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Gelateria Romana in USA

Business Plan

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GELATERIA ROMANA IN USA

BUSINESS PLAN

G E L A T E R I E



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*“Every time I have prepared a battle,
I’ve been forced to admit that the plan is useless...
but planning is crucial”*

Dwight D. Eisenhower

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CHAPTER 1- Introduction

1.1 - Motivation

This Master Thesis is the result of my collaboration with Geneva Accelerator¹, a business incubator and accelerator based in Geneva and London where I worked for three months last summer. During the experience in Switzerland I had the opportunity to work together with a young professionals international team in around ten different start-up plans, and see the evolution of some of them into real companies by the end of the period. With business ideas ranging from new smartphone-apps to internet translation services and retail of alimentary products, I really got into the spirit of entrepreneurship, risk taking and organization building, giving a personal contribution to the generation and development of new value chains and business models.

Among the projects I worked on, one in particular caught my attention and passion for a number of reasons. The business idea was to establish a new Italian gelato franchising in the US starting with the first shop opening in 2015 in California. One of the two entrepreneurs is my older brother, and the management is fully Italian. The idea was so challenging to me that I decided to continue the collaboration with the team also after the internship was finished, and to choose this business plan as the topic of my thesis.

1.2 - The Business Idea

The idea of bringing traditional and artisanal gelato in the United States came from a team of two young Italian professionals: a business manager and a cook.

¹ www.genevaaccelerator.com

The motivation at the basis of this ambitious plan is the love for the United States coupled with the passion for Italy and its top quality alimentary products, in particular gelato. After a work experience in the USA, they had found a lack in the frozen desserts supply: it was impossible to find a good artisanal gelato, and there was absolutely no Italian franchising in this market. The decision to start a new business was soon taken.

But how to distinguish the new chain and communicate effectively the value of Italian artisanal gelato to the American customers? Important values have been identified in the uncompromising quality of the product and the original Italian recipe. It was only after a two-month market research and business planning process, that the team decided to partner with Gelateria La Romana, an Italian gelato franchising already expanding in Italy, Europe and Asia, but with no presence in the USA. La Romana shops have all the characteristics of artisanality, quality, familiar context, beautiful Italian design the two entrepreneurs were looking for their shops. Moreover, being in a period of expansion, La Romana was very positive and open in contracting together the best conditions and partner with the team the US market expansion.

The business plan for introducing La Romana in the US was then started, and this dissertation will explain it in detail.

1.3 - Thesis structure

Chapter one introduces the work starting from the motivation and the internship experience related to the business plan.

The second chapter goes into the deep of the subject presenting the results of the market analysis conducted in order to bring evidence of the feasibility and potential of this business opportunity in the USA and in particular in California.

The third chapter focuses on the marketing strategy planned to penetrate this peculiar market, showing how the four leverages are approached to reach the best results, adapting the supply to the Californian customer.

The operation strategy is then presented, in order to clarify the step-by-step plan.

A brief explanation of the management team follows, and some financial details conclude the work.

1.4 – La Romana

The first Romana shop was opened in 1947 in Piazza Ferrari, in the heart of the old city of Rimini. A few years later Vito Zucchi, progenitor of the family, took over the enterprise. Still operated by members of the Zucchi family, the franchising currently counts thirty-three shops in Italy, and eleven abroad (Bucharest, San Marino, Tenerife, Beijing, Madrid, Dubai).

Table 1²

Place	Rank	Total	Percentile	#Rates	Excellent	Very good	Average	Poor	Terrible
Torino	1	1853	99.95%	37	30	5	1	0	1
Padova	1	708	99.86%	197	134	38	11	9	5
Roma	55	6681	99.18%	67	48	13	5	0	1
Madrid	58	4937	98.83%	8	8	0	0	0	0
Bergamo	4	327	98.78%	47	28	13	2	3	1
Desenzano	7	129	94.57%	31	20	8	3	0	0
Lodi	4	69	94.20%	50	30	13	2	4	1
Viserba	1	14	92.86%	15	12	3	0	0	0
Brescia	45	420	89.29%	42	22	12	4	2	2
Urbino	6	55	89.09%	58	29	18	7	1	3
Alessandria	23	181	87.29%	11	6	4	1	0	0
Rivoli	9	62	85.48%	57	24	20	6	6	1
Varese	45	210	78.57%	44	20	8	9	7	0
Verona	7	26	73.08%	39	24	6	4	2	3
Rimini	172	622	72.35%	16	9	4	1	1	1
Pinerolo	18	50	64.00%	8	4	2	2	0	0
Cattolica	329	622	47.11%	2	2	0	0	0	0
Saluzzo	29	44	34.09%	2	2	0	0	0	0
Salo'	2	3	33.33%	8	5	1	0	1	1

² Source: Tripadvisor, Sept. 2013

Gelateria Romana puts at the center of its concept and philosophy the premium quality of the product. Artisanally made few hours before being served, gelato is appreciated in its pureness and healthiness by customers, who give positive feedbacks to the shop in the majority of cases, according to Tripadvisor and Facebook.

The Company's strategy is strictly focused on expanding its presence all over the world. In recent years, the number of shops has grown of one third compared to the past, and the revenues and turnover are definitely increasing. In 2012, total sales amounted over EUR 4 million.

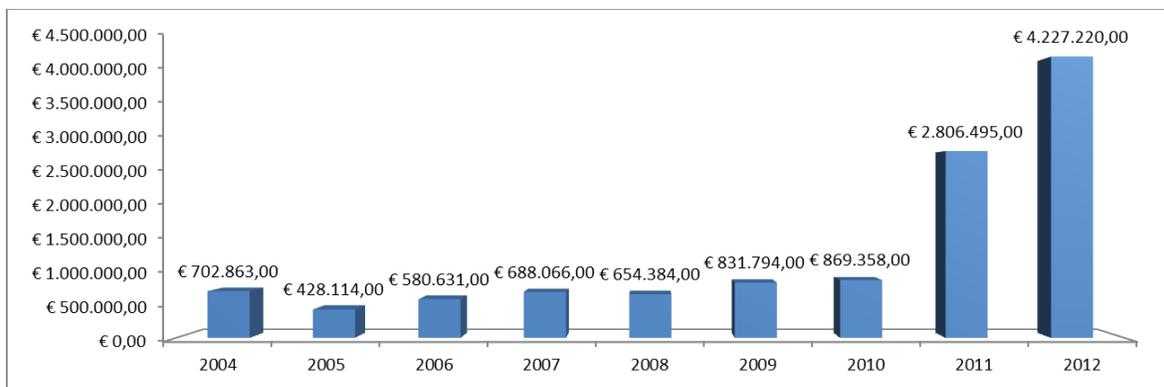


Figure 1 – Romana's turnover 2004-2012 (source AIDA, 2013)

The strategy of expanding rapidly is translated into a very convenient franchising set of conditions. The entrance fee requested is of 15 K EUR, and no other periodical fees or royalties are to be paid. The most important characteristic to distinguish every La Romana shop is not the property, but the unrivaled quality of products. Gelato is prepared fresh and sold after few hours, and it is made with premium ingredients. In this way, every customer will recognize the same taste and will have an adapted menu fitting the local taste.

1.5 – Executive summary

1.5.1 – Statement of purpose

This business plan has been developed to obtain a startup capital for the establishing of a new business segment of Gelateria La Romana franchising in the USA. The founding entrepreneurs intend to raise a capital of 600 K USD. The financial proposal is a full debt investment of 550 K USD with a guaranteed return of 12% IR, in a payback period of five years.

A second purpose of this document is to serve as an operational outline for the first five years, with a specific focus on the first shop which will be set in Santa Monica, California. The plan is focused in creating a specific business proposal for the end territory, adapting the product offering to the American market requests.

1.5.2 - Opportunity

In the USA, the existing frozen dessert market is focused on ice cream, the local substitute of gelato. The potential of taking gelato in this territory is very high, considering that it is the world's largest market for ice cream consumption. In the USA premium frozen dessert market, high quality artisanal and Italian gelato is a still unexploited niche and there is a significant scalability potential for this product.

1.5.3 - Concept

La Romana concept is based on some simple principles. First, a mixture of innovation and tradition: a modern and sophisticated design of stores coupled with a very traditional product recipe and artisanal making process. Second, a broad product line: almost sixty different gelato flavors, localized and adapted to every country's taste and preferences in order to meet customers' requests, and alternatives like take-away, gelato cakes, crepes, to ensure a well differentiated range of choice. Last but not the least: unrivaled gelato taste. La

Romana is rated 9/10 on quality by Italian customers, and ranked on average in 95th percentile in Trip-advisor in more than twenty locations.

1.5.4 – Target market and customers

The target customers and market for La Romana product are high income families living in a residential community, willing to pay a small premium for quality and healthiness of the products to enjoy in a moment of pleasure during the day. In the particular case of the first shop in California, the location has been set in Santa Monica, where a good mixture of residents and tourists will guarantee a base of customers throughout the whole year.

1.5.5 – Management Team

The management team is fully Italian, with a strong background on management, finance and Italian food production.

Young, talented and highly driven, the team has developed during the years a number of contacts and references in the USA, and found investors willing to fund the startup.

1.6 - Gelato: product history ³

Few products can be considered as quintessentially Italian as gelato. It's among the most beloved desserts by the Italians (with their 34.500 plus gelato makers), and it is a symbol of Italy with its lifestyle and culinary excellence everywhere in the world, a pilaster of the internationally recognized value of "Made in Italy".

³ www.lastoriadelgelat.altervista.org

Between literature and tradition

The origins of the product are ancient and not well defined, there is not a specific period and culture to which collocating the invention of the recipe. Nevertheless, there are several testimonials of frozen desserts in ancient times. Both in historical written texts and in the most important archeological discoveries there are mentions to the refrigeration of fruits, milk and honey in ancient times. For example, in the Bible, Isaac offers to Abraham goat milk mixed with snow: one of the first examples of frozen “drink&eat”. Another literary case was the archeological digging of ancient Troy, discovering some pits made to conserve ice and snow cumulated in layers covered with straw and leaves. Oral tradition says that king Salomon loved drinking frozen beverages and that Alexander the Great was used to eat honey and fruits mixed with snow after the battles.

Primitive sorbets: an extra reserved to princes and nobles

Some academics set gelato origins around 3000 BC, in the Far East and in particular in China. With the Mongolic invasions, gelato would have been carried until Greece and Turkey, reaching all the Mediterranean countries.

Ancient Egyptian pharaohs used to eat some primitive granita, made with ice and fruits. Cleopatra is said to have served it as a frozen dessert to Antonius.

Ancient Romans also had some similar recipes called the *nivatae potiones*. Very similar to sorbets, they were made with snow, honey and grinded fruits and were served officially in emperors' banquets.

It was in the Middle Ages in the East that the discover of how to conserve fruitjuices was made: they were put in a recipient and surrounded by minced ice. Curiously, the word *sorbetto* is supposed to originate from the Arab *scherbet* meaning *sweet snow*.

The Crusaders coming back from the Holy Land, brought back in Europe a lot of sorbet recipes made with agrumes and jasmine. Marco Polo, at the end of the thirteenth century came back from his trip to Asia with new ideas on the artificial freezing. In the same period, sorbets start to disappear from the banquets of the rich Italian lords because they are addressed as symbols of evil and sin.

At the end of the fourteenth century the idea of living life to the full, enjoying a good cuisine and feasting comes back to the houses of the richest. This process reaches the top in the Renaissance period, when new types of fruits, plants, spices were brought from the new continents, together with coffee, tea and cocoa. In particular, in Florence at Medici's court, sorbets played a particular role in the banquets and feasts. The famed Medici family sponsored a contest, searching for the greatest frozen dessert. **Ruggeri**, a chicken farmer and cook, took part in the competition. Ruggeri's tasty frozen dessert made of sweet fruit juice and ice won the award and he rapidly became famous in all the Region. Surprisingly, Caterina de' Medici took him with her to France to rival the fine desserts of French chefs. She wanted him to make his specialty at her wedding to the future King of France. He was soon known as the inventor of "ghiaccio all'acqua inzuccherata e profumata", that is, the sorbet.

