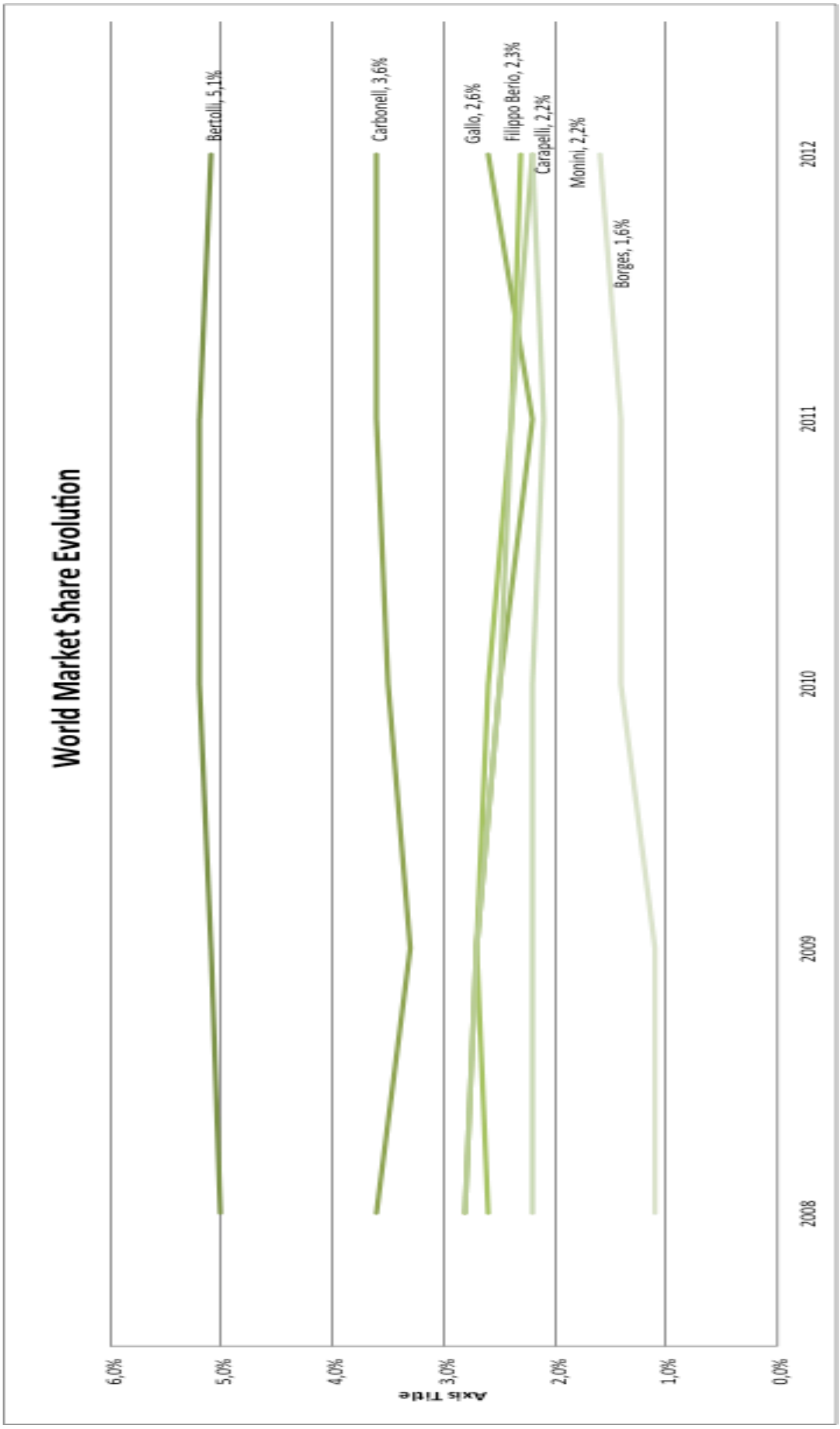
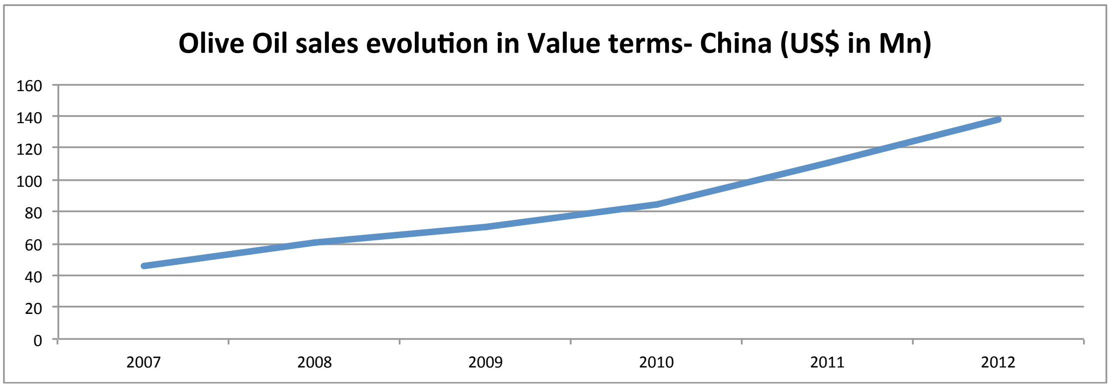


Exhibit 25

Olive oil Sales in China from 2007 to 2012

Value **(US£ in Millions)**

China	2007	2008	2009	2010	2011	2012
China	45,8	60,7	69,9	85	110,2	137,8
Growth Rate		33%	15%	22%	30%	25%



Volume **('000 Tonnes)**

Geographies	2007	2008	2009	2010	2011	2012
China	7,0	8,1	9,0	10,3	11,9	13,5
Growth Rate		16%	11%	14%	16%	13%

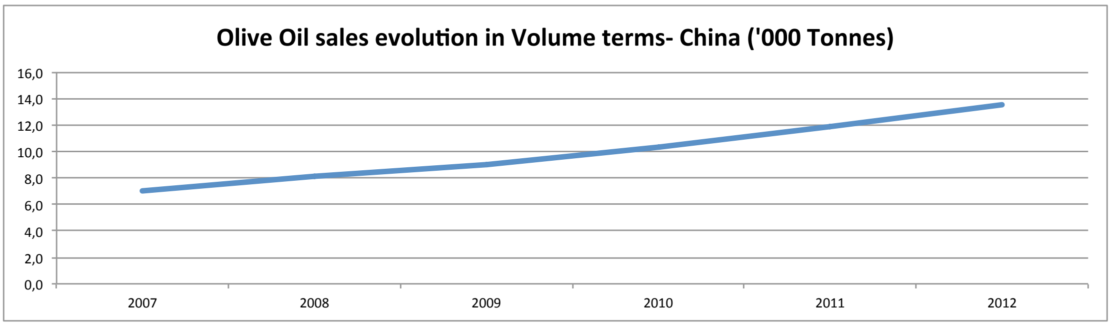
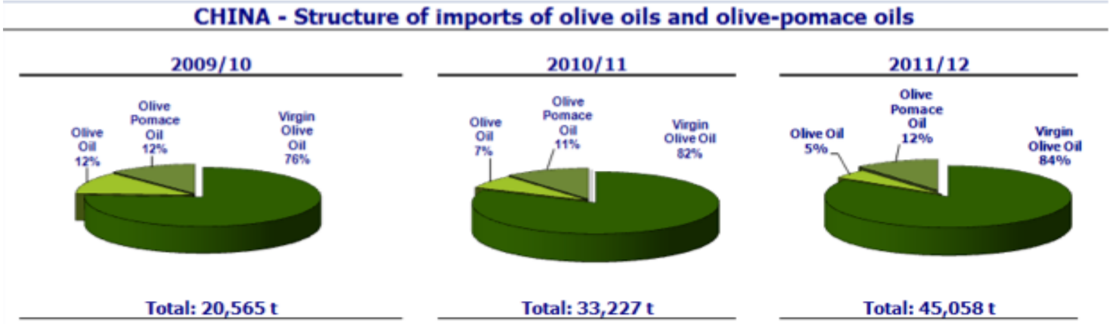
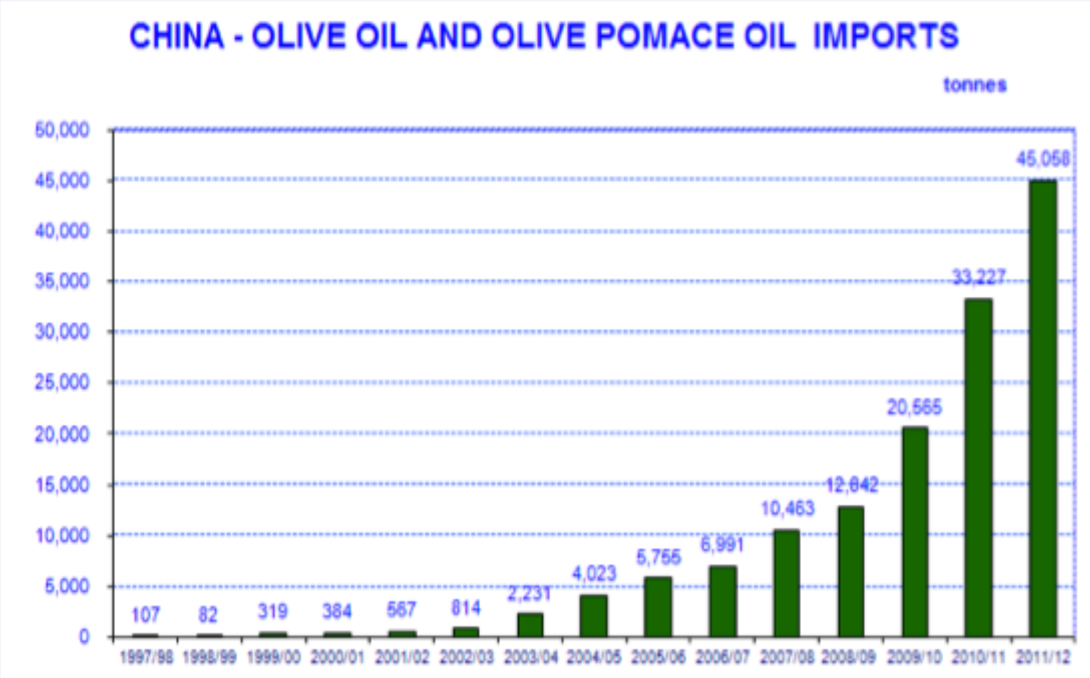
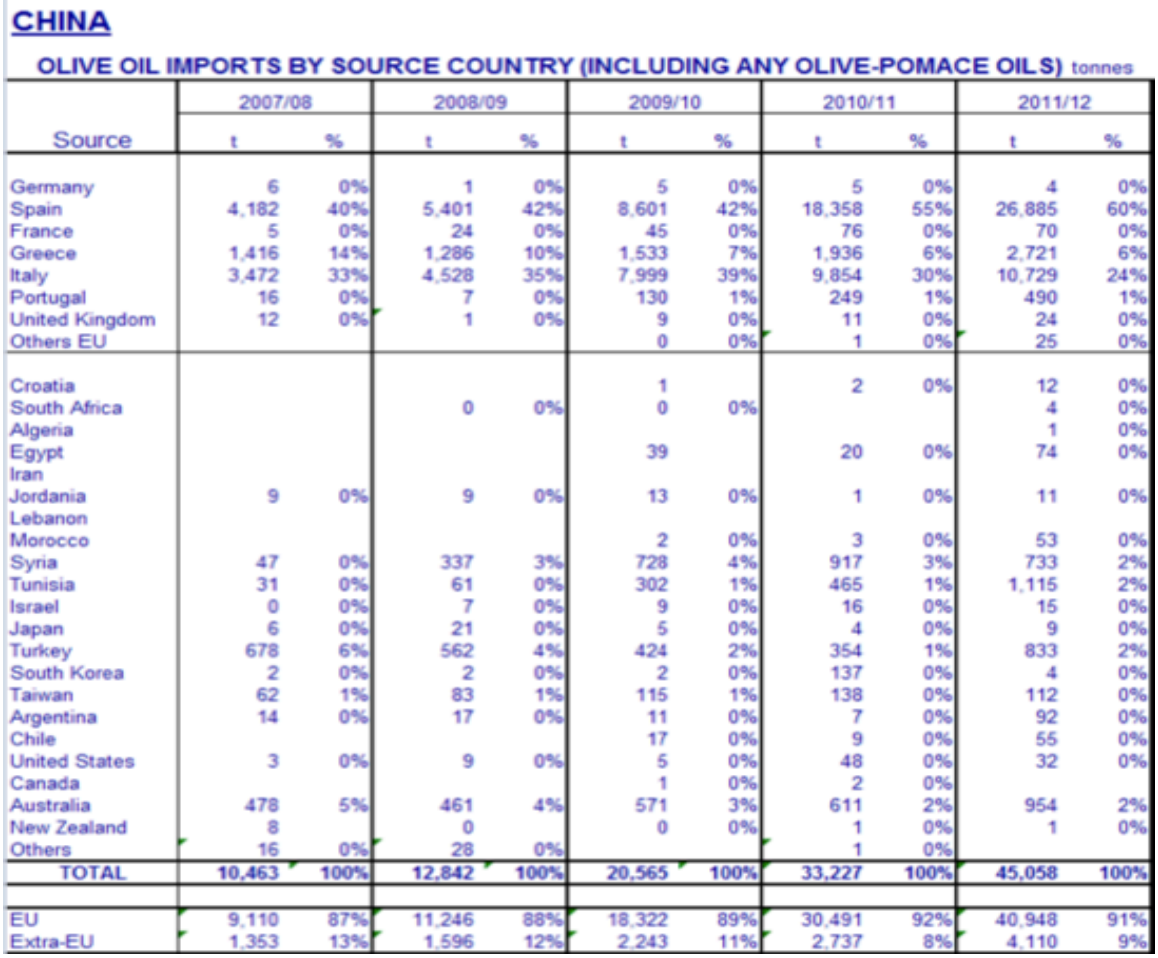