From sorbet to gelato: the Italian who invented the "frozen cream"

In the late 1500s, the Medici family commissioned famous artist and architect **Bernardo Buontalenti** to set an amazing feast for the visiting King of Spain. Using his culinary skills to present an elaborate and visually pleasing display, Buontalenti presented the King of Spain with a creamy frozen dessert that we now call gelato, a 'crema fredda,' with a base of milk, honey, egg yolks and a touch of wine. It was a kind of zabaglione, aromatised with citric fruits known as 'crema fiorentina' or 'gelato Buontalenti.' Buontalenti is considered the inventor of gelato as we know it today. Since that period, sorbets were substituted with real gelato, and some primitive kinds of machines were used for its production. The juice was put into some rotating recipients put in some big wooden boxes full of crushed ice and salt. The blend was then put into metal stamps and conserved under the ice for a lot of time until the moment of eating dessert came.

Going out of Italian boundaries

Francesco Procopio de' Coltelli, a famous Sicilian restaurateur, was the first to bring gelato outside Italy. He went to Paris having only a very rudimental machine and opened a café-gelateria called *Procope* that soon became famous for its large variety of gelato – more

than 80 types – and it served a wide variety of “iced water” or granita as well as sorbets. Louis the Fourteenth, the King Sun, praised publicly the high quality of his gelato, and this made him famous in all parts of Europe. The Procope is still remembered as one of the most cultural and dynamic cafés of the period, collecting intellectuals coming from different countries.

Gelato in the USA

Gelato made its way to the Americas for the first time in 1770, when Giovanni Basiolo brought it to New York City. At this point, there were two types of gelato – one made by mixing water with fruits such as lemon and strawberries (also known as Sorbetto), and another made by mixing milk with cinnamon, pistachio, coffee or chocolate. By 1846, the hand-crank freezer was refined and changed the way Americans made this frozen dessert, which is still called American ice-cream. The freezer kept the liquid mixture constantly in motion and kept it cool throughout, making a product that was no longer granular, but creamy. This is where the history of industrial ice cream began, as the product contained more air and was less dense. Gelato did not make a name for itself in the U.S. until the late 1900s – although its popularity still has a long way to go.

It’s unquestionable though that the “Italians were the undisputed masters of developing methods of chilling and freezing drinks...” write Alberto Capatti and Massimo Montanari in their *Italian Cuisine: A Cultural History*.⁴ From Bartolomeo Scappi, who published a sorbet recipe in his fundamental *Opera (1570)*, to Vincenzo Agnoletti (chef of Maria Luisa, duchess of Parma, in the 19th century), up to Pellegrino Artusi, all the most important Italian food writers in history had a special devotion to sorbets and gelato.

⁴ “*Italian Cuisine: A Cultural History*”, Capatti A., Montanari M., Columbia University Press, 2003

1.7 - Gelato: production process ⁵

The production process of Italian traditional gelato can vary depending on the taste (fruit/cream), the typology (industrial/artisanal), and a hundred of variables. However, there are some defined steps which are necessary to have a final product recognizable as fully Italian. The different phases are substantially four:

- Dosage and mixing: in this phase it is fundamental to correctly balance solid and liquid ingredients, weighting them individually. This is a delicate part of the gelato making process and must be carried out carefully to ensure a uniform texture to the final result.
- Pasteurization and homogenization: The mix is heated up to ensure biological stability while preserving the aromas of the flavors. Different pasteurization temperatures and times are applied depending on the delicacy of the chosen ingredients, but usually the average temperature is around 70°C. After reaching the target temperature, the mix is cooled down rapidly in a batch freezer at 3-4 °C. This is a fundamental step, comparable to the levitation for bread. The blend is taken at a temperature of 3-4 °C in a few minutes, and let rest for hours.
- Freezing: Later, the mix is freezed in the batch freezer. During the freezing, air is incorporated in the mix giving softness and volume to the gelato. The gelato is ready to be extracted from the batch freezer when it achieves a temperature of -5/10 °C.
- Hardening: After extraction, the gelato is set to rest in a static freezer where it hardens at -18 °C. The hardening phase ensures stability to the gelato and retention of air. The gelato is then ready to be tasted.

⁵ http://www.cibo360.it/alimentazione/cibi/dolci/gelato_produzione.htm

1.8 - Gelato: artisanal or industrial? ⁶

The gelato industry today can be distinguished into two subcategories: industrial and artisanal. The industrial production of gelato and related substitutes started in the USA in the 19th century. The first improvement in the manufacture of gelato (from the handmade way in a large bowl) was an idea of a New Jersey woman, **Nancy Johnson**, who in 1846 invented the hand-cranked freezer. This device is still used to prepare gelato at home. By turning the freezer handle, it is possible to agitate a container of gelato mix in a bed of salt and ice until the mix is frozen. Because Nancy Johnson lacked the foresight to have her invention patented, her name does not appear on the patent records. A similar type of freezer was, however, patented on May 30, 1848, by Mr. Young who called it the "Johnson Patent Ice Cream Freezer". In 1851, commercial production was begun in North America in Baltimore, Maryland, by **Mr. Jacob Fussell**, now known as the father of the American ice cream industry. Thanks to other important technological innovations, like the machine for artificial ice of Carré & Lind (1859) but most of all the refrigerator in 1867, in the second half of the century the industrial production of ice cream started giving the basis to the modern concept of industrial ice cream. It is in this specific period that ice cream becomes a product for the masses and not only for the richest.

It took some time to make gelato available to the Italian common people. In fact, still at the end of the 19th century it was very expensive to buy a gelato at the café, while most rich families already had their ice chest in the house. In the first half of the 20th century every important city has a gelateria in the main street, and this kind of café collects the intellectuals of the time. At the end of the '40s in Milan the first Italian industrial gelato production starts with Motta selling a new fiordilatte gelato very similar to American icecream called *Mottarello*. Since then, and especially in the boom years of the sixties, industrial gelato becomes a mass product and reaches the houses of all the Italians.

⁶ Industrial gelato: www.istitutodelgelato.it

Artisanal gelato has a completely different history. As mentioned before, the Italian frozen dessert was invented as an official recipe in the Renaissance at Florence's court, and the tradition went on and on in the years to follow, making the profession of *gelatiere* a real art and populating Italy, Europe and the world of Italian gelato shops.

It was only in recent years that the problem of really defining the recipe and the boundaries between industrial and artisanal gelato came out. There is not a specific law in this sense, but Italian government has started to discuss the problem, and to look for a way to protect the original recipe from imitations and threats. It was in 2010 that *Federconsumatori*, *CNA Alimentare* and *Slow Food*, proposed a new law with the aim of defining and protecting the real Italian artisanal gelato.

Table 2

Ingredients	Industrial	Artisanal
Milk, cream and fresh milk derivatives	Admitted	Admitted
Milk powder	Admitted	Admitted
Eggs		Fresh, frozen and pasteurized
Sugar	Admitted	Admitted
Honey	Admitted	Admitted
Hydrogenated fats	Admitted	Not admitted
Thickeners	Admitted	Admitted
Emulsifiers	Admitted	Admitted
Preservatives	Admitted	Not admitted
Colorants	Admitted	Not admitted
Natural aromas	Admitted	Not admitted
GMOs	Admitted	Not admitted

In the end this proposal was never turned into a law, and still Italian legislation lacks some definite indications in this matter. The most appropriate distinction to make is still between industrial and artisanal gelato.

Industrial gelato is made months before being sold and confectioned in packages of various dimensions (*coni*, *coppette*, *vaschette*, multipack,..) and then distributed to retailers and cafes.

Artisanal gelato instead is made with fresh ingredients and prepared a few hours before being sold, so that customers are actually buying a fresh and ready-made product. It is mainly made in dedicated shops, cafes and bakeries.

It is necessary to treat the two products as part of two completely different industries. This is why after a first overall on the gelato world market in general, the focus will be set on the artisanal gelato industry, and in particular on the top quality niche.

1.9 – Gelato vs Ice cream: a distinction to be made

This business plan is intended to explain in detail the potential of introducing a well-established Italian gelato franchising in the United States with a particular focus on California, the Country chosen for the first shop to be opened in 2015.

To better understand the characteristics and peculiarities of the Italian product, a choice has been made to call it “Gelato” in order to clearly distinguish it from the American substitute “Ice cream” which is deeply different in taste, ingredients and production process.

Furthermore, the traditions at the basis of the two recipes are totally different. On the one hand, Italy and the Renaissance artisans creating a frozen cream to offer to the nobility’s feasts. On the other, a remaking of gelato in the 1st Industrial Revolution in the States, making it a mass product: Ice cream.

As far as the taste is concerned, there are at least three big differences between gelato and ice cream.

- **AIR:** In gelato there is a minimal amount of air naturally incorporated in the mix because of the churning process, while ice cream is traditionally made up of 50% volume by air. More air means softer cream that scoops more easily and melts more quickly. For the industrial products the percentage is higher and can reach 90%. Premium ice cream has a lower percentage.

- **FAT:** Gelato has a much lower percentage of butterfat than ice cream, coming in between 4-8% versus ice cream's 14%. This seems paradoxical because gelato can taste so much creamier than ice cream yet has much less fat.
- **SUGAR:** Finally, sugar content is closely monitored and balanced with water content and come in slightly lower than ice cream. So in gelato, sugar serves both to sweeten and act as an anti-freeze.

Table 3

	GELATO	ICE CREAM
Air in the mix	20-40%	50-90%
Butterfat	3-9%	10-16%
Sugar content	lower	Higher
Temperature when served	higher	Lower
Intensity of flavor	higher	Lower
Consistency	creamy	Hard

Though most ice creams require hardening after freezing, gelato can be eaten when first squeezed out of the grate of the *mantecatore* — the freezing machine used for commercial gelato making.

"The best gelato is the one that comes directly out of the machine, so gelato is always eaten fresh," Racca says.

The finished product is visibly different from ice cream. "Gelato has a matte surface," Ferrari says. "You don't want it to be shiny, as this would reflect on an amount of water that still needs to be frozen. Overall it looks dry. ... A good structure is one that holds the peak like a meringue. Texture-wise, it has got to look smooth, like a silk fabric."

Those who have traveled to Italy are familiar with the numerous *gelaterie* that tempt passersby with curvaceous mounds of multicolored *gelati*. Normally, gelato, which is chemical-free, is produced and replenished throughout the day. Since it is made with fresh

ingredients, it can't really sit around in the freezer. To be at its best, gelato should be eaten at least within two days of being made.⁷

1.10 - The Business Model Canvas

Figure 2



To better understand the potentiality of the business plan, it is interesting to use the Canvas business model Canvas, a tool proposed by Alexander Osterwalder in his book *Business Model Generation*⁸ in order to give a framework for the customer development and the hypotheses at the base of a new venture. Osterwalder's business model canvas is the starting point the "scorecard" that monitors startups' progress as they turn their hypotheses about what customers want into actionable facts before turning those ideas into real investments. This model goes into the more general philosophy of the Lean Startup, an

⁷ <http://articles.latimes.com/2010/sep/23/food/la-fo-gelato-20100923>

⁸ OSTERWALDER, A., PIGNEUR, Y., 2010. *Business Model Generation: A Handbook for Visionaries, Game hangers, and Challengers*. John Wiley & Sons: New Jersey

innovative approach to business sustaining the importance of facts on hypotheses. It is fundamental to turn ideas into action and test customers' response in order to quickly change and correct the mistakes before making the wrong investments.

Romana's key partnerships in the USA will be the relationships with the suppliers and the local communities. As for the suppliers, they will be for the big part giving raw materials, ingredients for gelato. In fact, all the machinery and tools will be taken from the Italian existing Company's suppliers. As mentioned before, the relationship with raw materials suppliers is fundamental for Romana, because the quality of the final product is the leader of the final value proposition. In order to obtain premium ingredients, a scan of the local farms has been made. The Californian Department of Agriculture is very concerned about the healthiness of products, and has developed an organic certification encouraging farmers to innovate in this sense and always working for the best competing at the highest national and international levels. Agriculture is a well-developed industry in the Country, and it will be easy for Romana to find good partners providing all the raw materials needed. In particular, the American shop will have a new offering: it will have a milk distributor supplying customers with the fresh milk coming everyday from organic farms. Again, partners will be chosen with accuracy to make sure they provide the best products.