Exhibit 26

Olive Oil imports to China evolution and source countries







CHINA

OLIVE OIL IMPORTS BY SOURCE COUNTRY (INCLUDING ANY OLIVE-POMACE OILS) tonnes

Source	2007/08		2008/09		2009/10		2010/11		2011/12	
	t	%	t	%	t	%	t	%	t	%
Germany	6	0%	1	0%	5	0%	5	0%	4	0%
Spain	4,182	40%	5,401	42%	8,601	42%	18,358	55%	26,885	60%
France	5	0%	24	0%	45	0%	76	0%	70	0%
Greece	1,416	14%	1,286	10%	1,533	7%	1,936	6%	2,721	6%
Italy	3,472	33%	4,528	35%	7,999	39%	9,854	30%	10,729	24%
Portugal	16	0%	7	0%	130	1%	249	1%	490	1%
United Kingdom	12	0%	1	0%	9	0%	11	0%	24	0%
Others EU					0	0%	1	0%	25	0%
Croatia					1		2	0%	12	0%
South Africa			0	0%	0	0%			4	0%
Algeria									1	0%
Egypt					39		20	0%	74	0%
Iran										
Jordania	9	0%	9	0%	13	0%	1	0%	11	0%
Lebanon										
Morocco					2	0%	3	0%	53	0%
Syria	47	0%	337	3%	728	4%	917	3%	733	2%
Tunisia	31	0%	61	0%	302	1%	465	1%	1,115	2%
Israel	0	0%	7	0%	9	0%	16	0%	15	0%
Japan	6	0%	21	0%	5	0%	4	0%	9	0%
Turkey	678	6%	562	4%	424	2%	354	1%	833	2%
South Korea	2	0%	2	0%	2	0%	137	0%	4	0%
Taiwan	62	1%	83	1%	115	1%	138	0%	112	0%
Argentina	14	0%	17	0%	11	0%	7	0%	92	0%
Chile					17	0%	9	0%	55	0%
United States	3	0%	9	0%	5	0%	48	0%	32	0%
Canada					1	0%	2	0%		
Australia	478	5%	461	4%	571	3%	611	2%	954	2%
New Zealand	8		0		0	0%	1	0%	1	0%
Others	16	0%	28	0%			1	0%		
TOTAL	10,463	100%	12,842	100%	20,565	100%	33,227	100%	45,058	100%
EU	9,110	87%	11,246	88%	18,322	89%	30,491	92%	40,948	91%
Extra-EU	1,353	13%	1,596	12%	2,243	11%	2,737	8%	4,110	9%

Exhibit 27

Olive Oil success factors in Chinese Market

China is considered a market with high potential growth, due to many reasons, which makes it very appellative for international olive oil players. Chinese oils and fats industry was predicted to record strong current value growth of 15% in 2012 to reach RMB 84,7 billions. Moreover, the western influence on dietary habits and eating patterns over big cities such as Guangzhou and Shanghai raised the usage of olive oil mainly to cook[60]. Thanks to prosper Chinese economical situation, population record a rising disposal income and consequently a luxury trend emerged, making China one of the major consumer of luxury products worldwide. Furthermore, China is the biggest consumer of vegetable oils in the world, mainly because of a high frying based cuisine, which lead government to promote the usage of healthier oils, by rising awareness regarding health and healthy products. Nowadays the majority of Chinese consumers already prefer to invest in healthier products that won't damage their health. In addition, the emerging middle class in China ensures a more westernized consumption patterns and consequently rising demand for daily products such as olive oil. All of the factors presented before contributed for a rising demand for healthy, high quality, safety and branded products, which aligned with the huge number of consumers ensures a potential market for massive sales of olive oil in near future[61]. Despite the factors contributing for a fast growth expansion, there are also others threatening the success of the product in the country. The high price, especially when compared to other cooking oils, the low familiarity of the product, only one on each ten Chinese truly knows how to use it and what it stands for, and no cultural linkage are slowing olive oil diffusion in the country. Moreover, Chinese traditionally preference for not to cook at home and opt for eating out and for ready meals, aligned with cooking habits with low usage of the product, also difficult massive sales. The perception of Chinese people over the product constitute as well another barrier, since they perceive it mainly as a gift, usually associating it to cosmetic and beauty products and for medical purposes.

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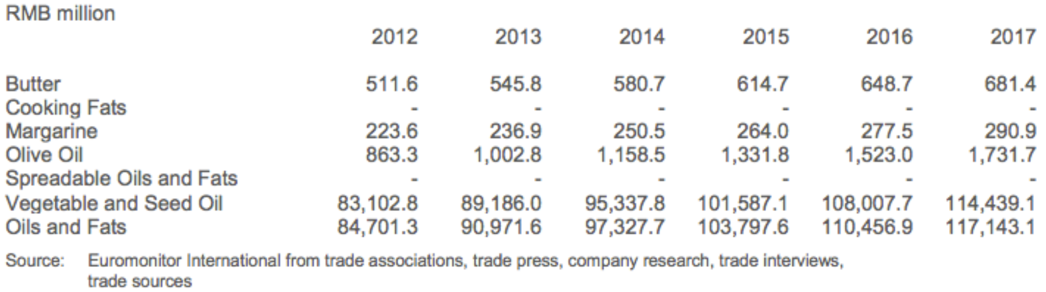
[60] http://www.portal.euromonitor.com/Portal/Handlers/accessPDF.ashx/Oils_and_Fats_in_China.pdf?c=99%5CPDF%5C&f=S-217953-22340299.pdf&saveAsName=Oils_and_Fats_in_China&code=txh6wQYvDrTaXlaZa%2foVAISkcJQ%3d

[61] http://www.ccilc.pt/sites/default/files/docs/dossier_azeite_aicep.pdf

Exhibit 28

Demand for each oils and fats' sub-category in China for the forecast period from 2012 to 2017

Value (RMB Millions)

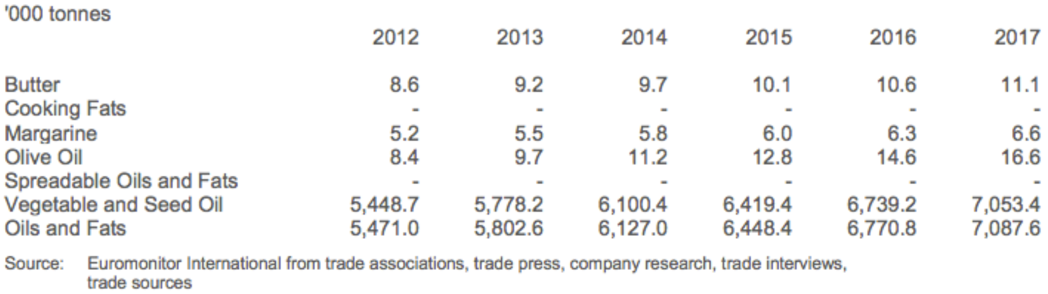


RMB million

	2012	2013	2014	2015	2016	2017
Butter	511.6	545.8	580.7	614.7	648.7	681.4
Cooking Fats	-	-	-	-	-	-
Margarine	223.6	236.9	250.5	264.0	277.5	290.9
Olive Oil	863.3	1,002.8	1,158.5	1,331.8	1,523.0	1,731.7
Spreadable Oils and Fats	-	-	-	-	-	-
Vegetable and Seed Oil	83,102.8	89,186.0	95,337.8	101,587.1	108,007.7	114,439.1
Oils and Fats	84,701.3	90,971.6	97,327.7	103,797.6	110,456.9	117,143.1

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Volume ('000 Tonnes)



'000 tonnes

	2012	2013	2014	2015	2016	2017
Butter	8.6	9.2	9.7	10.1	10.6	11.1
Cooking Fats	-	-	-	-	-	-
Margarine	5.2	5.5	5.8	6.0	6.3	6.6
Olive Oil	8.4	9.7	11.2	12.8	14.6	16.6
Spreadable Oils and Fats	-	-	-	-	-	-
Vegetable and Seed Oil	5,448.7	5,778.2	6,100.4	6,419.4	6,739.2	7,053.4
Oils and Fats	5,471.0	5,802.6	6,127.0	6,448.4	6,770.8	7,087.6

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Exhibit 29

Health Trend driving the industry

The rising health and wellness trend has affected the oils and fats market in a most profound way. Globally, consumers are clearly shifting and looking to healthier options over regular oils and fats. A studied conducted by Euromonitor International over the period from 2006 to 2011 shows that volume sale of products marketed as cholesterol-lowering properties rose by 15%, while sales of regular oils and fats stagnated. Olive oil that is known for its cardiovascular health benefits and an essential constituent of the Mediterranean diet, which is considered to be one of the healthiest ways of eating, emerged as another big winner archiving an impressive volume gain of 19% over the period from 2006 to 2011.

Olive oil emerges as the big winer of such trend. For instance, in North America, olive oil was the only oils and fats category able to make volume gains in the period from 2006 to 2011. Olive oil volume in the region increased by 19%, while overall oils and fats fell by 9%. As another example, in Latin America, olive oil recorded an increase of 58% in volume. During the period 2006-2011 the highest growth markets for olive oil included Pakistan, Romania, China, India, Japan, Brazil, Peru, Russia and the Philippines. Using Romania as example of a country where there is no culture association with the usage of olive oil, sales of the product tripled over the same period mentioned before. The main reason for this huge growth is the fact that Romanian consumers started to clearly understand that olive oil is an excellent natural digestive remedy and a healthy product. Moreover, the penetration of the Mediterranean cuisine in the country, which olive oil is an integral part, also contributed to increase its awareness and volume growth.