A second fundamental partner will be the local community. Romana shop will be perfectly integrated in the social environment. One of the Company's objectives is to create in the USA a new consideration and knowledge of the Italian gelato. In order to do so, some special events will be organized with schools or other community's groups to experiment the gelato making process through open sessions in which they can actively collaborate with expert *maestri gelatieri* and try themselves to prepare an artisanal gelato.

The key resources for Romana's are various. First, the know-how and expertise in the gelato making process. Having a long familiar experience in running the business has given to the Company an unrivaled capacity of choosing partners, selecting the right locations, establishing good relationships and offering a premium product. Moreover, the recent years expansion out of Italian boundaries is giving a lot of experience in the adaptation process, necessary to meet the taste of non-Italian customers.

The success of Romana depends on the good flow of some fundamental activities, among which: raw materials choice, gelato making, selling to final customers in the shops. Every shop is independent in following these activities, from the choice of the best suppliers to the hiring of smiling and expert personnel. From every step of the process, the final result can significantly vary.

Romana's value proposition is summarized in the table below, reporting the key factors giving an extra value to the product sold.

The first: quality. It is the center of Romana's concept, the secret of its success. Taste is superior because it comes from organic ingredients and is prepared daily.

Second, the service. Romana has a special attention in choosing and training its human resources, because they are the direct interface with the customers and represent the Company itself. Careful, smiling and passionate people are ready to satisfy the clients' requests.

Table 4 - Value proposition

Taste / Quality	Delicious gelato prepared daily, gelato cakes, take away and crepes
Service	Attentive and available Italian personnel, prepared to describe you the value of the products and the quality of the ingredients
Variety	60 flavors of gelato available through the year, high variety of other products
Ambience	Modern, international design with artisanal italian look
Value for Money	Highest quality/price ratio in all California
Health	Fully organic products. Alternatives available for lactose intolerants
Portability	4 sizes take-away boxes preserving freshness for home consumption

Variety is another fundamental distinction from competitors. Not only the quality, but also the quantity. Customers can choose among sixty different flavors of gelato. Moreover,

other products are offered to widen the proposition. Crepes, gelato cakes and take-away have the purpose to provide the customers with good alternatives to gelato.

The relationship with customers plays a significant role. In order to maintain its high quality, Romana hires the best staff and organizes events and open laboratory sessions. Moreover, marketing solutions such as the fidelity card and a Facebook community, provide a sense of belonging and a product consciousness in a place where gelato is still confused with gelatin and considered exotic.

In order to better serve the different requests of clients, a series of targeted services and attentions have been prepared. In particular, gelato lactose and gluten-free will be available for the intolerants. Moreover, a series of localized tastes will be available in every different country, adapting the Company's supply to the territory without compromising on quality.

The main revenue stream is the shop, but also other channels will be implemented. To this purpose, other non-shop alternatives will be set such as parties, trucks and carts.

As for the channels, the retail will be the adopted one. The creation and establishment of the new USA Romana franchising is the highest objective of this business plan.

As for the cost structure, Romana is a value-driven Company, meaning that quality is always at the first side and the premium ingredients are fundamental to maintain the amazing final taste. Every resource is important to guarantee a premium final result, and for this reason no compromise is ever made with costs. Notwithstanding this, the final price is very convenient in California, considering the high quality and the niche nature of the product.

CHAPTER 2- INDUSTRY & MARKET

2.0- Premise

In this Chapter, an analysis of the industry in Italy will be presented, ranging from the industrial to the artisanal production with particular attention for the franchising and in particular for La Romana. Starting from these data, a comparison will be made with the situation of the gelato industry in the world. Finally, a shortcut on the USA potential in this sector will be presented and an accurate analysis of the competitive situation in California will complete the whole market and industry overview.

2.1 - Gelato industry analysis

Italian gelato industry is having a big success in Italy, Europe and several extracontinental countries. Notwithstanding the financial crisis affecting the world in recent years, gelato is a product that everyone likes to buy and eat, be it on the road or at home. A very small percentage of customers have shifted to other substitutes or renounced to buy it. This is because the price/quality relation is always very reasonable and fair at the eyes of customers, who are not buying something to eat, they are actually buying a moment of happiness to share with people they love.

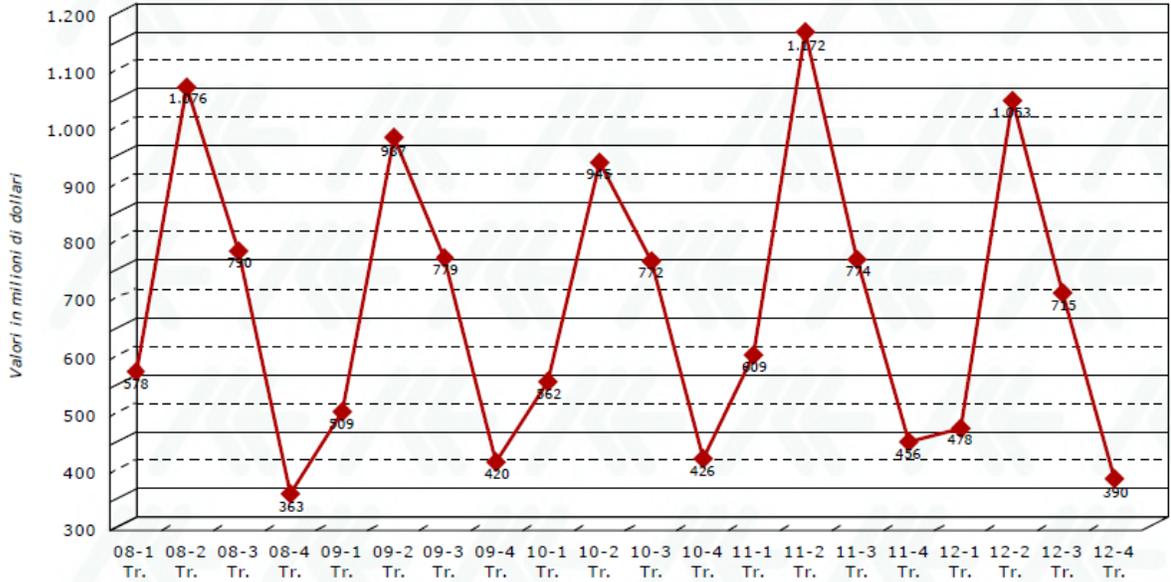
Moreover, globalization is making the world smaller and flatter: in every country there are potential customers for Italian gelato, because people are now used to travel a lot, know different cultures and appreciate foreign eating habits. So what has happened in the recent period is an expansion of the gelato industry worldwide, every year entering new countries and acquiring new customers.

According to the Italtrade Agency industry report 2012, gelato industry at the global level has not been affected heavily by the financial crisis of the recent years. Looking at the annual value trend in bln US dollars as reported in Figure 1, it is clear that after a small downturn in 2009 and 2010, sales increased dramatically in 2011 reaching a new peak of

3.012 bln, giving new strength to the industry's global expansion. The high seasonality of sales is the reason of the coexistence of more and less profitable periods during the year. What is impressive, the crisis effects were controlled and limited, and in two years the situation was completely better off. This gives prove to entrepreneurs willing to enter the industry that the gelato industry sales trend is positive and stable, and deserves financial risk and investments.

Figure 3 - Italian Gelato Industry: annual value in bln US dollars

10520 - Gelati



Valori (*)	2008	2009	2010	2011	2012
10520 - Gelati	2.808	2.695	2.704	3.012	2.637

To better understand the role Italian gelato plays at the global level, the Italian marketshare in the list of the main world gelato importers is shown (fig.2). Obviously, Italy is not considered as a final market in these scheme. The first country in the world as for the import of gelato is the UK with a 282 bln market in 2012 and only a 0,9% reduction in the volume of purchases after the 2008 crisis. With a difference of 20 bln, at the second place there is France, followed by German. These are the three big markets in Europe, and Italy has a 10% marketshare of the export to these countries. It is a percentage that leaves space for improvements, but still gives a signal of strong presence of Italy in the above markets. In continental Europe, being so near to Italy, competitors are facilitated in learning the traditional recipe and reproducing it in their shops. Moreover, customers are likely to visit Italy and know the real taste of gelato, so they ask for good quality.

Figure 4- Main world gelato importers and Italian marketshare

Paesi	Valori		Quote %				
	2012	Var %(*) 2008-2012	2008	2009	2010	2011	2012
Regno Unito	282	-0,9	10,12	10,56	10,41	10,53	10,08
Francia	267	-2,8	10,37	10,78	10,18	10,35	9,55
Germania	257	-0,9	9,25	9,11	9,07	9,19	9,20
Spagna	168	-5,3	7,23	7,76	7,74	6,79	5,99
Italia	161	2,7	5,01	5,09	5,15	5,60	5,74
Paesi Bassi	153	-1,8	5,73	6,16	6,20	6,14	5,49
Belgio	108	-5,3	4,65	4,05	3,85	3,71	3,87
Austria	93	-9,4	4,75	3,77	3,28	3,17	3,31
Svezia	77	-8,0	3,71	4,30	2,76	2,79	2,74
Portogallo	75	-6,5	3,39	3,12	3,00	2,82	2,67
Danimarca	73	-0,8	2,60	2,38	3,49	3,35	2,60
Stati Uniti	65	14,6	1,31	1,70	1,74	1,78	2,32

At the very bottom of this list are the United States, with a 65 bln USD market, and a 2,32 % of Italian marketshare in the import of gelato. What does it mean? Two points are of fundamental importance. First of all: substitute products. The United States are very far from Italy, and they have developed radically different frozen desserts recipes, that mirror their culinary habits. The most popular is undoubtedly icecream. A significant information the data give is that in recent years the Italian marketshare is growing, meaning that a new sense of taste is entering and there is space to enter with new proposals. In 2012, Italian gelato market in the US was of around 8 bln, five times more than in 2009 (fig.3).

Figure 5- Main end markets for Italy

Paesi	Valori	Var %(*)	Quote %				
	2012	2008-2012	2008	2009	2010	2011	2012
Francia	81.232	10,5	18,36	19,82	26,44	27,93	27,73
Germania	47.855	1,3	15,31	14,46	14,87	15,18	16,33
Spagna	37.953	-3,0	14,45	17,16	16,16	13,84	12,95
Paesi Bassi	20.625	19,5	3,40	3,46	5,01	5,04	7,04
Regno Unito	15.991	-16,8	11,20	11,71	9,56	6,38	5,46
Grecia	10.536	-7,7	4,88	4,95	3,92	3,44	3,60
Austria	9.746	-12,1	5,50	4,30	3,22	2,70	3,33
Svizzera	8.702	0,3	2,89	3,50	2,87	2,66	2,97
Stati Uniti	7.836	13,7	1,58	0,55	1,26	2,72	2,67
Portogallo	7.007	-12,3	3,98	4,36	3,26	3,20	2,39
Svezia	6.092	-7,6	2,81	1,87	1,28	1,98	2,08

The second reason to explain such a low percentage of Italian gelato marketshare in the US frozen desserts, is competition. Not only substitute products, but also fake gelatos. Not artisanal and often not even Italian products are in truth icecreams or frozen yogurts. Mass market products, made in different countries and then sold with the name of gelato, while in truth their recipe is very far from the traditional one. Figure 4 gives the data for this parallel gelato market, showing as the main world exporter France, followed by Germany and Belgium. Italy covers the fourth place. These data refer to mass market take home icecream and frozen desserts, and give to artisanal and traditional gelato still a good position, meaning that Italy is very competitive in the frozen dessert industry considered as a whole.