According to Euromonitor Internationacional, Olive oil category has a bright future ahead. On a global level, it is predicted that the category will gain 18% in retail volume terms over the period from 2011 to 2016. Furthermore, in Western and Eastern Europe, olive oil is set to remain the top oils and fats growth category, with expected volume increases of 14% and 38%, respectively. In Europe, part of the olive oil success must be allocated to the health and wellness trend and to the recognition of its health benefits. The European food safety authority (EFSA) approved a hearth-health claimed claim in April 2011 pertaining to the polyphenols found in olive oil, named hydroxytyrosol and its derivatives. The agency concluded that a minimum daily intake of 5mg of hydroxytyrosol, which can be achieved through the consumption of a moderate amount of olive oil as part of a balanced diet, protects LDL cholesterol particles in the blood from oxidative damage (oxidation of LDL cholesterol is a known contributory factor in the development of cardiovascular disease)[62].

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[62] http://www.portal.euromonitor.com/Portal/Pages/Common/Pdf.aspx/The_Impact_of_Health_and_Wellness_on_Oils_and_Fats

Exhibit 30

Cities Global Image

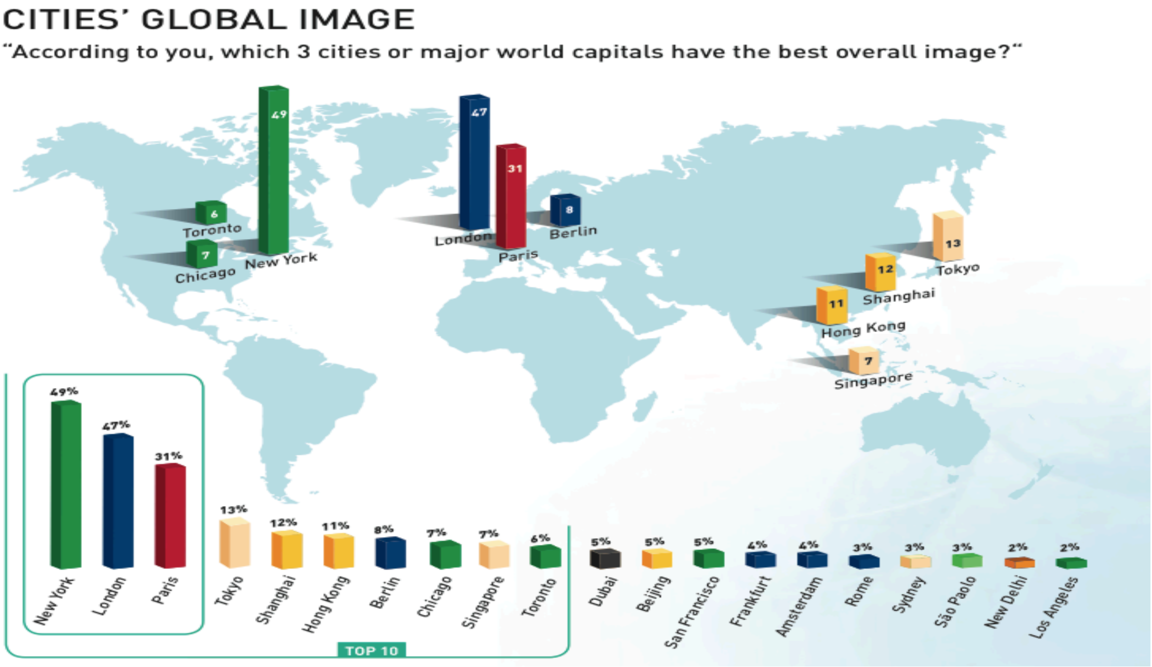
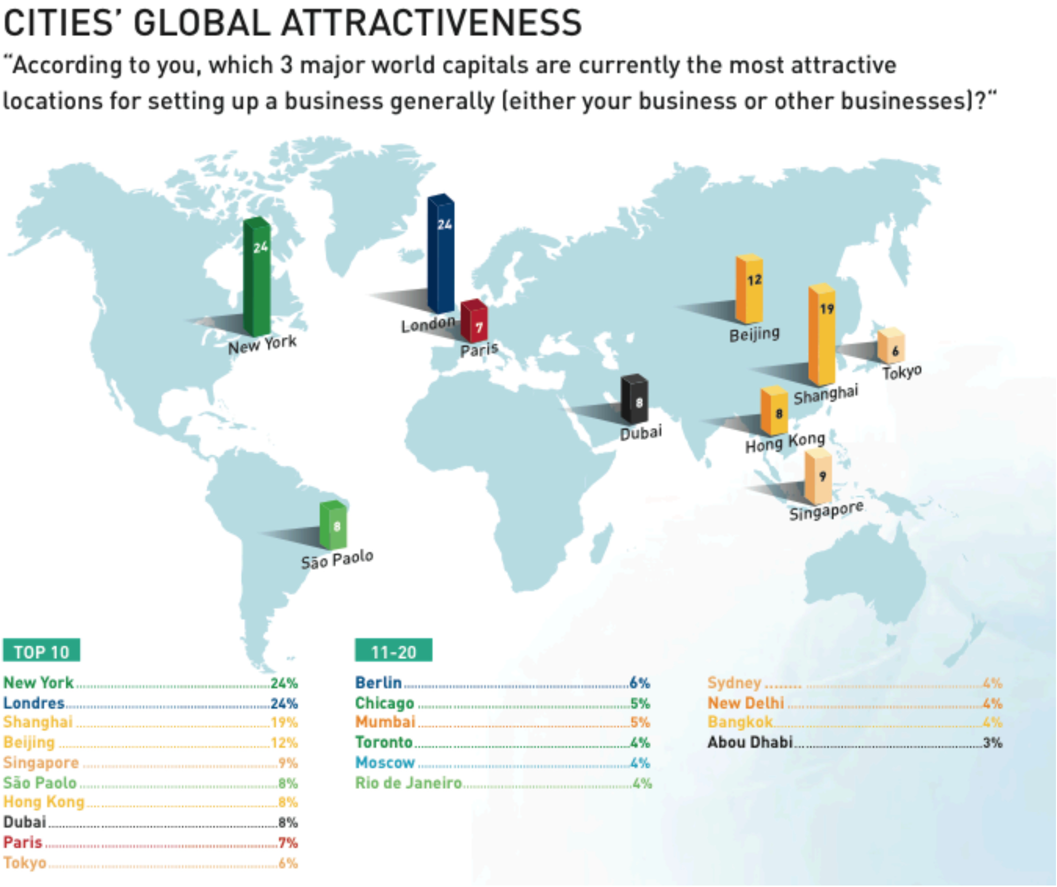


Exhibit 31

Cities Global Attractiveness

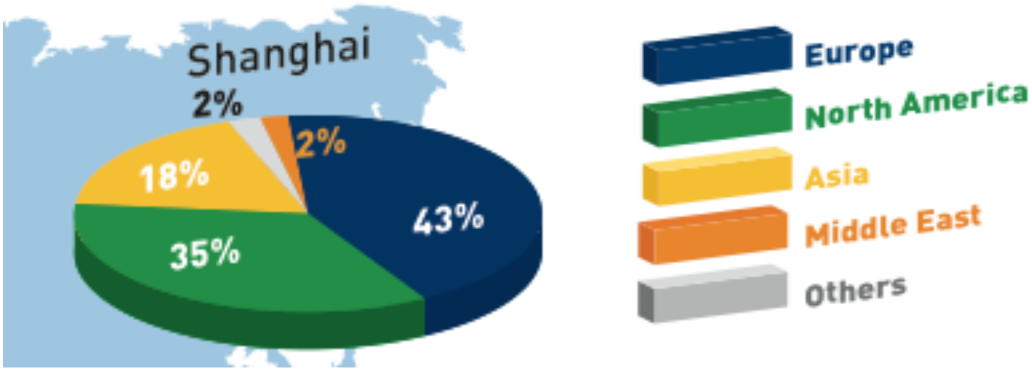


TOP 10	
New York	24%
Londres	24%
Shanghai	19%
Beijing	12%
Singapore	9%
São Paolo	8%
Hong Kong	8%
Dubai	8%
Paris	7%
Tokyo	6%

11-20	
Berlin	6%
Chicago	5%
Mumbai	5%
Toronto	4%
Moscow	4%
Rio de Janeiro	4%
Sydney	4%
New Delhi	4%
Bangkok	4%
Abou Dhabi	3%

Exhibit 32

FDI in Shanghai origin



Number of received Investments by City

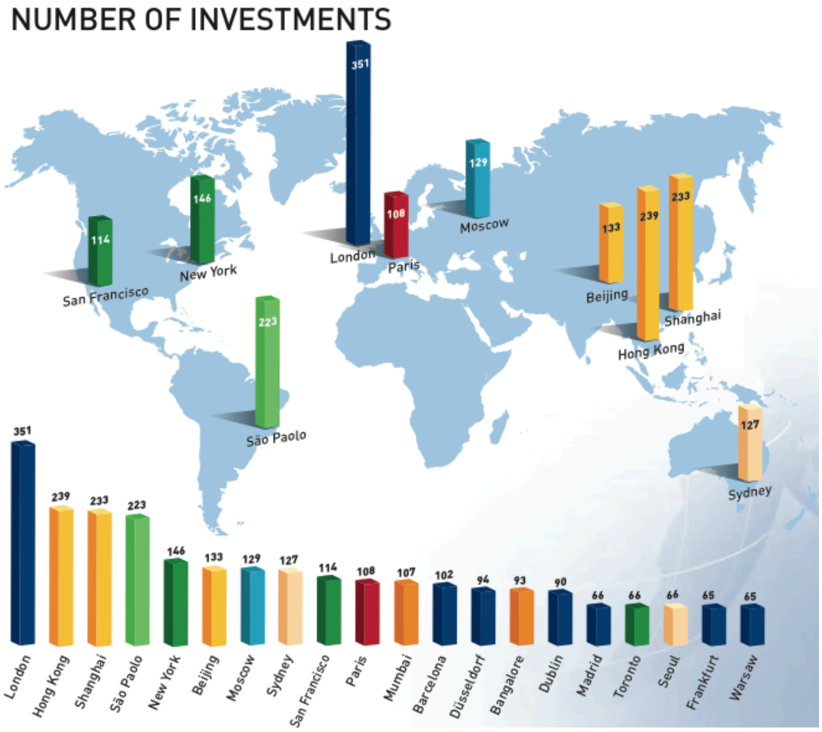
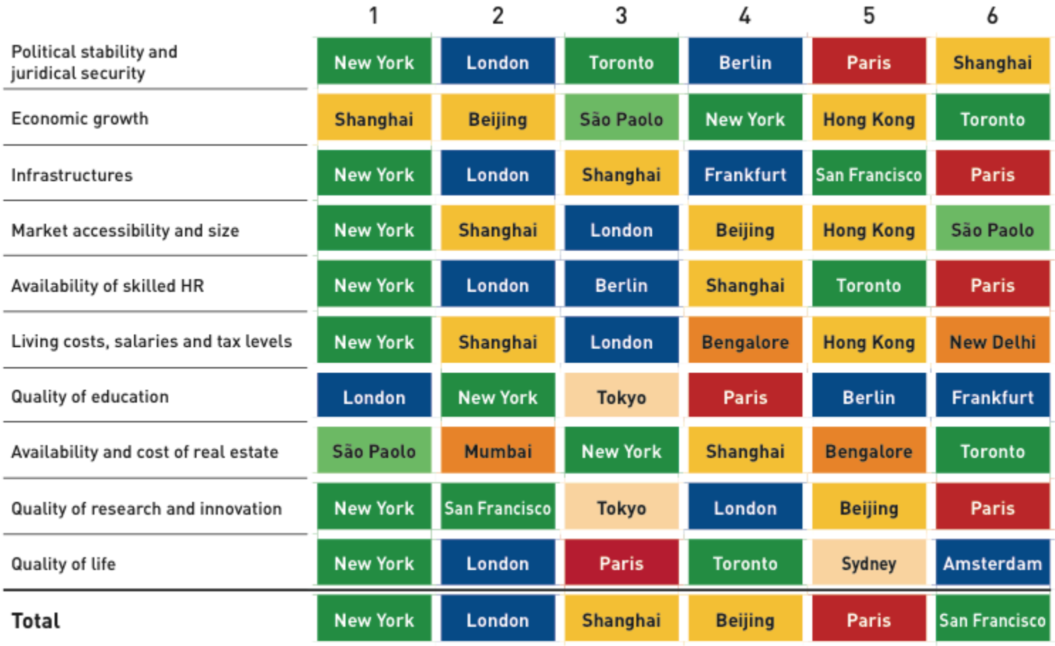


Exhibit 33

World major cities appraisal



	1	2	3	4	5	6
Political stability and juridical security	New York	London	Toronto	Berlin	Paris	Shanghai
Economic growth	Shanghai	Beijing	São Paolo	New York	Hong Kong	Toronto
Infrastructures	New York	London	Shanghai	Frankfurt	San Francisco	Paris
Market accessibility and size	New York	Shanghai	London	Beijing	Hong Kong	São Paolo
Availability of skilled HR	New York	London	Berlin	Shanghai	Toronto	Paris
Living costs, salaries and tax levels	New York	Shanghai	London	Bengalore	Hong Kong	New Delhi
Quality of education	London	New York	Tokyo	Paris	Berlin	Frankfurt
Availability and cost of real estate	São Paolo	Mumbai	New York	Shanghai	Bengalore	Toronto
Quality of research and innovation	New York	San Francisco	Tokyo	London	Beijing	Paris
Quality of life	New York	London	Paris	Toronto	Sydney	Amsterdam
Total	New York	London	Shanghai	Beijing	Paris	San Francisco

Exhibit 34

World Cities overall ranking 2013

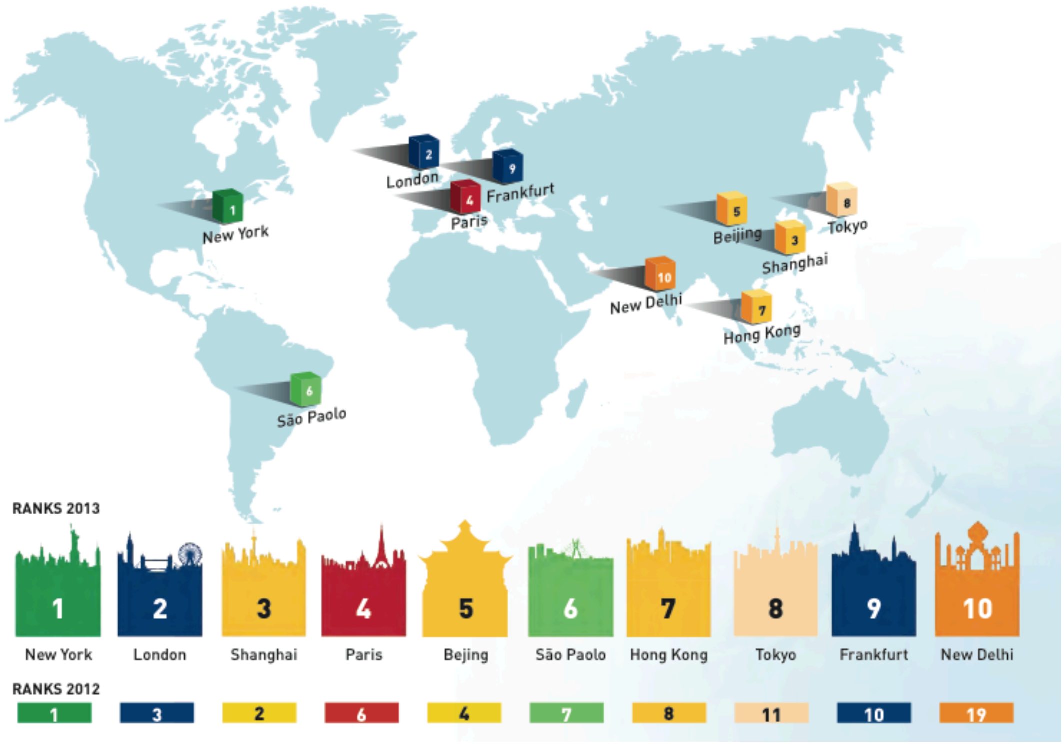


Exhibit 35

Legal Issues When Exporting to China

According to the information collected the average margins of exporting to China charged by intermediaries are the following: local distributor will charge a margin range from 45-50%, while retailers/supermarkets will charge around 15-20% and 10% are assembled to other expenses. Moreover, it is imported to transmit the tax calculations when selling in China. For every type of olive oil there will be a fix 10% of custom duty while the value added tax is 13% for Virgin olive oil and 17% for Extra-virgin Olive oil. From the information gathered, there is no consumption tax. The tax value calculations are then presented as the following:

- **Tariffs**: *Quantity * CIF (cost, insurance and freight) * Custom Duty*
- **Value Added Tax:** *Quantity * CIF * (1+ Custom Duty) * Value Added Tax*

Another important issue when exporting to China is the required documentation to be submitted in the customs house. Chinese customs demand to present the following general requirements: 1) *Commercial Invoice*; 2) *Packing List*; 3) *BUI of landing/Airway BUI/Rail BUI*; 4) *Business License*. In addition, it is also required the following specific requirements: 1) *Label verification for imported foodstuffs*; 2) *Commodity inspection certificate*.

Furthermore, the labelling is another big concern of Chinese customs and therefore the following process is required when exporting products to China mainland. First, Gallo needs to provide to the local distribution partner specific documentation including a *Health Certificate of Bottling*, a *Certificate of Company's registration in the Mercantile Registry*, *Fifteen Sets of Original Labels* and *Two Samples of the Product in question*. After all documentation submitted Gallo still need to present the labels in local offices for inspection. Moreover, to design a valid and legal label to be commercialized in China it is required to be written the ingredients of the product, production date, deadline consumption date, conservation method, country of origin, name, address and contacts of the distributor in China. All of the mentioned requirements need to be translated to Chinese in the label; in **Exhibit 36** it is provided an example of a legal label for olive oil.

The registration of the brand in China is not mandatory, however, it is recommended to do it in order to ensure legal protection in case of wrong usage of the product by consumers. In order to do it, Gallo needs to contact a local agent that provides service of trademark office. The agent will then compute a research in order to assess the viability of Gallo's brand registration in China. The average cost for this service is 450 US dollars for a range of ten products and this value will increase if more products are required. After requesting the brand registry, a pre-registration is issued, and only 24 months after the trademark office will issue a registration certificate for Gallo, which is valid for ten years and renewable indefinitely.

It is also possible to make a registration in customs of the brand in order to protect Gallo's products quality. This process authorizes customs official to confiscate the products whose contend is suspected to be false or damaged. Given the high concerns about product's safety in China, it is recommended to Gallo to acquire this registration certificate, which is valid for seven years and costs 800 RMB.

Understanding Government policies and regulation is another critical point when entering China. Although China's entry to WTO in 2001 helped to liberalize China's trade environment to some extent, many industries remain heavily regulated by the government. Some Chinese industries such as petrochemicals, energy and telecommunications still off-limits to foreign companies while others still under severe limitations. It is then advisable to any company who intend to do business in China to consult *China Foreign Investment Catalogue*, which divides foreign investment projects into 'encouraged', 'restricted' and 'prohibited' categories. From the information gathered, Gallo's industry is not under Government control and has no limitations, however, consult the catalog becomes vital to prevent future problems. Since the melamine poisoned milk scandal in 2008, regulation in China is becoming much more stringent and companies that break the food safety law are submitted to hard punishments. Government regulations can very often impact significantly on the timeline and costs of market entry, and companies are advised to examine the implications of such regulations prior to committing to the market. When already operating in the market it is also important to constantly monitor for any changes to legislation or regulations and how these could affect company's business. Some laws are vaguely worded and open to interpretation and therefore it is advisable to Gallo to contact a local legal consultant to help interpreting China's laws and regulations.

International Property Rights (IPR) infringement is common in China and any company that targets to enter the market might be aware that its technology will be compromised at some point. Therefore it is highly recommend to companies to consult with lawyers and IPR experts to develop the appropriate IPR strategy.

Considering that Gallo will only export to China, the IPR will not be an issue because the company won't produce in Chinese territory. For exporting to China, Gallo doesn't need to require any patent or copyrights and won't promote any kind of R&D.

Exhibit 36

Olive oil legal label example

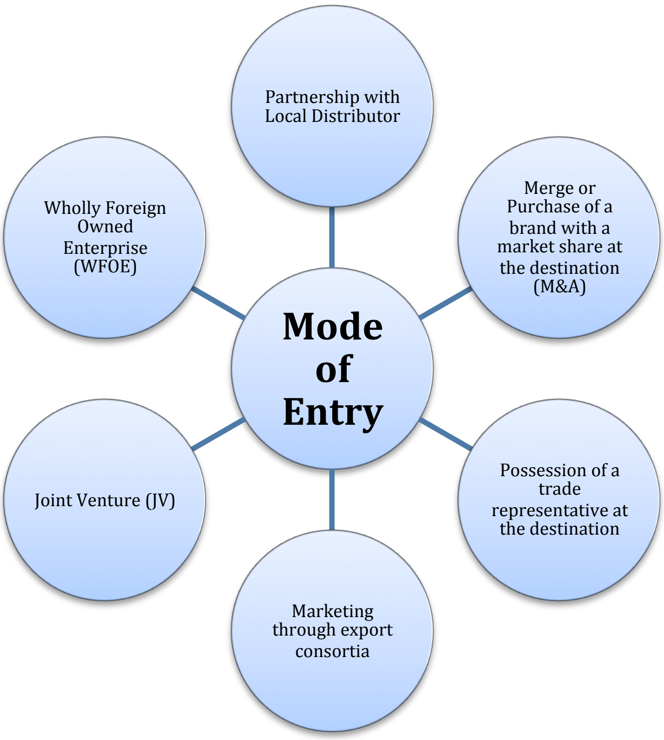
Exhibit 37

Delphi Survey Characteristics

The Delphi method was originally developed in the 50s by the RAND Corporation in Santa Monica, California. This approach consists of a survey conducted in two or more rounds and provides the participants in the second round with the results of the first so that they can alter the original assessments if they want to - or stick to their previous opinion. Nobody 'looses face' because the survey is done anonymously using a questionnaire. The Delphi method is especially useful for long-range forecasting (20-30 years), as expert opinions are the only source of information available[63].