Figure 6- Main world gelato exporters

Paesi	Valori		Quote %				
	2012	Var %(*) 2008-2012	2008	2009	2010	2011	2012
Francia	408	-3,0	16,39	15,60	15,00	15,18	15,45
Germania	365	-5,9	16,57	18,42	17,24	15,08	13,84
Belgio	288	-7,8	14,18	13,53	12,09	11,18	10,91
Italia	277	-1,8	10,59	10,85	10,86	11,83	10,50
Paesi Bassi	171	5,4	4,93	5,11	6,11	6,26	6,48
Spagna	136	-2,8	5,44	5,49	4,71	5,42	5,17
Stati Uniti	127	19,2	2,24	2,50	3,15	3,16	4,83
Regno Unito	116	5,9	3,28	3,55	3,64	4,64	4,40
Ungheria	101	0,7	3,48	3,16	3,24	3,95	3,81
Polonia	77	-1,1	2,87	2,24	2,51	2,30	2,93
Canada	53	-1,2	1,99	2,63	2,60	2,50	2,02
Svezia	43	-6,4	2,00	1,99	1,88	1,74	1,64
Corea del Sud	38	20,6	0,63	0,64	0,79	0,92	1,43
Turchia	36	14,6	0,75	0,83	0,96	1,04	1,37

A lot of space for improvements is left to the current Italian performance in the global gelato industry. The Country's artisanal and industrial products are for sure better reproducing the original recipe, when paragonated to the international substitutes. This is why Italy should really move forward in producing and commercializing a better value product, gaining new customers in a worldwide arena. Communicating the value of Made in Italy is fundamental in this sense, and making customers aware of the quality of the original product and of its fine taste.

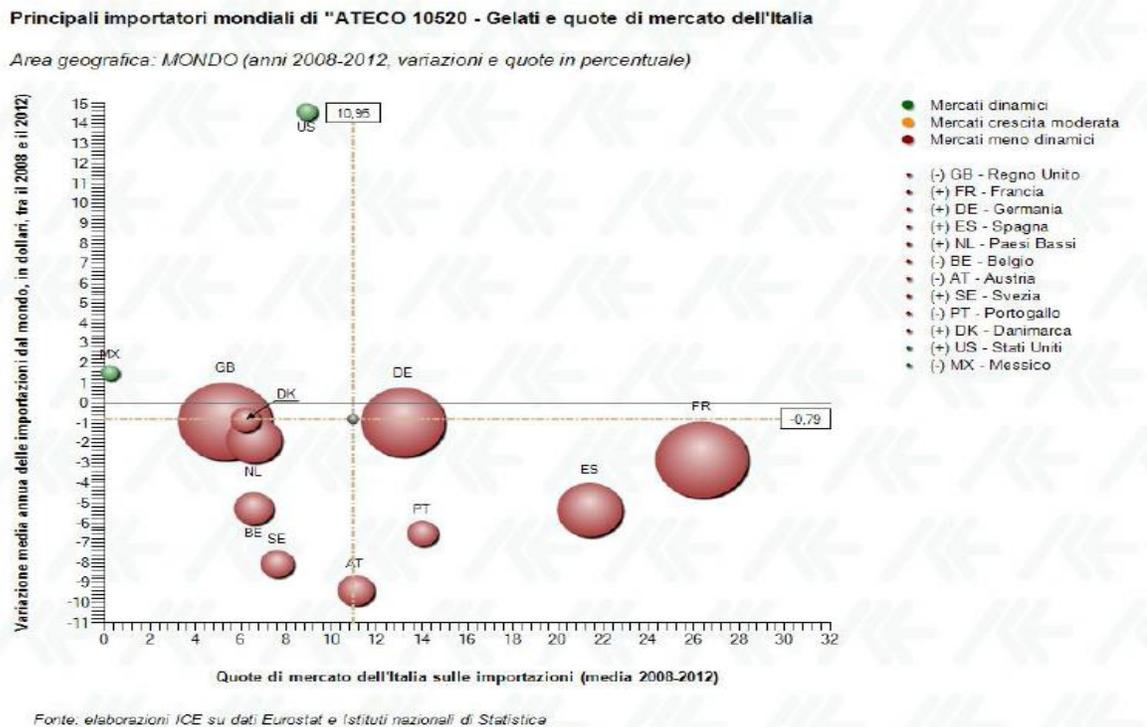
2.2 - The USA market potential

Notwithstanding the enormous success Italian gelato is having in Italy, Europe and several extracontinental countries, and the key role American economy plays in the global scenario,

for many reasons the US still represent a frontier for this industry.

Frozen desserts is currently a 25 BN USD/year industry in the United States, expected to grow up to 28.6 BN USD by 2016. This data include all the different types of desserts, ranging from ice cream to gelato, including the industrial sector. The economic crisis has not been critical for this industry, increasingly Americans are looking for affordable indulgencies as the general outlook still looks uncertain. The food-service as a whole is growing rapidly, with frozen yogurt increasing by 8% last year. In this scenario, gelato still a niche product but US consumer is rapidly becoming aware of its quality.

Figure 7 - World gelato importers and Italian marketshare at a glance



According to the Italian Trade Agency 2012 industry report, the USA are currently the most dynamic market as for the import of Italian gelato, meaning that there is a current constant increase in the national demand of the product. The United States thus retain the world's greatest potential in this industry for the future, as is clear from the graphic (fig.6)

reporting in green colour the dynamic markets and in red the less dynamic.

On the y-axis there is the annual average variation of the gelato import from the world, while on the x-axis the Italian market share on these imports is put under evidence. While the potential is high, Italian marketshare in the States is still quite low, as the volume of the green circle shows. In other words: the time is right to enter, and the competition from Italian companies is low. Other European countries are instead marked as less dynamic and represented with a big circle to underline the strong marketshare Italian companies retain in those territories.

The biggest problems in introducing the Italian product are local culture and alimentation habit. The substitute and competitor product is undoubtedly ice cream, the fat but tempting alternative to gelato.

Country	Litres per capita
Australia	17.9
New Zealand	15.8
United States	14.2
Finland	12.5
Canada	10.5
Italy	10.0
Norway	9.8
United Kingdom	8.6
Denmark	8.4
Chile	8.0
World	2.4
China	2.1

Table 5⁹

As of 2010, the United States were the third country in the world for per capita consumption of ice cream. Fortunately, evidence is given by statistics and data that the

⁹ Source: Goff and Hartel, 2013, University of Guelph

situation is changing and the trend for the future acceptance of new and healthier alimentary habits is positive. This new behavior impacts the gelato industry strongly: people appreciate more the artisanal products, and prefer going out to eat the gelato prepared by gelatieri than to buy the take-home box at the supermarket. According to the *American Eating Trends Report* published in July 2012 by the Canadian Agriculture and Agri-Food Department,¹⁰ retail volume sales of ice cream are projected to decline by 1% in 2013, due partly to the positive economic trend: *"Whilst economic conditions remained tough for lower-income Americans, higher-income consumers experienced the value of their homes increase and a good stock market performance. In turn, a rise in consumer confidence amongst more affluent consumers allowed them to take more trips to tourist destinations and shopping centres where they could eat ice cream in restaurants. As a result, demand for ice cream in retail outlets is expected to decline in 2013."*

According to Euromonitor International the previsions are similar for the future, At-home consumption of ice cream is not expected to increase. Retail volume sales of ice cream are predicted to be flat through to 2018, whilst value sales are expected to increase by 4% in constant terms. The flat volume sales for 2013-2018 will be a negative development compared with the 1% volume increase for 2008-2013. Given the high household penetration of ice cream and the presence of a refrigerator in every American home, it is difficult to increase ice cream sales in the US. As the US economy makes a slow recovery, consumers are expected to eat more ice cream in ice cream parlours and restaurants. Value sales of ice cream fast food in foodservice are expected to increase by 14% from 2012 to 2017.¹¹

These statistics reveal a very positive prevision for the future, a prevision supported by official data. it is really worth the risk to invest in the gelato business starting a franchising

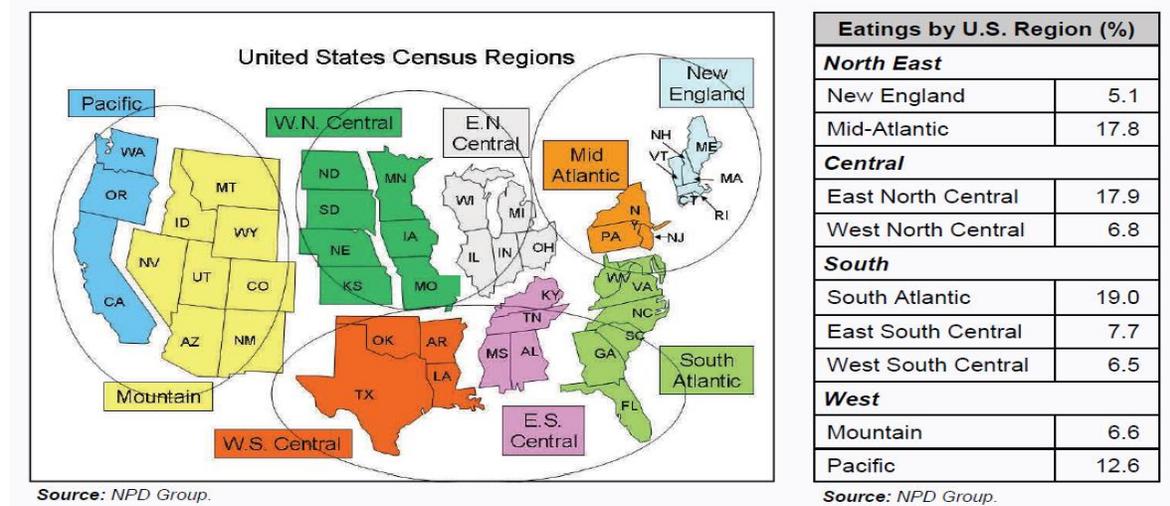
¹⁰ Agriculture and AgriFood Canada, *American Eating Trends Report, Ice cream and Frozen Desserts*, July 2012 (<http://www.ats-sea.agr.gc.ca/amr/6196-eng.htm>)

¹¹ Ice cream in the US, Country report, Dec 2013. Euromonitor International

in the USA in this specific period, when customers are looking for high quality artisanal products to buy in shops or parlors and just simply eat walking on the streets or shopping.

Among the regions where the sales of icecreams, frozen desserts and gelatos are high, the coasts and the big cities count more customers. The Pacific area has been chosen by the entrepreneurs for its position, people and climate as a good place to pilot the first shops. In figure 7 the icecream consumption by region is reported, and this area corresponds to the twelve percent of the total annual sales in the United States.

Fig.7 - Ice cream consumption by region ¹²



"Artisan is the new quality standard" titles a recent market research on American customers concerning the change in food and beverage trends.¹³ The population is becoming increasingly conscious of the difference between quality products and industrial ones.

¹² Agriculture and AgriFood Canada, *American Eating Trends Report, Ice cream and Frozen Desserts*, July 2012

¹³ Food and Beverage Trendwatch, Scion Advisors, February 2011;
<http://www.fairobserver.com/360theme/american-local-food-movement>

Moreover, artisanality itself is becoming a synonym of selected ingredients, traditional recipes and healthiness. It is impressive for a society like the American that has always been the place of mass consumption, industrialization, standardization, the growing of consensus around traditional, biologic and pure eating. Nevertheless, a big momentum is backed by the so called *American Food Movement*, who sensitizes the population on the importance of eating good food for the health and wellness of life. Looking back at some years ago, one would have said it is impossible to sell an artisanal product such as gelato to people used to the sugary and heavy taste of ice cream, colored and packed in inviting confections. And, the problem of creating the good infrastructure around the new franchising: how to create the productive chain? Until some years ago it was impossible to think of a chain of shops, a franchising, selling perfectly natural and biological products, prepared some hours before from a skilled professional following a strict recipe in every selling point around the world. Now, a lot of chains are actually selling good products made with best ingredients, and this is possible because a consciousness around the value of buying something good has been created. Something typically Italian like a small shop opened a hundred years ago from the grandparents and still owned by the same family carrying on a culinary tradition renowned for its top quality is now possible to get exported with a new business model in the USA, combining franchising and tradition, and giving to a pool of millions of customers the possibility to taste the same incredible recipe invented and perfectionated with the care of a familiar hundred years small business.

2.3 – California and the Pacific coast

For the setting of the first La Romana shop in the USA, California was chosen as the best place to start for several reasons. First, the Italian entrepreneurs love the Country. After living there for some years, they dreamed about starting a business together there.