Exhibit 38

Possible entry modes in international markets for Olive Oil companies



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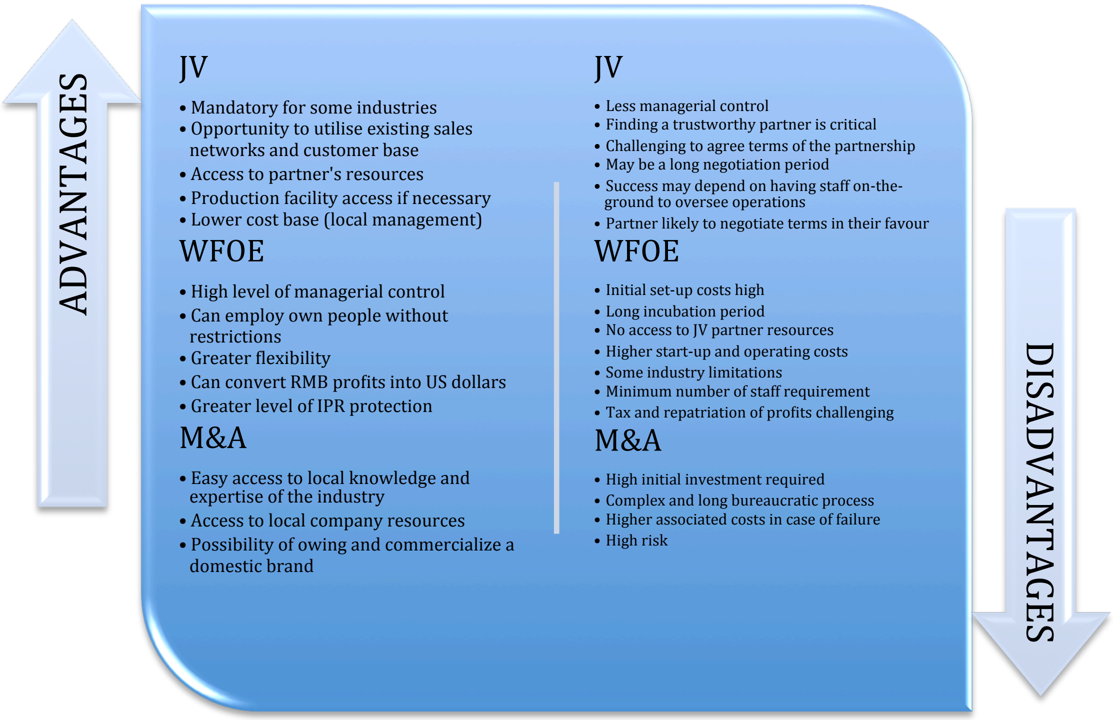
[63] http://www.unido.org/fileadmin/import/16959_DelphiMethod.pdf

Different modes assessment: Advantages vs. Disadvantages



ADVANTAGES

JV

- Mandatory for some industries
- Opportunity to utilise existing sales networks and customer base
- Access to partner's resources
- Production facility access if necessary
- Lower cost base (local management)

WFOE

- High level of managerial control
- Can employ own people without restrictions
- Greater flexibility
- Can convert RMB profits into US dollars
- Greater level of IPR protection

M&A

- Easy access to local knowledge and expertise of the industry
- Access to local company resources
- Possibility of owing and commercialize a domestic brand

DISADVANTAGES

JV

- Less managerial control
- Finding a trustworthy partner is critical
- Challenging to agree terms of the partnership
- May be a long negotiation period
- Success may depend on having staff on-the-ground to oversee operations
- Partner likely to negotiate terms in their favour

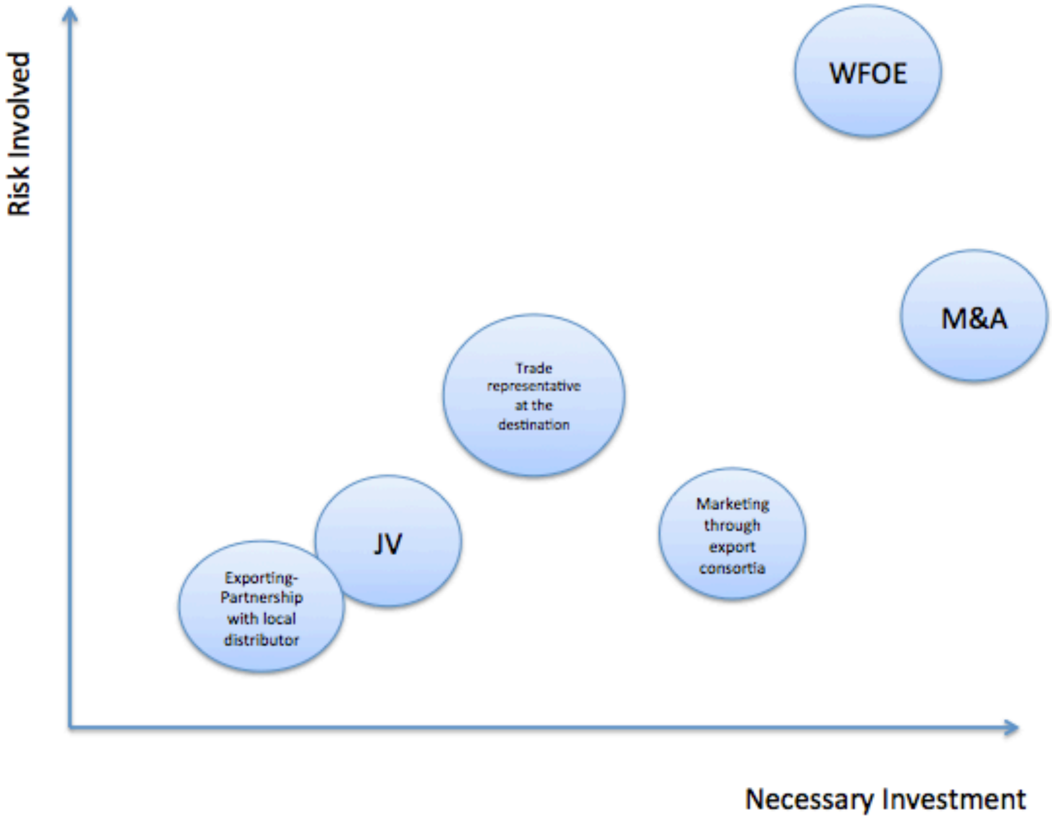
WFOE

- Initial set-up costs high
- Long incubation period
- No access to JV partner resources
- Higher start-up and operating costs
- Some industry limitations
- Minimum number of staff requirement
- Tax and repatriation of profits challenging

M&A

- High initial investment required
- Complex and long bureaucratic process
- Higher associated costs in case of failure
- High risk

Matrix: Risk vs. Investment



Although the recent Chinese openness to external investment raised the number of companies going alone to China[64], the Joint Venture (JV) model still brings with it many advantages and lower risk than the Wholly Foreign Owned Enterprise (WFOE), which is the riskier option. The possession of a trade representative requires some investment in acquiring local staff and has also some risk involved since usually long-term contracts are established. Marketing through export consortia will obligate Gallo to abdicate margins but involves low risk. The partnership with local distributor is the entry mode that involves less risk and necessary investment. Anyway, a hard investment in promotion activities is required for this mode of entry.

Exhibit 39

List of possible importers/distributors[65]

Company	Importer	Address & Contacts	Contact Person
Shanghai Goodwell Trading Co., Ltd.	Imports MONINI olive oil	Mingshen Center Apartment No. 20, Room 2003, Kaixuan Road No. 3131, Shanghai, Xu Hui District Tel: +86-21-54071788 Fax: +86-21-64876159 Email: goodwell_sh@goodwellchina.com **Revenues 2010:** 50-100 Millions RMB	Ms. Lucy Liu, Manager of Marketing Dept.
Sinodis Food (Shanghai) Co., Ltd.	Imports CARAPELLI olive oil	Donghua Science Park, Building 4, Jinzhong Road 658, Shanghai 200335, China Web: www.sinodis.com/cn Tel: +86-21-61281820 / 1828 Fax: +86-21-33600070 / 0071 Email: jyan@sinodis.com.cn **Revenues 2008:** 154 Millions RMB	Mr. Duccio, Business Development Manager
Shanghai Pai Rui Sheng Trading Co., Ltd.	Imports olive oil from Turkey	Rm. 7114, No. 1288, YangGao Nan Rd., Shanghai Web: www.biz72.com/index.php?act=com/company&cid=119667 Tel: +86-21-58407253 Fax: +86-21-58798922 **Revenues 2010:** 7-10 Millions RMB	Mr. Zhang Jie, Manager
Shanghai Kerry Oils &	Imports the mill olive oil	No 168 DongTang Rd., Pudong District, Shanghai Web: www.shkog.com Tel: +86-28-50694305, 68462277	Ms. Han Xia, Manager

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[64] http://www.b2binternational.com/publications/china-market-entry/

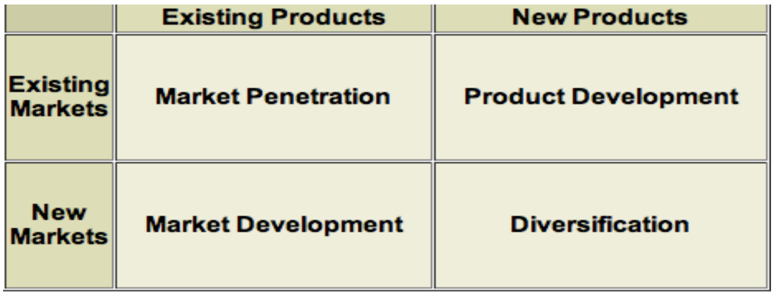
[65] Study on the Promotion of Consumption of Olive Oil and Table Olives in China, March 2010

Grains Industrial Co., Ltd.	that after mixed is sold under the brand OLIVOILA	Fax: +86-28-68467008 Email: luqy@shkog.com **Revenues 2010:** 100 Millions RMB	
Shanghai ZiYuan Trading Co.,Ltd.	Imports olive oil from Spain	Rm. 2106, No.760, XiZang Nan Rd., Shanghai Web: http://detail.china.alibaba.com/company/detail/danielluksh.html Tel: +86-21-51019199, 51572771, 510192 Fax: +86-21- 51572770 Email: 646491887@qq.com **Revenues 2010:** 50-100 Millions RMB	Mr. Lu Jia, Manager of Marketing Dept.
Shanghai's King Food's Condiment Co., Ltd.	Also imports olives from Greece and olive oil from Spain	Rm.2404, Unit A, No.185, Zhonghua Rd., Shanghai Web www.kingfoods.com.cn Tel: +86-21-63301867 Fax: +86-21-63301869 Email: kingfoods@kingfoods.com.cn **Revenues 2008:** 50 Millions RMB	Ms. Wang Ping, Import Dept.
Gourmedis (China) Trading Co., Ltd	Also imports green and black olive from Italy	10F, New Long March Plaza, No. 1263, Zhenbei Road, 200333 Shanghai, China Tel : +86-21-5283-7900 Fax: +86-21-5283-7901 Email: info@gourmedis.com **Revenues 2008:** 94 Millions RMB	Ms. Jacqueline Alex, Head of Sales
Unistone Olive Oil Developing Co., Ltd.	Imports and distributes olive oil from Greece, Spain and Italy	D, 15/F, Qiaoxiong Business Centre, 118, Yangqiao Donglu Fuzhou Web: www.ganlanyou.cn/company.asp Tel: +86-591-87504231 Fax: +86-591-28085391 Business Start: 2005 **Revenues 2010:** 7-10 Millions RMB	Manager of Sales Department
Qingdao Aegean Sea Commercial and Trade Co., Ltd.	Importer of different kinds of olive oils	Room 20D, Haili Building, Binhai Garden, 10 Hong Kong, Zhong Road, Qingdao Web: www.aegean-trade.cn/eng/intro.asp Email: sdcyjob@126.com Tel: +86-532-66777381 Fax : +86-532-66777380 Business	Ms. Windsor

		Start: 2000 **Revenues 2010:** 5-10 Millions RMB	
Laiwu Hanhai Foodstuff Co., Ltd.	Manufacturer and importer of extra-virgin Olive oil	No. 22, North Daqiao Road, 2771100 Laiwu Web: http://hanhai.win.mofcom.gov.cn Email: windsor77@yahoo.cn Tel: +86-6345603866 Fax: +86-6345603867 Business Start: 2000 **Revenues 2010:** 10-20 Millions RMB	Ms. Windsor
Shanghai King Foods Condiment Co., Ltd.	Trader/importer of Extra virgin olive oil	185 Zhonghua Road, 200010 Shanghai Web: www.kingfoods.com.cn E-Mail: kingfoods@kingfoods.com.cn Tel: +86-21-63301868 Fax: +86-21-63301869 Business start: 1999 **Revenues 2008:** 50 Millions RMB	Mr. Wang Ping, Manager
Shanghai Kuichun Industry Co., Ltd..	Imports CARBONELL olive oil	Room 318, No. 100, Ye Jia Zhai Road, Putuo, 200060 Shanghai Web: www.kuichu.com Email: kuichun@kuichun.com Tel: +86-21-6299 0425 Fax: +86-21-51012046 Business Start: 1996 **Revenues 2010:** 10-20 Millions RMB	Mr. Wang Ping, Manager