Another important reason is the constant flow of tourists, making California one of the most international places in the USA. The first target of la Romana's new shop has to be an open-minded population, used to see and welcome different cultures. The residential communities in the main cities, young families, surfers, these are the first customers identified to test the product in the American context and society. The Californian shop will offer to customers an experience of Italy on the other side of the world. The cream's taste and consistence, the people serving, the atmosphere of the shop, will remind of Italy and its wonderful cities and countryside.

A fundamental prerequisite to open La Romana shop is to have in the nearby an easy access to organic farms where to buy top quality ingredients for gelato. Milk, fruits, eggs: if their quality is not outstanding, the taste of the final product will not be guaranteed, no matter the experience of the so called *maestri gelatieri*.

The Santa Monica area has been chosen as the perfect place to set the first shop. It represents a good compromise between quietness and tourism, rush and silence, bay and city.

To find the best location, an analysis of the existing franchising of the frozen dessert industry has been made. Surprisingly, in the whole Pacific Coast in California there is not a single retail chain selling a product with the same characteristics.

Table 6

	RETAIL	FOOD-SERVICE
SUBSTITUTE PRODUCTS	Industrial ice-cream: Baskin-Robbins Ben & Jerry's Blue Bell Carvel Cold Stone Dairy Queen Fosters Freeze Friendly's HäagenDazs Marble Slab & Maggie Moo's	<u>Ice-cream:</u> HäagenDazs, Ben & Jerry's <u>Frozen yogurt:</u> Yogen Fruze, Yogurtland, PinkBerry, Golden Spoon, Red Mango, TCBY <u>Frozen Custard:</u> Culver's <u>Italian Ice:</u> Rita's
GELATO	<u>Industrial gelato:</u> <ul style="list-style-type: none"> • Talenti 	<u>Artisanal gelato:</u> <ul style="list-style-type: none"> • Grom • Chocolat • Ciao Bella • Amorino • L'Arte del Gelato

As it appears from Table 5, the franchising already in California are selling either substitute products (ice cream, sorbet,..) or Italian industrial gelato take away, confectioned and therefore very different from the product La Romana sells.

There is then a list of shops selling Italian gelato, but after an accurate analysis it appears clear that they cannot be considered competitors because they are either held by non-Italian managers and therefore non-traditional, or they are Italian-hold but they are not organized businesses with a background comparable to La Romana's.

At the moment, there are a list of Italian gelato franchising in California, but they are not a threat for the entering of La Romana in the local market. The reason is that these businesses are not targeting the same market niche of high quality and price as the new shop will. Popular names of these franchising are Gelato Vero Caffè, Whimsical Italian Gelato, Pappalecco, Paradiso, Bottega Italiana, Pazzo Gelato, and others.

The principal differences with La Romana offering are:

- Product: what is called gelato is most of times not Italian but very near to the local ice cream, produced with a completely different recipe, process, set of ingredients.

Moreover, it is not artisanal but it is made with the help of ready-made industrial ingredients having a big impact on the final taste and quality.

- Place: the environment created in the shops is not Italian like the La Romana's characteristic design. It is often closer to the American taste for exaggeration, colors and special effects.
- People: although the name of the chain is Italian, in most cases the management is not from Italy. Instead, it is local people who try to bring some new business ideas starting a gelato shop, but they lack the experience and artisanality of real Italian gelatieri.
- In a lot of cases, these chains do not sell scoops but they sell boxes of industrial take-away gelato with an Italian brand.

La Romana wants to target the highest customer segment in the frozen dessert market. This will happen also in the USA, where competitors selling a similar product do not present the same quality standards and price levels. The situation is well summarized in the table below, showing how La Romana wants to be protagonist in the competition, standing on top both for quality and for price competitiveness.

Table 7



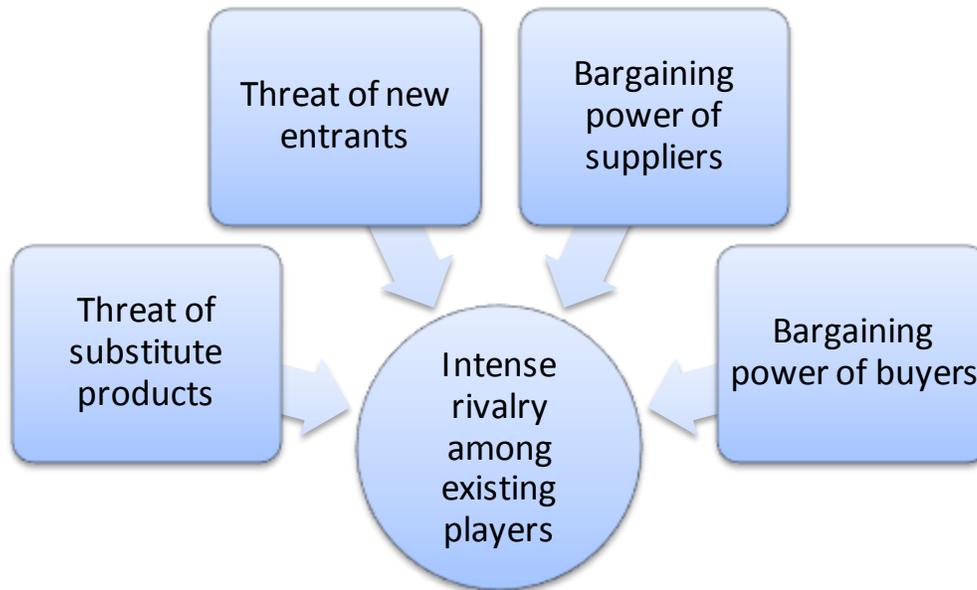
The only threatening Italian gelato franchising in California is Grom. The Italian chain has entered the USA in recent years with a first shop in NY, and has then opened the second in Malibu. Its strategy consists in having only property shops, and not franchising. Therefore, the expansion of the chain is quite slow compared to the recent La Romana expansion. In fact La Romana is actually adopting the opposite strategy: expansion with a franchising chain. Being Grom shop in Malibu, it is not a threat for the new la Romana opening in Santa Monica. Secondly, the two companies compete at different quality levels: while Grom produces in Mura Mura, the property farm, all the principal ingredients and then send them to the shops, La Romana is always looking for trustworthy partners within the end territory where the shops are located, in order to have fresh organic ingredients delivered daily. This gives a special advantage in the quality of the cream, which is always made a few hours before being served to the customers. Moreover, the design of the shop gives to la Romana the characteristic of an unforgettable purely Italian experience, going with its superior Italian design a step ahead the rival. These are some basic differences to mention, in order to make clear that the market La Romana serves is sensibly different from Grom's. Thus, the presence of one rival shop in the Country does not constitute a threat to the opening of the new one.

2.4 – Porter Five Forces Analysis

According to Porter, there are five forces to keep into consideration when evaluating the attractiveness of an industry:

- Threat of substitute products;
- Threat of new entrants;
- Intense rivalry among existing players;
- Bargaining power of suppliers;
- Bargaining power of buyers.

Figure 8- Porter Five Forces Model



In the Californian premium gelato industry, these forces will play an important role in making the opportunity of opening a new Romana shop a profitable business or a failure. This is the reason why it is always fundamental to analyze the industry ahead and take the information obtained as a guide to choose whether it is worth or not to start the business within the considered industry.

The first variable to analyze is the presence and influence of substitute products. Since the area of competition in which Romana will be positioned is the premium Italian niche, only premium quality products will be considered as potential substitutes. In this sense, substitute products are premium quality Italian gelatos. The gelato supply in California is actually very limited. As mentioned before, there are a small number of Italian gelaterias, but they are not organized and structured as Romana's franchising, they are small shops and parlors or groups of 3-5 shops. What makes the big difference between La Romana and those shops is again quality. The gelato production is often not artisanal and the product sold is not fresh but it is stored for a long time before being served to customers.

Moreover, the gelato is not made following the traditional Italian recipe, it is for the most part a mixture with local ice cream.

The second variable is the power of buyers. In this specific market, the conditions are totally favorable for La Romana, used to compete in the difficult Italian market. The level of prices is 20-40% higher in the USA compared to Italy, therefore the Company will not have problems in bargaining with customers a good price.

Suppliers constitute another variable to take into consideration. In this specific case, the machinery and tools needed to prepare gelato will be internally provided by Romana, already having suppliers in Italy. As for what concerns the raw materials suppliers, local farmers will be chosen among the California Organic Certified.

Figure 9



The threat of new entrants is not an issue for Romana at the moment. Entering the US market requires specific investments and a deep analysis of the final market to adapt and localize the supply, and premium quality Italian franchising are still not enough big to expand abroad. The possible further expansion of Grom in the USA is not considered a rival, in fact the product offering is undoubtedly not in the premium niche.

For all these reasons that will be analyzed in depth through the following chapters, the industry rivalry is not considered high and therefore it is worth to enter the competition. Romana has all the characteristic to succeed within this market.

CHAPTER 3- Marketing strategy

*“I remember the scent of eggnog when my dad used to cook, in a copper cauldron,
ingredients.*

I did not know the name of, only their flavour.

*I wanted to try, I wanted to hold that huge wooden spoon and stir for hours, which were
actually only minutes but it seemed endless to me back then...*

*It was nice to be envied by all the children who, with their 100 Liras in their pockets,
queued up for the milk cream or vanilla ice cream which my father expertly prepared. I
watched him, even from a distance, to memorize those gestures which in my eyes made him
a master and that would allow me to do the best job in the world.*

*We remember the queues in the shop, our mother at the checkout and our father preparing
the ice cream. My brother and I would help out by doing little chores that made us feel big,
for us it was a game; we knew that at the end of the day we would get an ice cream cone as
a reward. Fascinated by the huge spatulas of flavours freshly creamed that my father
proudly displayed, we waited impatiently for the queue to end, but Piazza Ferrari was
always packed with people and our ice cream seemed indispensable.*

*We now understand that these memories do not belong only to our family, but to all those
who choose La Romana.”*

Ivano e Massimiliano Zucchi

Simple, direct, traditional, true. From the very first approach to La Romana, the customer has the feeling of entering an Italian traditional *gelateria* with a long history and a familiar welcoming. Behind every single gelato there is the experience transmitted from father to son and enclosed in a fantastic taste, so simple to understand and yet so difficult to prepare.

The Californian shop will offer to customers an experience of Italy on the other side of the world. The cream's taste and consistence, the people serving, the atmosphere of the shop,

will remind of Italy and its wonderful cities and countryside. American customers will not enter the shop to buy something to eat, but to actually buy an experience of Italy, be it a dream of coming there one day or a memory of the last trip. Gelato is an emotional product, never letting indifferent the person who tastes it. Italians usually relate it to summer, sun and joy. Its success is so huge that it has become a symbol of the “Made in Italy” label, and the consciousness of its quality is growing in the global scenario.

The challenge is taking in the USA the niche at the top of the current Italian competitive arena, a franchising basing its quality on the values of tradition, organic ingredients and fresh products.

3.1 – Marketing mix overview

In this part of the business plan, the marketing mix strategy will be presented, going through the four P of product, price, promotion and place.

As for the product, emphasis will be given to the difference between the Italian supply and the new localized American one. Maintaining the roots, it will be necessary to adapt the tastes to the final customers culture and preferences. In order to do so, and following the philosophy of an eco-friendly and green shop, new tastes will be created based on the available local fruits, California has a rich natural environment, and organic agriculture is expanding every year giving a good contribution to the country’s economic growth and to the shaping of an healthy-food consciousness among the population.

The second P, price. This will be a strength of the new shop, and of the more general plan of establishing the La Romana franchising in the USA and quickly increasing the number of shops in the territory. Prices of frozen products are sensibly higher due to the higher income of the population, high tourists turnover and other reasons lying in the history of the economic evolution of the country. As a matter of fact, products are sold at a higher price compared to Italy, but the quality is inferior both for the ingredients used and for the production techniques. Therefore, selling with a good price-quality relation will be a key to success.