Exhibit 40

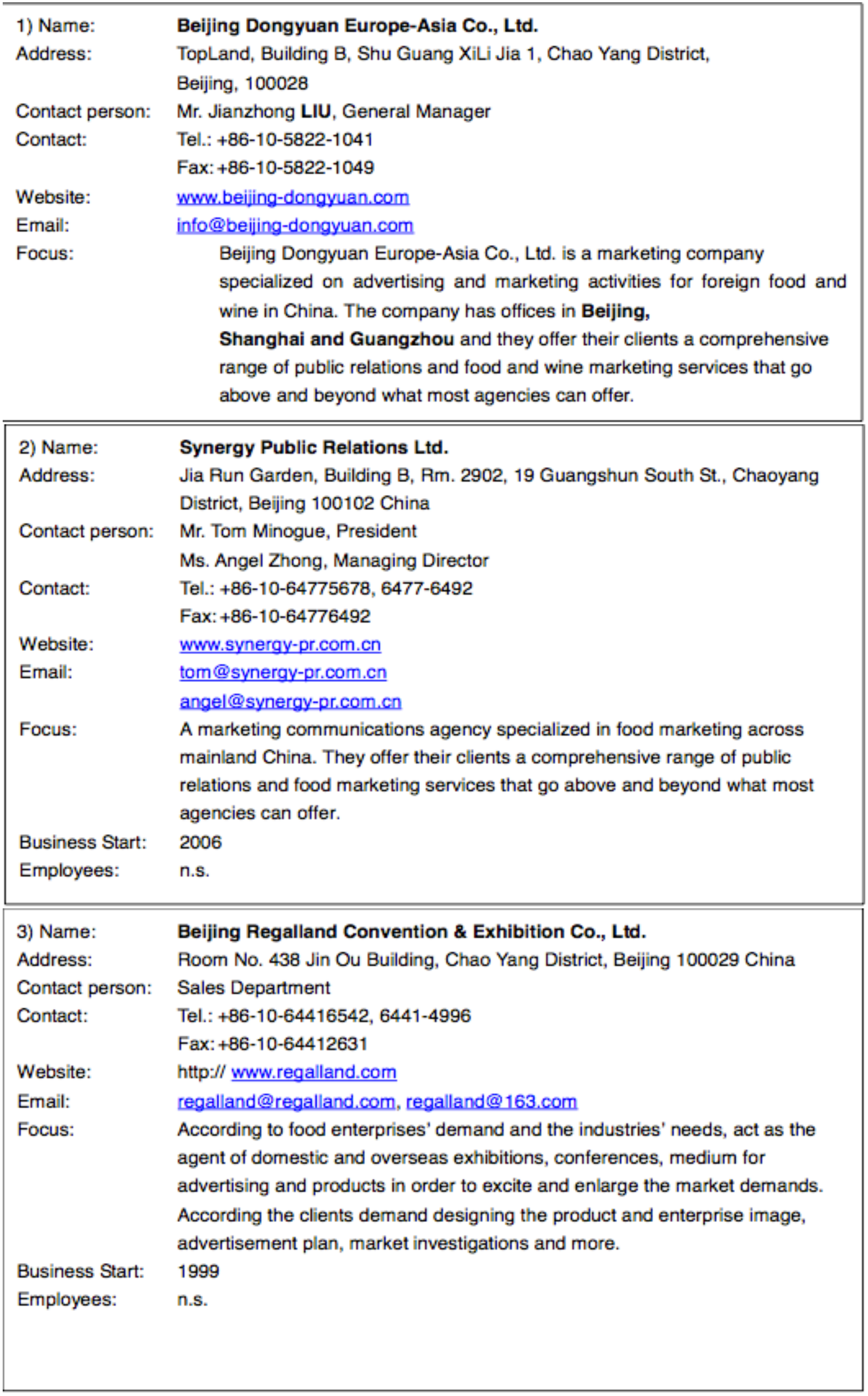
Possible Marketing Strategies



	Existing Products	New Products
Existing Markets	**Market Penetration**	**Product Development**
New Markets	**Market Development**	**Diversification**

Exhibit 41

List of Local Marketing/PR Agencies[66]



1) Name:	**Beijing Dongyuan Europe-Asia Co., Ltd.**
Address:	TopLand, Building B, Shu Guang XiLi Jia 1, Chao Yang District, Beijing, 100028
Contact person:	Mr. Jianzhong **LIU**, General Manager
Contact:	Tel.: +86-10-5822-1041 Fax: +86-10-5822-1049
Website:	www.beijing-dongyuan.com
Email:	info@beijing-dongyuan.com
Focus:	Beijing Dongyuan Europe-Asia Co., Ltd. is a marketing company specialized on advertising and marketing activities for foreign food and wine in China. The company has offices in **Beijing, Shanghai and Guangzhou** and they offer their clients a comprehensive range of public relations and food and wine marketing services that go above and beyond what most agencies can offer.

2) Name:	**Synergy Public Relations Ltd.**
Address:	Jia Run Garden, Building B, Rm. 2902, 19 Guangshun South St., Chaoyang District, Beijing 100102 China
Contact person:	Mr. Tom Minogue, President Ms. Angel Zhong, Managing Director
Contact:	Tel.: +86-10-64775678, 6477-6492 Fax: +86-10-64776492
Website:	www.synergy-pr.com.cn
Email:	tom@synergy-pr.com.cn angel@synergy-pr.com.cn
Focus:	A marketing communications agency specialized in food marketing across mainland China. They offer their clients a comprehensive range of public relations and food marketing services that go above and beyond what most agencies can offer.
Business Start:	2006
Employees:	n.s.

3) Name:	**Beijing Regalland Convention & Exhibition Co., Ltd.**
Address:	Room No. 438 Jin Ou Building, Chao Yang District, Beijing 100029 China
Contact person:	Sales Department
Contact:	Tel.: +86-10-64416542, 6441-4996 Fax: +86-10-64412631
Website:	http:// www.regalland.com
Email:	regalland@regalland.com, regalland@163.com
Focus:	According to food enterprises' demand and the industries' needs, act as the agent of domestic and overseas exhibitions, conferences, medium for advertising and products in order to excite and enlarge the market demands. According the clients demand designing the product and enterprise image, advertisement plan, market investigations and more.
Business Start:	1999
Employees:	n.s.

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[66] Study on the Promotion of Consumption of Olive Oil and Table Olives in China, March 2010

4) Name:	**Shanghai Miracle Public Relation and Event Co.,Ltd**
Address:	Building 3/D, F/8, Xinghai Plaza, No.1251 Jiangning Road, Shanghai, 200060,China
Contact person:	Mr. Gary, Project Manager
Contact:	Tel.: +86--21 62276440 Fax: +86--21 62273401
Website:	www.miraclepr.com.cn
Email:	china@miraclepr.com.cn
Focus:	"Quintessence of a Master, with Acute Enterprising Will" - just as their persistent managing principle of Miracle, a professional PR company committed to reliable service and creative development. With rich experience in planning and public relations, they provide the most considerate professional service, the most comprehensive planning program, and the most individualized creative concept to meet requirements of different customers. Based on direct effect from the on-site activities & media, they manage to further enhance the awareness of targeted customers, and finally promote brand image and sales, thus, to help the customers gaining competitive advantages and commercial success gradually.
Business Start:	2005
Employees:	n.a.

5) Name:	**Hill & Knowlton Co., Ltd.**
Address:	Suite 1901, SciTech Tower, 22 Jianguomenwai Avenue, Beijing 100004
Contact person:	Mr. John L. Holden, Managing Director
Contact:	Tel.: +86-10-5861-7560 Fax: +86-10-6512-4381
Website:	www.hillandknowlton.com.cn
Email:	john.holden@hillandknowlton.com.cn
Focus:	Hill & Knowlton has been appointed Shanghai World Expo 2010's PR agency and will provide communications services to promote a positive image of Shanghai World Expo 2010. They supported food companies in providing marketing services in China. Hill & Knowlton has been appointed as the official public relations agency for the Beijing Olympics 2008 and helped to promote a positive image of Beijing 2008. First agency appointed by the State Council Information Office for Spokesperson and Crisis and Issues Management Training. In 2005, Hill & Knowlton equipped over 400 spokespersons from central and provincial governments with the skills necessary to handle future crises.
Business Start:	1984
Employees:	Around 200 employees at Beijing Office

Exhibit 42- Segmentation, Target and Positioning

Segmentation

According to "Chinese official population clock", in the first of November 2013, Chinese population accounts for over 1.3 billion, from which 23 Millions correspond to Shanghai population. It is known that 80% of Chinese olive oil consumers own a college diploma or higher diploma, and 60% are middle age and senior citizens[67]. From Chinese 2010 census, it is also known that around 70% of Shanghai population is between 15-59 years old and around 13% is aged over 60. Then, from the 23 million, Gallo will only target 83% (around 19 Million), since the company is mainly targeting middle age and senior citizens. Moreover, considering that urban population detains higher education and that the product will be mainly consumed in urban areas,

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[67] http://www.regalland.com/eoliveoil/oliveoilinfoinchina.htm

Gallo should only target 90% of the 19 Millions (17,1 Millions), since around 90% of Shanghai's population is considered to be urban population. Considering that the majority of those 17,1 Millions people will be mainly composed by middle and high class, and since there is no information about segmentation according to income, it seems reasonable to assume that the entire group will have available income to afford such a product as olive oil. The major reason that makes this assumption credible is the high average income recorded in Shanghai region (40,188 Yuan (4,884€)).

Target

Main target will then account for around 17 million Shanghai middle age and senior urban residents that earn high-income, detain superior education, demand high quality and healthier products, and receive western influence that results in a willing to adapt a more western life style and consumption patterns. Expatriates should also be considered as part of the target since they are major consumers of imported food[68]. Moreover, in order to easily reach final consumers, Gallo's target should include Opinion Leaders. This target is composed by restaurants, reputed local chefs, journalists and celebrities. This strategy of targeting opinion leaders is often useful in order to open a new market and to develop and stimulate consumption, mainly because they will easily reach and influence a multitude of potential consumers (**Exhibit 43**).

Gallo's Positioning in China

Possible positioning statement

"For high income and educated middle age and senior urban residents that are health concerned, will to adapt a more western life style and look for healthier oils, either for cook or direct consumption (Target)*, Gallo's olive oil is a luxury high quality functional product* (POP)*, which offers you a trustable unique extremely tasty olive oil with important health benefits, perfect for fried-based cooking cuisine and as well for direct consumption* (POD)*, because it is mixed by high experienced master blenders in Portugal, a traditional producer country, and detains a vast history resembling quality, trust and confidence from all over the world consumers* (Reason to Believe)*"*

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[68] http://www.pma.com/system/files/China%20Retail%20Report_Shanghai%20ATO_China%20-%20Peoples%20Republic%20of_6-15-2012.pdf

Positioning Map

Exhibit 43

Opinion Leader power distance example

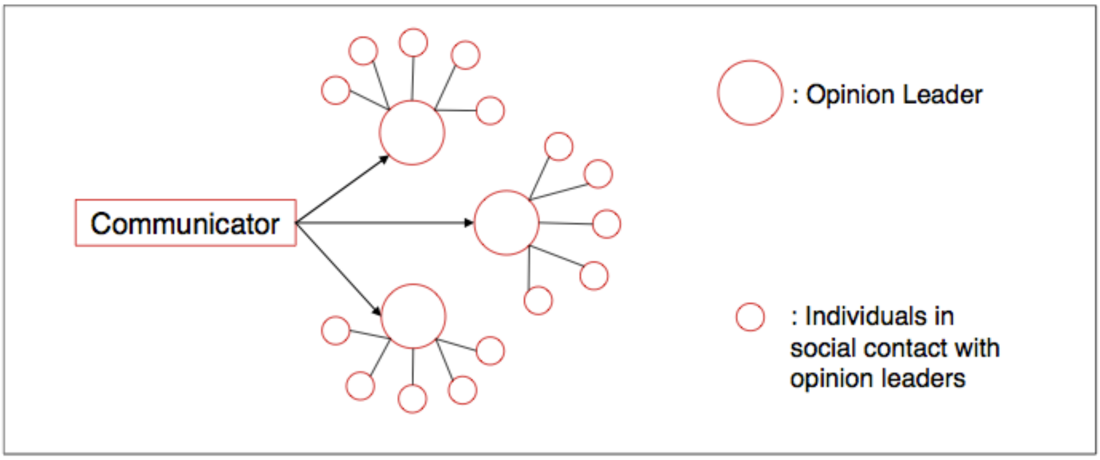
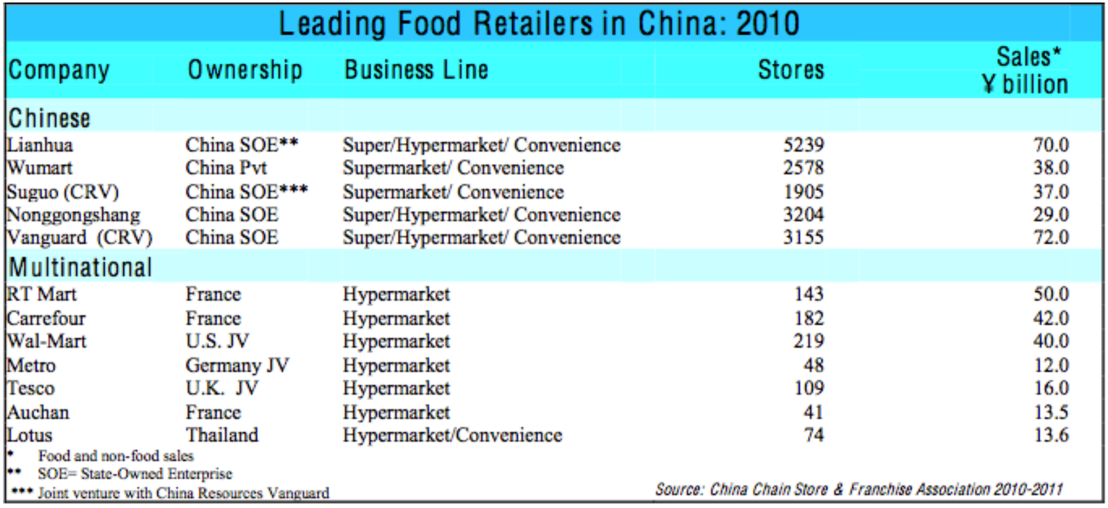


Exhibit 44

Leading Food Retailers in China



Leading Food Retailers in China: 2010

Company	Ownership	Business Line	Stores	Sales* ¥ billion
Chinese				
Lianhua	China SOE**	Super/Hypermarket/ Convenience	5239	70.0
Wumart	China Pvt	Supermarket/ Convenience	2578	38.0
Suguo (CRV)	China SOE***	Supermarket/ Convenience	1905	37.0
Nonggongshang	China SOE	Super/Hypermarket/ Convenience	3204	29.0
Vanguard (CRV)	China SOE	Super/Hypermarket/ Convenience	3155	72.0
Multinational				
RT Mart	France	Hypermarket	143	50.0
Carrefour	France	Hypermarket	182	42.0
Wal-Mart	U.S. JV	Hypermarket	219	40.0
Metro	Germany JV	Hypermarket	48	12.0
Tesco	U.K. JV	Hypermarket	109	16.0
Auchan	France	Hypermarket	41	13.5
Lotus	Thailand	Hypermarket/Convenience	74	13.6

* Food and non-food sales

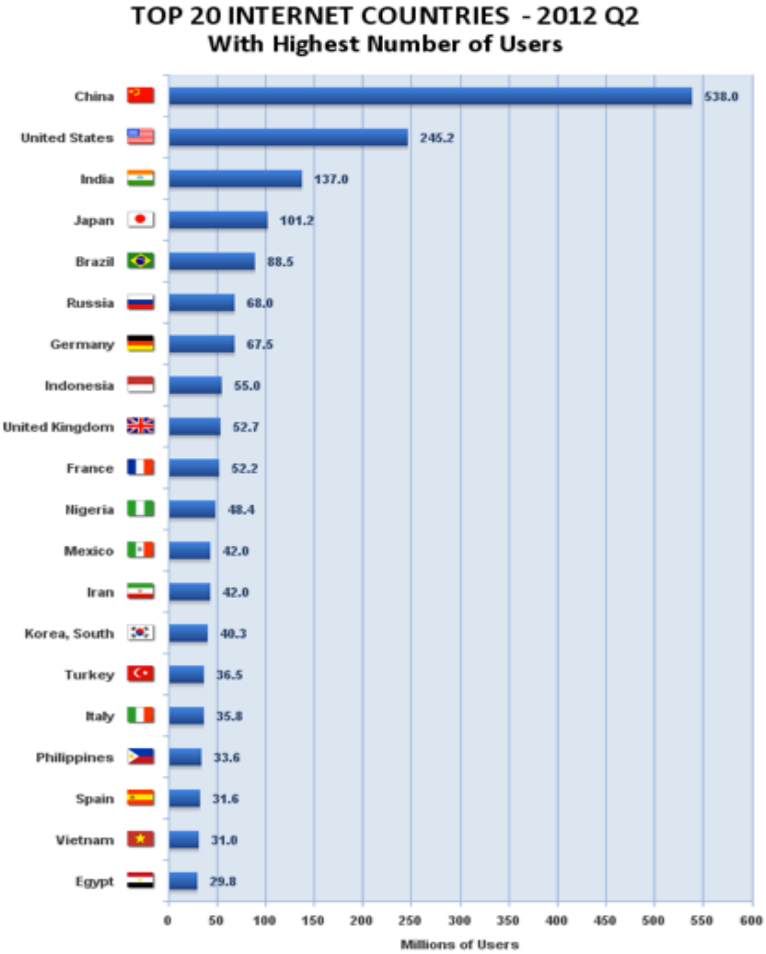
** SOE= State-Owned Enterprise

*** Joint venture with China Resources Vanguard

Source: China Chain Store & Franchise Association 2010-2011

Exhibit 45

Top 20 Internet countries by users



Source: Internet World Stats - www.internetworldstats.com/top20.htm
Top 20 countries in the Internet by number of users on June 30, 2012
Copyright © 2012, Miniwatts Marketing Group

Exhibit 46

List of Chinese most important Magazines[69]

- "Chinese Food" (中国食品); Issued in China, HK, Macau and USA; restaurant and food magazine
- "Delicacies under the Sky" (天下美食); Issued in China; Food Magazine
- "Chinese Cuisine" (中国烹饪); Issued in China; Cuisine Magazine
- "Magazine for restaurants using olives" (橄榄餐厅 评论); Issued in Shanghai, Beijing and Guangzhou; Food Magazine
- "Betty's Kitchen" (贝太厨房); Issued in China; Food and Cuisine Magazine
- "FMCG China" (快速消费品); Issued in Big Shanghai; Professional Journal
- "Good Homemaker" (好主妇); Issued in China; Life Magazine
- "ELLE"; Issued in China; Fashion Magazine

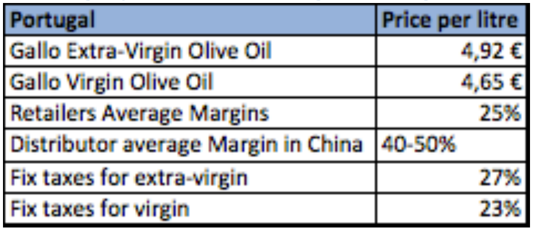
Exhibit 47

List of Shanghai's Television cook shows[70]

- "You are the Chef" (洋厨房) from star chef Alex Fu from Le Royal Meridien Shanghai, ICS Channel at 6.30 p.m. from Monday to Friday
- "Favorite & delicious food" (人气美食) at SMG Channel Young at 6:00 a.m., 7.00 p.m., 0.00 a.m., Monday – Friday
- "New food" (新食尚) at SMG Channel Young at 5:00 p.m., 5:45 a.m., 1:15 p.m., Monday – Friday
- "Daily Food" (天天饮食) at CCTV1, at 9:07 a.m., 8:55 p.m., Monday – Friday
- "Happy Housewife" (快乐主妇) at CCTV2, at 5:25 p.m. Sunday, 6:00 a.m. Monday, 5:00 p.m., Wednesday
- "Become acquainted with Chinese Food" (学做中国菜) at CCTV Spain, at 7.15 a.m., 1:15 p.m.. 7:15 p.m., 1.15 a.m. Monday - Friday
- "Belle Gourmet" (太太乐美女私房菜) at Phoenixtv China, at 5.35 p.m., Saturday 9) "Good old kitchen" (好吃佬) at HBTV Hubei, at 7.05 p.m., Saturday

Exhibit 48- Pricing

Average prices in Portugal, margins and taxes when exporting to China



Portugal	Price per litre
Gallo Extra-Virgin Olive Oil	4,92 €
Gallo Virgin Olive Oil	4,65 €
Retailers Average Margins	25%
Distributor average Margin in China	40-50%
Fix taxes for extra-virgin	27%
Fix taxes for virgin	23%

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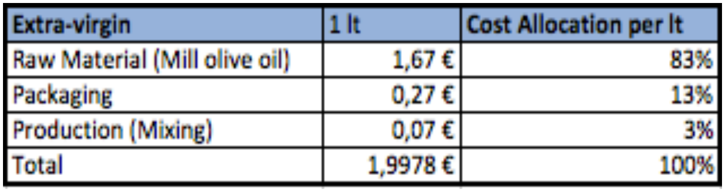
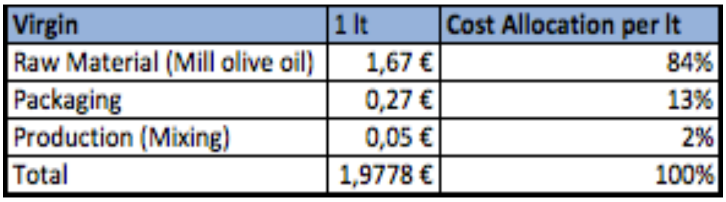
[69] Study on the Promotion of Consumption of Olive Oil and Table Olives in China, March 2010

[70] Study on the Promotion of Consumption of Olive Oil and Table Olives in China, March 2010

Production costs for Virgin and Extra-Virgin olive oil



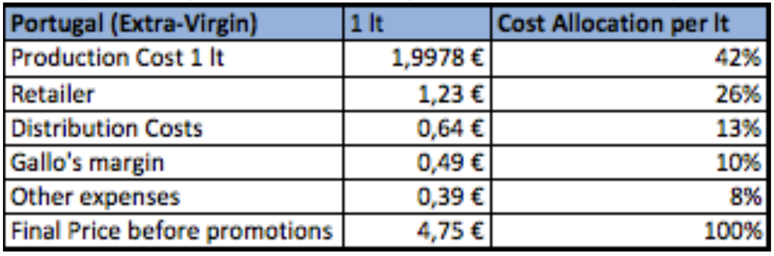
Extra-virgin	1 lt	Cost Allocation per lt
Raw Material (Mill olive oil)	1,67 €	83%
Packaging	0,27 €	13%
Production (Mixing)	0,07 €	3%
Total	1,9978 €	100%



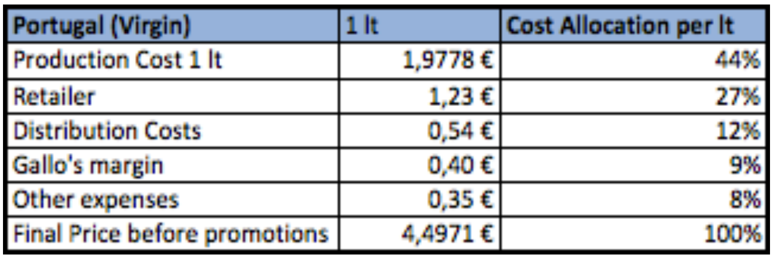
Virgin	1 lt	Cost Allocation per lt
Raw Material (Mill olive oil)	1,67 €	84%
Packaging	0,27 €	13%
Production (Mixing)	0,05 €	2%
Total	1,9778 €	100%

The costs of raw materials and packaging are the same for both types, yet, the mixing for extra-virgin is more time consuming and then more costly.