Table 8

Product	It is critical to both adapt the product and remain authentic to its Italian roots. By selling the emotions, beauty and quality of the Italian product we will decrease the need for local adaptation, which we will nevertheless drive by selecting the flavors closer to the American taste out of the 60 currently produced and by considering creation of 1-2 products for the US market.
Price	To fill the gap between early adopters and early majority the price will have to be very competitive. We will then sell at a slight premiums versus local ice cream producers and a small discount versus direct competitors.
Promotion	Word of mouth is critical and that can be driven only by consistently high quality and service. Additionally we will focus on a strong internet presence and direct promotion of the product to the neighboring community.
Place	For the first shop we will need to overcome initial resistance and make the product a trend. For this reason we will target high income, well-traveled, high density residential communities.

Promotion itself will be fundamental because the American customer is still not aware of the quality of Italian gelato and there is the risk of not succeeding if the communication is not effective enough. Word of mouth and a strong internet presence will lead to a spreading of the new shop knowledge among the population, and of its good quality.

Place will be set in Santa Monica, California. This has been found as the best territory were to try a new product offering. The presence of high-income, well-traveled population will reduce the risk to fail.

3.2- Product: La Romana artisanal gelato

Why is La Romana gelato so different for the average? The answer is simple and yet very complex: because it is of a superior quality. Quality in gelato is made by a set of characteristics combined together: ingredients, expertise, artisanality, machines and instruments, just to list a few. In La Romana the top of Italian traditional art of making gelato is combined with a passion for selecting the best ingredients and continuously researching for new tastes keeping up with and anticipating the evolution in the customers preferences and in the general trend of the market.

The first: ingredients. The raw materials are taken directly from local farms in the nearby of the shops and used fresh to preserve the superior taste. In California this will be an easy task. In fact, the territory is rich of organic certified farms and different types of fruits and vegetables growing all year round. This will allow to elaborate a series of new tastes localized for California, and therefore give new value and originality to the shop.

Moreover, La Romana's gelato is prepared daily and sold within few hours to maintain the freshness of the taste. This gives an incredible difference of quality compared to the competitor's supply. The customer can immediately realize the difference on the creamy consistence of gelato, and the recognizable organic ingredients and fruits, tasting like something a good farmer would prepare fresh with the products grown in his field and serve it. People are not used to this genuiness of taste when buying a frozen dessert to enjoy walking on the street. After the huge success in Italy and Europe, there are really great possibilities in the virgin American market. This taste will stay impressed in the mind of the customers trying it for the first time, and will create a fidelity relationship with the shop and the brand in general.

The technical reason at the base of this superior taste is the conserving method. At La Romana, fresh made gelato is stored in very typical *pozzetti*. Particular boxes that keep it frozen and at the right temperature not to lose the taste nore to crystallize ice.

Gelateria La Romana will create a new menu localized to satisfy the desires of the American customers, and to exploit the resources provided by that specific environment.

Table 9

US Ice Cream Consumption by Flavour, 2010 Source: Dairy Facts, 2011, International Dairy Foods Association			
	Flavour	% of Vol.	Covered by Romana
1	Vanilla	28.8	Green
2	Chocolate	14.3	Green
3	Bakery/cake/cookie	13.6	Light Green
4	Chocolate chip / other choc.	8.6	Light Green
5	All nut flavors	4.7	Green
6	Strawberry	3.3	Green
7	Neopolitan	2.5	Red
8	Coffee	1.6	Green
9	All other flavors	22.6	Yellow

According to a survey conducted by the International Dairy Foods Association, the most demanded ice cream flavors chosen by US customers are shown in Table 5. Among them are vanilla, chocolate, cookie, strawberry. The 50 % of these tastes are already in La Romana menu, made with top quality organic ingredients. The 30% are covered but with slightly different ingredients. The 20% of the flavors are not covered. Therefore there is a need to integrate the menu with additional local flavors. In this analysis it is important to consider though that ice cream and gelato are different products, and not all the flavors are to be successful for them both. In making the new menu, it will be given importance to the preferences registered for the gelato business in general.

Table 10

Other Romana products	Offered?	Rationale	Adaptations needed
Take-away gelato	Yes	Key driver of sales, allows different product consumption	Ecological take-away box
Sorbet	Not yet	Fundamental for lactose intolerants	Purchase of local fruit
Yogurt	Not yet	To compete with frozen yogurts	Adaptation to local taste
Hot chocolate	Not yet	Offers warm alternative	-
Crepes	Yes	Offers warm alternative	-
Jams	Not yet	Convey message of organic food	-
Gelato Cakes	Yes	Visual impact for the customers	Need to adapt to local taste
Milkshake	Not yet	Well matches local consumption patterns	-
Milk distributor	Yes	Conveys organic message, drives loyalty	Organic
Cafeteria	No	Too operationally complex to manage	-

Apart from gelato, some other products will be sold in the shop in order to diversify the supply and gain more interest at the eyes of the customers. Since gelato is very different from ice cream, through a more general product offering it will be possible to give to the clients an overview of Italian typical frozen desserts and make the choice broader. Since the new opening, La Romana will focus on four products: gelato, take-away, gelato cakes and crepes. Then, it will be considered the possibility to add sorbet, yogurt, jam, hot chocolate and milkshake.

Figure 10

Figure 11 – Eco-friendly boxes



Take-away will be a good alternative for people rushing or families willing to eat at home. It will give a solution to customers looking for a dessert to eat out of the shop. For this purpose, following the eco-friendly philosophy La Romana wants to promote, some special boxes will be adopted respectful of the environment and easy to recycle.

Gelato cakes will be a substitute dessert to take home for special occasions. Based on Italian recipes, they will be tailored to the tastes and preferences of the American customers. Moreover, special traditional cakes typical of the place where La Romana shops will be set, will be revised and made with gelato to give a total mixture of Italian and local culinary tradition.

Figure 12

Figure 13 - Gelato cakes



Every La Romana shop in the US will be provided with a milk distributor. The milk will be taken from the best biological farm in the nearby, every morning. This is to give the customer the taste of a shop selling natural products, artisanally made with the best ingredients from the local agriculture.

Figure 14 - Crepes



To give a warm alternative to frozen desserts, the shop will sell crepes during all the year. It is a very tasty and healthy dessert, easy to eat in the streets walking by. It will be made only in the sweet version, not salty, in order to maintain coherence with the shop concept in general.

Figure 15 – Milk distributor



Moreover, milk is the most important ingredient for gelato, and therefore it is fundamental to have the top quality one. The taste will be so good that the customers will enjoy drinking a cup of milk in the shop, or using the distributor as a takeaway every morning to take home the taste of nature. In this way, the shop will become a place where to go more than once per day: for breakfast and for a break whenever people want. Milk will be appreciated in its genuinity and pureness alone or combined with fruits and other ingredients in the gelato. American customers, used to very fat types of ice creams and frozen desserts, will have the opportunity to appreciate a milk-based gelato.

3.3 – Prices: targeting the right market segment

In general, La Romana shops have competitive prices compared to the top quality gelato shops. In the USA there is the chance to increase the level of prices since the competition is set at a higher level. Justified by the premium quality, La Romana will make the best with the possibilities offered by the market. In the first periods, though, it will be important to fix a good number of customers, therefore the prices will be set at a discount rate of 10-20% compared to competition. This will give the possibility to create a brand awareness in the population, and only after increase the prices, once sure that everyone has understood the quality of products.

To reduce the risks of failure, the shops' locations will always be set with accuracy to make sure there is an high income community of residents. In fact, the target customers are resident families with a special attention for healthy food, sensible to organic ingredients and willing to pay a small premium for the high quality. Moreover, customers are to be well-traveled people, in love with foreign cultures and open to experimenting new tastes. In every location, a mix of residents and tourists will be present too, to ensure a good turnover of customers and a rapid spreading of the brand knowledge in the Country.

The table below shows a projection of prices for the four product categories, considering a 1,5% growth in the level of prices every year.

Table 11 - Prices projection

Unit Prices	2015	2016	2017	2018
Scoop	4,1	4,1	4,2	4,2
Take Away	14,2	14,4	14,6	14,9
Gelato cakes	20,3	20,6	20,9	21,2
Crepes	5,1	5,2	5,2	5,3

The final prices will be defined taking into consideration a number of factors, such as:

- cost of local raw materials;
- importation duties;
- rent costs;

- competitors pricing;
- per capita income.

The prices are planned to grow of a small percentage every year until they reach the expected level. The details on the financial sustainability of the project and the hypothesis of price-increase during the first years are explained in chapter 6.

3.4 Promotion: effectively communicating our value

More than in any other case of La Romana new opening, a good promotion is needed for the Californian shop. American customers must become aware of the qualities and characteristics of the Italian brand, and most of all they need to be introduced to a product they are not supposed to know yet.

Table 12

Word of mouth	Driven by consistent quality of products and service
Facebook	FB page managed by MD, in line with Romana principles and style
APP	La Romana APP available for download on Itunes
Yelp/ Tripadvisor	Driving use of such tools, commenting when negative inputs
Leaf-letting	Before opening and to support weak periods/new product launches
Free samples	During opening day and during weekends for the first months
In-store advertisement	iPad with history of Romana and product description. In-store depliants defining clearly with a comparative table the differences between frozen yogurt and Italian gelato
Promotional events	School sessions with the <i>maestri gelatieri</i> to understand the gelato making process and the artisanality of its production
Fidelity card	All the new customers will be provided with a fidelity card giving special discounts during the year

From the beginning of this new adventure, every effort will be put in always improving and giving the best possible image to the customers in order to create a brand awareness and a spread product knowledge. For this purpose, a series of promotion tools and instruments will be used. First: word of mouth. In starting a new business the image people have of the shop and the experience they bring with them is so important that they communicate it each other. This is the first marketing instrument, and it is fundamental never to forget that every customer must be served with kindness and politely because every mistake is able to cause the loss of other potential clients.

To stay competitive in the advanced technological awareness of local people, La Romana is preparing an App and a Facebook page specific for the American market. A particular

Figure 16 – Fidelity card



attention will be given to Yelp and Tripadvisor websites, monitoring the ratings and commenting when receiving some negative feedback from customers.

Moreover, a fidelity

card will be given to all new customers and a series of specific and tailored discounts will be studied for them.

Special events to promote the brand and the product will be organized in collaboration with local

communities, schools and whatever institutions would like to participate. La Romana will give interactive classes in which the *maestri gelatieri* will explain to children and families the history of the product and the secrets of its making process. Other traditional tools like in-store advertising, leaf-letting and free samples will then be encountered in the number of the planned promotion initiatives.

3.5 - Place: establishing the American franchising

The Californian shop will be the first American La Romana shop. Its characteristics will replicate the Italian model, but some peculiar attention will be given to the adaptation of the design concept. First of all, the style of the shop will be more international and modern, reminding the huge and successful franchising of every time. Italian artisanal look

will be traceable in the unconfoundable design of the shop: simple, pure and beautiful. Every detail will remind of artisanality, nature, simplicity and Italy.

Figure 17



The Italian passion for design and beauty will be recognizable in every detail of the furniture. A modern design with simple lines will elegantly be combined with details reminding of the past time when everything was made by hand with the love and care of an artisan. Wooden blackboards will report choke-written the flavours, and the customers will be impressed by the wide choice. Take-home bowls made with a special recyclable material will be visible to inspire the purchase of some dessert to try with the family and friends at home. Gelato will not be immediately visible, it will be stored in traditional *pozzetti*, special boxes that preserve all the taste's characteristics of freshness and pureness maintaining the right temperature. The laboratory will be an open-space in order to let the clients see the gelato making process and the passion Italian *gelatieri* put in the making process. Moreover, the fresh ingredients will be shown and their perfume will pervade the

atmosphere. On the walls, some pictures reminding of Italy and of all the most recognizable icons every American relates to the Country: Rome, Florence, Venice, a Vespa, a bicycle selling gelatos, lovers, peace.

The place itself will be a strength of the shop, a fundamental part of the gelato experience. Emotional marketing is fundamental in selling gelato, which is never only something to eat, but its nature is rooted in the feelings it raises in people. In Italy gelato is a synonym of happiness, summer and joy. In the United States it will be a symbol of Italy itself, conveying all the feelings and dreams of the memory of this wonderful place.

3.5.1 – Santa Monica and the Los Angeles Area

What is fundamental to plan accurately while starting a new business is the place where to set it. To find the best location for La Romana shop, an analysis of several variables have been made, in order to select a place with all the characteristics to success in testing American appreciation for this niche product.

Fundamental characteristics considered in the choice of the location were:

- Competition: a schedule of all the gelato shops in the Pacific coast have been made to focus the area with less Italian influence;
- Weather and climate: An analysis during the year has ensured to have the maximum possible sunlight and good temperature during the various seasons;
- Environment: since gelato is made with fresh ingredients, it was fundamental to select a place near to organic farms growing biological fruits and vegetables. California is very rich of fruits, and there are a lot of typical of the region. Moreover, there are a lot of farm certified by the organic food regulations.
- People: the business wants to target high income residential communities, with a consistent tourists turnover.

These aspects were elected as drivers in the choice of the territory. Another fundamental characteristic for the location was the local people, potential customers of the new shop.

Santa Monica in Los Angeles area was found to be the best place the pilot shop. It is a city of middle dimensions, not too big and dispersive, and yet with a huge population.

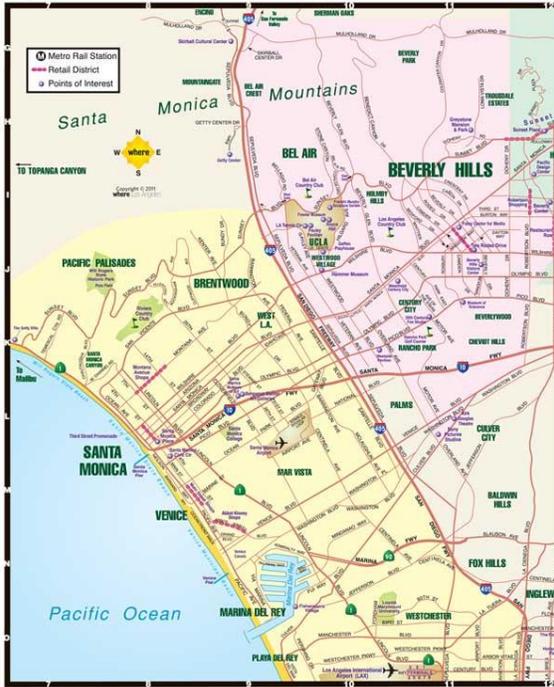
The population itself is perfect for testing the business, because there is a constant flux of tourists during the year coming from every part of the world. A lot of young people surfer and, sporty, and of high income families live there.

Table 13

City	Residents	Per capita income	Annual tourists	Annual spend by tourists	Daily spend by tourists	Rent cost per sq ft	Winter temp.	Summer temp.	Rainy days/year
Santa Monica	90,000	59 K	7 M	1.53 BN	140 USD	43	17/10	23/17	31
Venice Beach	40,000	43 K	16 M	n/a	57 USD (9 food, 11 restaurant)	n/a	17/10	23/17	31
Newport Beach	85,000	80 K	2.5 -7.5 M*	n/a	n/a	26	17/8.5	23/17	35
Long Beach	460,000	26 K	5.5 M	0.34- 0.9 BN	n/a	20	17/10	23/17	35
Manhattan Beach	35,000	80 K	3.8 M	n/a	n/a	n/a	17/10	23/17	35
Beverly Hills	35,000	75 K	5 M	0.96 BN	160 USD	47	19/11	26/17	35
Santa Barbara	90,000	37 K	N.D.	1.5 BN	43 USD (6 food, 10.9 restaurant)	n/a	18/4	23/14	36
San Francisco	825,000	46 K	16.3 M	8 BN	200 USD (includes hotel)	40	14/8	21/13	45
Las Vegas	580,000	22 K	39 M	56.6 BN	550 USD (100 food)	16	14/4	40/27	26
Pacific Beach (SD)	30,000	35 K*	5 M (North + South)	n/a	54 USD (8.9 food, 11.3 restaurant)	23	18/9	24/19	40

It mixes well the necessity of opening the shop in a big city with the importance of finding a calm place, where people can enjoy gelato in the sun looking at a beautiful natural environment. Not the center of Los Angeles, nor the bay of the Pacific coast. A good compromise between the two areas, guaranteeing tourists, residents, young people and families.

Figure 18 – The Los Angeles area



The city is in a good position, easy to reach and not too traffic congested.

Secondly, some climate reasons. Santa Monica has a sunny and springy weather ¹⁴ all year round, giving the best conditions to sell gelato. According to Weather Base, the average rainy days per years are limited to 26, taking as a statistics base last thirty years. The average temperature ranges from a minimum of 13°C to a maximum of 20°C.

Table 14 – Weather in Santa Monica – annual statistics

	annual	jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec
avg temperature	16.8	13.7	13.8	14.6	14.9	16.8	18.5	20.4	20.7	20.1	18.4	15.7	13.3
avg high temperature	20.8	18.4	18.5	18.8	18.7	20.3	21.6	23.8	24.4	23.9	22.7	20.8	18.3
avg low temperature	12.7	9.1	9	10.4	11.2	13.3	15.4	17.1	17.1	16.3	14.1	10.6	8.3
avg number of days above 15° C	336.7	21.6	22.5	27.7	28.2	30.9	30	31	31	30	31	28.5	24.4
avg number of days with precipitation	26	5	5	4	2	1	---	---	---	1	2	2	4
avg length of day (hours)	12.6	10.7	11.4	12.4	13.5	14.4	14.9	14.6	13.8	12.8	11.7	10.8	10.4

¹⁴ www.weatherbase.com

For all these reasons, the shop will have the possibility to have families and residents as fix customers for all the year, while in the high season it will have both residents and tourists.

3.6 - Learning from competition

Every time a new business is starting, there is something to learn from the existing companies in the industry. In this case, it is not a totally new business starting, but it is bringing an Italian business in the USA.

Table 15 – Competitors vs Romana

Area	Competitors' key mistakes:	Strengths of Romana vs. competitors:
Product	Taste: No adaptation/ wrong adaptation of the gelato taste to US	60 different flavors, 90% of most consumed American flavors covered by truly Italian products. To evaluate: creation of one/two local flavors
	Not enough quality/ Declining quality over years	Highest quality in all products, consistent over time
	Product range: Too broad product offering or inconsistent product range	Strict focus on Italian frozen desserts (no salty foods)
Place	Wrong location: Too central – unsustainable costs in the LT	Right choice of location: targeting residential vs. touristic(< rent)
	Wrong location: Too isolated – not enough traffic	Right choice of location: max traffic/dollar of rent, high popul. Cities
Promotion	Over-pretentious communication, creating excessive expectations	Simple, low-profile and clear, focused on Italian quality
	Not enough focus on organic/dietary elements	Strong in-store evidence to product quality (Grom way)
Pricing	Pricing not supported by adequate product communication	Simple, low-profile but clear communication on product quality
	Too high pricing for target customers	<ul style="list-style-type: none"> - Sell at a 10-20% discount vs. incumbents - Operate in high income cities only
Service	Not enough focus on service	Strong focus on service, franchise vs. fully owned shop
Store	No adaptation/ wrong adaptation of the store concept to US	International quality of its in-store design, Starbucks-like type of shop without compromising on authentic Italian feel

Regarding at the frozen dessert industry in the United States, there is a lot to learn from the companies that are trying to sell Italian gelato or substitute products, analyzing their keys to success and their principal mistakes, in order to achieve a better knowledge on how to plan the start-up effectively and avoid the main errors.

As far as the product is concerned, a few mistakes are frequent in the competitors performance. The first: no adaptation to the end market. Whenever introducing a new product in a specific context, it is fundamental to adapt the characteristics to the taste of the final customers not to fail when trying to sell it. Gelato is typically Italian and needs to be explained to the American clients and to be adapted to their desires. There might be some flavors that in Italy are well-loved and in the USA are impossible to sell. It is then fundamental to start with an analysis of the Americans' preferences and make sure to have the most possible flavors. This is what La Romana has done, scanning the top rated and then comparing them with the menu. La Romana is actually selling 60 different flavors, and among them are the 90% most consumed American flavors made with Italian products. It is under evaluation the possibility of adding another one or two new tastes localized for the new Californian shop. This makes a big difference from the numerous shops that do not give enough choice to customers, limiting the product range to three or four flavours.

Another big mistake competitors make is not giving enough importance to the quality of the final product. Maybe because selling Italian gelato in the USA can be easy as far as the customers do not really know how the real gelato tastes, a lot of so called *gelaterias* call improperly gelato what is in truth ice cream or a mix of the two, and pretend to sell an artisanal product made with fresh ingredients while in truth there is an industrial process at the basis of the value chain. To this critical point, La Romana responds with an outstanding quality of the product based on a fifty years experience in the artisanal making process and a passion for the research of the best organic ingredients.

When defining the product's characteristics, it is then fundamental to strictly bounder what the shop is selling. A gelato shop is not a cafeteria, nore a bakery. Shops that do not explicitly characterize their business are likely to create confusion at the eyes of the customers, and sell a lot of products of middle quality without outstanding the competitors

in one product. For this reason, La Romana has decided to very strictly follow the category of a gelato shop and selling only frozen desserts with a clear Italian root.

A second frequent mistake is choosing the wrong location: either too central and trafficated, or too quiet and calm with a low turnover. La Romana has set the first shop in Santa Monica, being sure to always count both on residents and on tourists.

As for what regards the promotion, it is clear that some shops give an excessive image to the customers, creating too much expectations that are frequently neglected in the end. Moreover, in a business that is more and more focused on artisanality, often it is not given enough emphasis to the high quality of the ingredients, information that customers appreciate in this period of growing bio and health consciousness. La Romana prioritizes the Italian artisanality of gelato and its fresh and organic ingredients, giving always a simple message easy to understand and not pretentious, just to catch the attention of the readers. In the shop it is always made clear the organic and fresh quality of the raw materials, if possible with an explicit reference to the local farms from where they come.

Pricing is a very difficult task. A lot of shops in the USA make high prices without communicating effectively the premium quality to customers. Price needs to correspond perfectly with the product, and customers must have clear the reason why it is set at an higher or lower level compared with competition. La Romana wants to set an high price, but will initially set it at a 10-20% discount rate compared to incumbents in order to attract the biggest possible market.

People is another issue: a lot of times shops do not give enough importance to service, while instead the person serving represents the real face of the company to the final customer. It is fundamental to create a polite and cordial environment, and to be able to communicate effectively to the clients making them feel at ease during the shopping experience. This is the reason why La Romana puts so much effort in always developing human resources, and it will try to give an Italian management to every American shop.

Place is one of the most impacting factors. If the shop design is not relaxing and welcoming visitors, people will not have a positive memory and this will badly influence their future attitude towards the brand. At La Romana, there will be an international design on the

model of the most successful food franchising as Starbucks, but with a delicate and clearly recognizable Italian style.

CHAPTER 4 - Operations strategy

In every business plan it is fundamental to clearly define the sequential flow of activities and timeline needed to start within the expected time. In this chapter the main deadlines of the La Romana project are presented and commented, in order to show the work in progress and give a flavor of the entrepreneurial plan.

4.1 - The operations plan

The business idea was first conceived in 2011-2012 when the entrepreneurs, after a work experience in California, have seen a big potential in starting a gelato business in this territory, surprisingly still without a recognizable Italian gelato franchising. In 2013 the project has gone through a deep analysis and definition, with the help of Romana's management, the two Italian entrepreneurs and some external advisors. In particular, the business idea was proposed to Geneva Accelerator, a business incubator and accelerator based in Switzerland and London. For the whole summer a team of talented and experienced professionals has worked on the feasibility of the plan, sharing it with potential Californian funders, asking for advice to financial managers and looking for the best outlook for the shop, the best place where to start, the best business partners.