Pricing for Virgin and Extra-virgin olive oil in Portugal



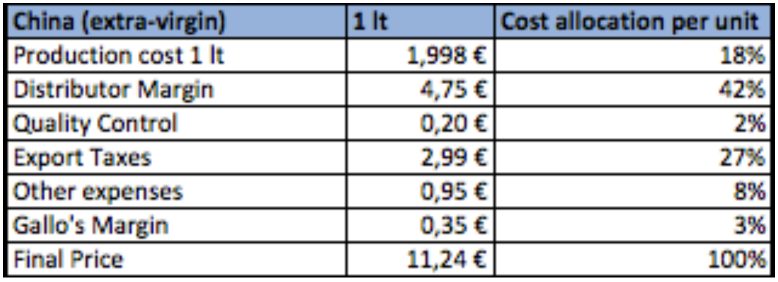
Portugal (Extra-Virgin)	1 lt	Cost Allocation per lt
Production Cost 1 lt	1,9978 €	42%
Retailer	1,23 €	26%
Distribution Costs	0,64 €	13%
Gallo's margin	0,49 €	10%
Other expenses	0,39 €	8%
Final Price before promotions	4,75 €	100%



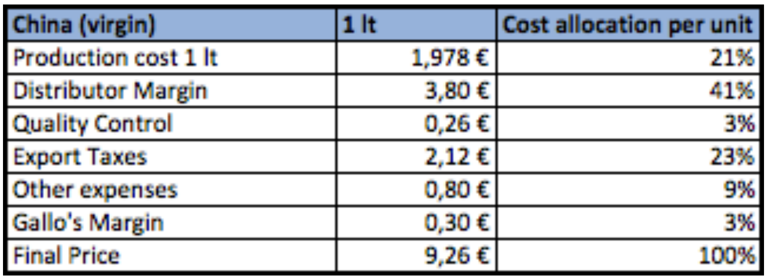
Portugal (Virgin)	1 lt	Cost Allocation per lt
Production Cost 1 lt	1,9778 €	44%
Retailer	1,23 €	27%
Distribution Costs	0,54 €	12%
Gallo's margin	0,40 €	9%
Other expenses	0,35 €	8%
Final Price before promotions	4,4971 €	100%

The food retail sector in Portugal is greatly based on promotions; hence, the final price to consumers will incorporate a discount. The company didn't provide the entire information about margins, costs and prices because it is restricted information. Therefore, some costs were allocated according to the information gathered.

Possible Extra-virgin and Virgin olive oil pricing for entering China



China (extra-virgin)	1 lt	Cost allocation per unit
Production cost 1 lt	1,998 €	18%
Distributor Margin	4,75 €	42%
Quality Control	0,20 €	2%
Export Taxes	2,99 €	27%
Other expenses	0,95 €	8%
Gallo's Margin	0,35 €	3%
Final Price	11,24 €	100%



China (virgin)	1 lt	Cost allocation per unit
Production cost 1 lt	1,978 €	21%
Distributor Margin	3,80 €	41%
Quality Control	0,26 €	3%
Export Taxes	2,12 €	23%
Other expenses	0,80 €	9%
Gallo's Margin	0,30 €	3%
Final Price	9,26 €	100%

When building the pricing for China it was taken into consideration that Gallo will need to abdicate its own margin in order to offer a lower price and consequently gain market share to direct competitors and brand awareness. There are also discount promotions in China but considering that olive oil is a luxury good in that market it is not recommended to practise discounts in the implementation phase.

Exhibit 49

Obesity Problem in China

Obesity in China is a drastic problem and recently reached levels only recorded in the US and other western countries. It is predicted that by 2015 50%-57% of Chinese population will be unhealthy weighted[71]. The situation is particularly severe among lower age people, indeed, childhood obesity in China ranks at one of the highest levels globally[72]. As a result, teenage Chinese population suffering from diabetes is quadruple of their American peers, according to a 2011 global study by the Obesity Review journal. The situation is more problematic in Shanghai where around 40% of adults are either overweight or obese[73], while one-fourth of the city's residents do not get enough exercise. According to Li Guangyao, deputy head of the Shanghai Health Promotion Committee, the rise of obesity among children and adults is a serious problem that requires immediate intervention, mainly because it will lead to many hearth problems, high cholesterol levels, diabetes and other weight-related diseases[74]. In Asia, as the disposal income is rising, consumers are adopting western style diets, such as Mediterranean diet, which is highly based on olive oil. Moreover, given the health benefits of olive oil to hearth and to cholesterol control, the obesity problem can represent an opportunity to introduce olive oil in the society. Stressing that it

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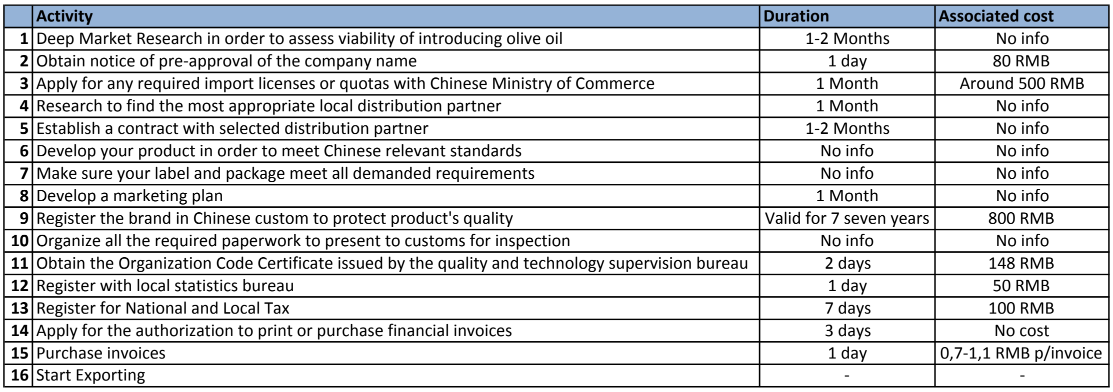
[71] http://www.portal.euromonitor.com/Portal/Handlers/accessPDF.ashx/Consumer_Lifestyles_in_China.pdf?c=87%5CPDF%5C&f=F-236940-23685487.pdf&saveAsName=Consumer_Lifestyles_in_China&code=TCTuSJUvCfIe62jh6Chi7frQa%2bY%3d
[72] http://www.portal.euromonitor.com/Portal/Handlers/accessPDF.ashx/Consumer_Lifestyles_in_China.pdf?c=87%5CPDF%5C&f=F-236940-23685487.pdf&saveAsName=Consumer_Lifestyles_in_China&code=TCTuSJUvCfIe62jh6Chi7frQa%2bY%3d
[73] http://www.theepochtimes.com/n2/china-news/shanghai-struggling-with-obesity-report-says-315671.html
[74] http://www.theepochtimes.com/n2/china-news/shanghai-struggling-with-obesity-report-says-315671.html

could represent a healthier way of cooking and communicating its health benefits. Furthermore, in Shanghai, due to consumers rising awareness on obesity problems, people will look for more healthier meals in restaurants, which could represent as well an opportunity to introduce cooking with olive oil as a healthier cooking method in restaurants.

Exhibit 50

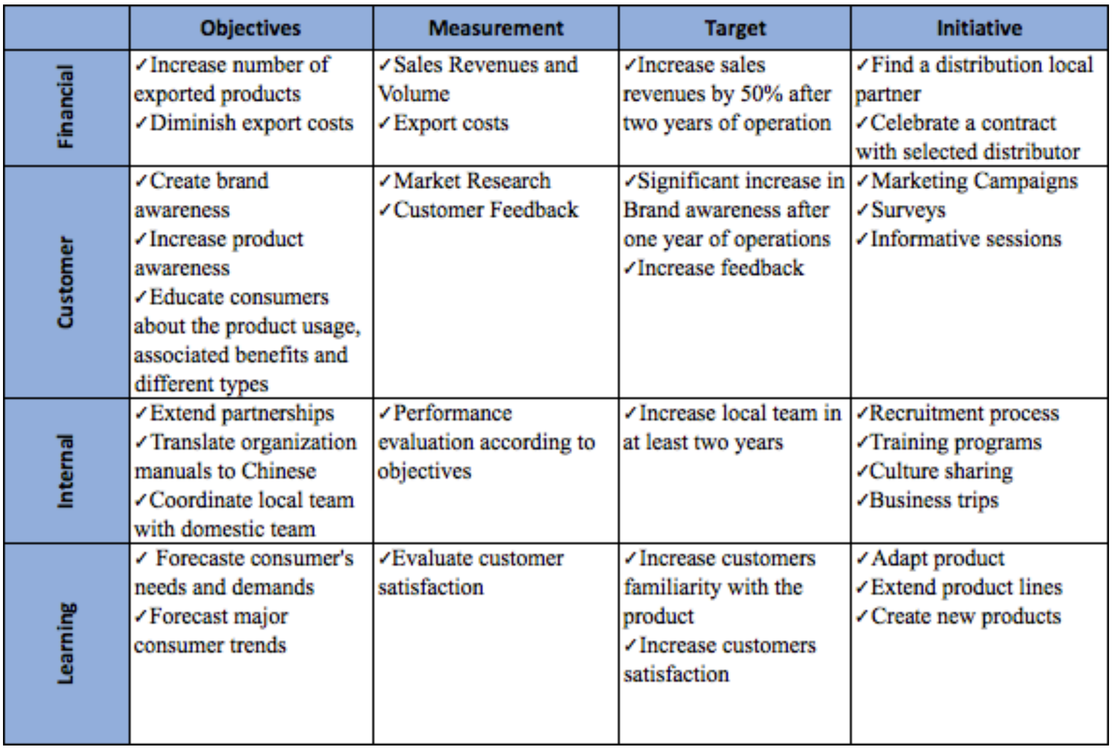
Minute



	Activity	Duration	Associated cost
1	Deep Market Research in order to assess viability of introducing olive oil	1-2 Months	No info
2	Obtain notice of pre-approval of the company name	1 day	80 RMB
3	Apply for any required import licenses or quotas with Chinese Ministry of Commerce	1 Month	Around 500 RMB
4	Research to find the most appropriate local distribution partner	1 Month	No info
5	Establish a contract with selected distribution partner	1-2 Months	No info
6	Develop your product in order to meet Chinese relevant standards	No info	No info
7	Make sure your label and package meet all demanded requirements	No info	No info
8	Develop a marketing plan	1 Month	No info
9	Register the brand in Chinese custom to protect product's quality	Valid for 7 seven years	800 RMB
10	Organize all the required paperwork to present to customs for inspection	No info	No info
11	Obtain the Organization Code Certificate issued by the quality and technology supervision bureau	2 days	148 RMB
12	Register with local statistics bureau	1 day	50 RMB
13	Register for National and Local Tax	7 days	100 RMB
14	Apply for the authorization to print or purchase financial invoices	3 days	No cost
15	Purchase invoices	1 day	0,7-1,1 RMB p/invoice
16	Start Exporting	-	-

Exhibit 51

Memo



	Objectives	Measurement	Target	Initiative
Financial	✓Increase number of exported products ✓Diminish export costs	✓Sales Revenues and Volume ✓Export costs	✓Increase sales revenues by 50% after two years of operation	✓Find a distribution local partner ✓Celebrate a contract with selected distributor
Customer	✓Create brand awareness ✓Increase product awareness ✓Educate consumers about the product usage, associated benefits and different types	✓Market Research ✓Customer Feedback	✓Significant increase in Brand awareness after one year of operations ✓Increase feedback	✓Marketing Campaigns ✓Surveys ✓Informative sessions
Internal	✓Extend partnerships ✓Translate organization manuals to Chinese ✓Coordinate local team with domestic team	✓Performance evaluation according to objectives	✓Increase local team in at least two years	✓Recruitment process ✓Training programs ✓Culture sharing ✓Business trips
Learning	✓ Forecaste consumer's needs and demands ✓Forecast major consumer trends	✓Evaluate customer satisfaction	✓Increase customers familiarity with the product ✓Increase customers satisfaction	✓Adapt product ✓Extend product lines ✓Create new products