Table 16: Operations plan

Date	Objective
20/12/2013	Business plan proposal completed
15/01/2014	Business plan finalized and aligned
15/03/2014	Funding subscribed and agreed Company structure defined
31/03/2014	Trip to US to define: final range of locations, localization strategy, real estate agency and law office to support on the process
30/09/2014	FDA approval of all materials to import
15/10/2014	Final trip, bank account creation
01/12/2014	Moving to California
31/01/2015	E2 VISA Approved (3 months needed)
28/02/2015	All permits approved
01/03/2015	Opening day

4.2 - Next steps: operational gates

To effectively start the business in 2015 following the plan, some operational gates need to be fixed on the right time¹⁵. In particular, attention need to be put to the following points:

- FDA approval of the raw materials: ¹⁶ the Federal Department of Agriculture is going to make some controls on the suppliers of raw materials, and on the workers ability to process milk, eggs and other ingredients in order to ensure the health and quality of the product. To this purpose, some specific licenses are required, such as the *Pasteurizer's* and the *Milk Product Plant License*. FDA approval might require up to five months because there is a very complex regulation to be verified.¹⁷
- Business VISA: the management will enter the USA with an E2 VISA, allowing a citizen of a “treaty country” ¹⁸ to start business there. Requisites for VISA to be approved are: signed franchise agreement, payment of the franchise fee, having leased business premises, purchase of necessary equipment for the business to start trading.
- Approx. 10 permits to open the shop¹⁹: California has some of the most advanced licensing and permitting in the USA. Strong and detailed environmental regulations cause extra licensing for businesses. In general, cities often take care of some of the most local issues like valet parking, while counties manage health permitting, in particular for the food business. Santa Monica requires licenses for a broad variety of business types and in many cases, county and state licenses are required in addition to the city's permits. In Table 16, some examples of permits and licenses required by the State, County and City are shown.

¹⁵ <http://www.usa-corporate.com/setting-up-a-us-company-as-a-non-us-resident/how-to-set-up-a-us-company/>

¹⁶ http://www.cdffa.ca.gov/ahfss/milk_and_dairy_food_safety/Milk_Product_Licenses.html

¹⁷ <http://www.gpo.gov/fdsys/pkg/CFR-2003-title21-vol2/xml/CFR-2003-title21-vol2-sec135-110.xml>

¹⁸ <http://italy.usembassy.gov/visa.html>; <http://travel.state.gov/content/visas/english/fees/treaty.html>;

<http://travel.state.gov/content/visas/english/employment/treaty.html>

¹⁹ <http://www.calgold.ca.gov/>

Table 17 – Main licenses and permits for a gelato shop Santa Monica

NAME	DESCRIPTION	REQUIRING ENTITY
Business License - Business Tax Certificate	Required for all entities doing business within city limits. See "County Unincorporated" for businesses located outside of city limits.	City of Santa Monica
Fire Prevention Information/Inspection	Businesses may be subject to a yearly inspection of facility - annual fee may be charged.	City of Santa Monica
Police Regulations/Public Safety Issues	Some city police departments offer business crime prevention programs and may also issue permits for certain activities i.e. burglar alarm, solicitors, etc. - requirements vary from city to city	City of Santa Monica
Zoning Approval	Permitted uses, development regulations, design review, sign permit, parking regulations.	City of Santa Monica
Business Personal Property	Property used in the operation of a business such as machinery, equipment, trade fixtures, etc. is taxable and subject to assessment. Business operations need to file a Business Property Statement annually with the Assessor declaring property on hand as of January 1 of each year. Generally those businesses with personal property and fixtures with a cost less than \$100,000 are not required to file a property statement.	County of Los Angeles
Fictitious Business Name - Doing Business As Statement	A Fictitious Business Name (FBN) or Doing Business As (DBA) statement is required when the business name does not include the surname of the individual owner(s) and each of the partners; or the business name suggests the existence of additional owners; or the nature of the business is not clearly evident by the name of the business.	County of Los Angeles
Public Health Operating License	Required of restaurants and businesses manufacturing food, ice or soft drinks	County of Los Angeles
Occupational Safety and Health Information	Businesses with employees must prepare an Injury and Illness Prevention Plan. The state provides a no-fee consultation service to assist employers with preventing unsafe working conditions and workplace hazards	Cal/OSHA Consultation Services
Registration Form for Employers	Required to file a registration form within 15 days after paying more than \$100.00 in wages to one or more employees. No distinction is made between full-time and part-time or permanent and temporary employees in meeting this requirement.	Employment Development Department
Proof of Residency Requirement	Employees hired after November 6, 1986 must provide proof of eligibility to work in the United States.	U.S. Immigration and Naturalization Service

4.3 – Next steps: local partners needed

Partnership is crucial especially in the very first period.

- Law firm to support with permits/VISAs: the next trip to USA will be the moment to choose a law firm to support the team with permits and VISAs among the five firms already contacted for a first meeting.
- Real estate agency to support with identifying right location: once chosen the area and the city, it is now the time to scan a list of possible locations and select the best one with the help of some experts. In order to do so, a real estate agency will be chosen among the ones already contacted.

Other possible partners to find are:

- Accounting firm to support with invoicing etc.
- Possibly marketing and design agencies to support with localization: although the iconic identity of the Company is clearly defined with its Italian brand, the American shops will be characterized by a localized communication. To this purpose, a local marketing and design agency would be a precious help in creating the best campaign and shop overlook to grasp the customers' attention.

4.4 - To be

The shop opening is planned in March 2015. The choice of the year period has been made taking into consideration the seasonality and the annual cash exposure.

The target is to open three gelaterias over five years (2015, 2017, 2018), staying in California. After the first period, the Company will assess the possibility of expanding in other US countries.

Additionally, there is the possibility to open side activities (university shops, trucks/carts for private events) if the opportunity of high ROI will come..

The second and the third shop openings are still under evaluation and the locations are not yet defined. While there is the interest in pursuing the California project before expanding

to other US countries, the team wants to let the possibility open to change location if the first experience raises some issues with regard to the territory and customers.

Table 18 - Pipeline of the shop openings

Pipeline	gen	feb	Mar	apr	mag	giu	lug	ago	set	Ott	nov	Dic
2014												
2015			1									
2016												
2017						1						
2018			1									

Staying fix to the objective of targeting high income, well-traveled, high density residential communities, some other locations have been considered for the possible new openings, and in particular:

- Los Angeles Beach Areas: Venice Beach;
- Orange County Beach Area: Newport Beach;
- San Francisco Bay Area: Palo Alto, Mountain View, Cupertino;
- Las Vegas (for high tourist traffic).

Other areas considered but excluded because of the high traffic, high rent costs or difficulty to fit the Company's concepts are:

- San Diego Area (PB, OB, Downtown);
- Beverly Hills;
- Santa Barbara;
- South LA: Long Beach, Manhattan Beach;
- Airports, Stations, Disneyland.

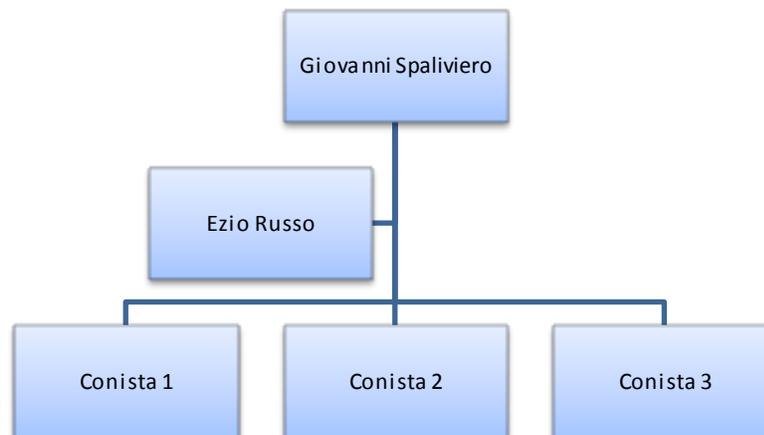
Even if not targeted directly we will benefit of large tourism in California. Main tourists in the area are from Canada, Japan, Australia, Germany, UK.

CHAPTER 5 - Management

5.1 – Management Summary

Romana – USA will be a limited liability company. The two founders Giovanni Spaliviero and Ezio Russo will be the management team. Mr. Spaliviero will operate as the managing director, while Mr. Russo will be the operations manager, having a central role in the gelato making and quality controlling. Personnel will be hired to handle gelato preparing, serving, and cleaning functions.

Figure 19 – Organizational structure



A brief resume of the two founders' main educational and career achievements follows. At a young age, they have already proved to have great skills in the two fields of management and restauration, working together with international professionals and rapidly distinguishing themselves for their talent.

The combination of their different competences can be the key for the success of the project in the USA, where a new set of rules and structures need to be defined in order to compete in such a diverse market.

Managing Director - Giovanni Spaliviero - 29 years

Main educational achievements:

- Undergraduate Degree, Business Economics, Ca' Foscari Venezia – Italy (110/110) - 2006
- Summer School, Harvard University - 2006
- Graduate Degree, International Management, Bocconi, Milano – Italy (109/110) - 2009
- Master Business Administration, Indian Institute Management Ahmedabad, India (3.4/4 GPA) – 2009

Work Experience:

- Procter & Gamble, Geneva, Switzerland- 2011-13
- Senior Purchasing Manager (2 years, 6 months) – 150 M USD under management
- Cap Prive, Inteluxe, San Diego (CA), United States - 2010
- Marketing Director – Operations Director (1 year)

Experience in store management:

- Worked for 6 years in a pizza delivery place while student, managing the shop in absence of the owner.

Operations Manager – Ezio Russo - 25 years

Education:

- Bachelor, Science and Culture of Gastronomy and Restauration
- Diploma in Tecnico dei Servizi di Ristorazione con voto di 95/100

Work Experiences:

- Relax & Chateau “ Villa del Quar ” *****L, via Quar, 12 - I *Ristorante “Arquade”*, 2 star *Michelin*
- Ristorante “ *Locanda Locatelli* ”, 8, Seymour Street - Londra (United Kingdom), 1 star *Michelin*

Other education:

- Participation certificate to the “H. A. C. C. P.” course;

- Participation certificate to the “Celiac disease” training course;
- Master Slow Food in “Degustazione Salumi d’Italia 2009”
- Master Slow Food in “Degustazione Olio Extra Vergine d’Oliva 2010”
- Master Slow Food in “Degustazione Pani e Cerali 2011”.
- Master Slow Food in “Degustazione O.N.A.F. sui Formaggi 2012”.
- Diploma Sommelier “A.I.S. 2013”

Before the shop opening, Ezio Russo will make a six month internship in Romana’s main gelato shop in Rimini, working in close contact with talented *gelatieri*. He will then follow a course of Artisanal Gelato making in Perugia’s “Università dei sapori”.²⁰

5.2 – External advisors

In order to achieve the best results, meet the customers’ preferences and be profitable, the team has asked the consultancy of some external advisors for the financial, strategic and localization areas.

Figure 20 - Key external advisors

Area	Key external advisors
Finance	Paolo Bruno Ferrari - Change Capital Partners, currently leading private equity investment in Rosso Pomodoro, previously Analyst within the Investment Banking division at Citigroup, and Associate Consultant at Bain&Co. Paolo received a CEMS Master in International Management from Bocconi University in Milan and Rotterdam School of Management.
Strategy	Pierfrancesco Rocca – McKinsey consultant, previously at A.D. Little and Deloitte. Graduate in Business Economics in Verona University, Master of Science cum laude in International Management in Bocconi University and MBA at IIMA – India.
Localization	Chad Morse – Californian entrepreneur, active in the luxury hospitality business, CEO of Cap Prive’. Experienced in private equity.

²⁰ <http://www.universitadeisapori.it/shop/corsi/corso-professionale-gelatiere-scuola-italiana-gelateria>

5.3 - The staff

All staff members will be an integral part of the Company and its success. Romana will strive to create an environment of mutual respect, fair treatment and equitable compensation to make everyone feel part of a flat organization in which different responsibilities contribute to the achievement of the same result. From the beginning, there will be two or three *conisti*, staff members serving gelato to customers. Passionate and friendly, they will play a key role in making the clients' experience in the shop unforgettable. Because of this, the Company will make investments in training them and will propose long-term working contracts. In the first period, the CEO and the operations manager will collaborate actively together with the staff to set a good service quality standard, perfectionating all the procedures and establishing a direct relation with the customers. In every shop the laboratory will be an open space, everyone will see the *gelatieri* making gelato under the guide of the operations manager. It will be fundamental to work always at the best, showing passion for Italy and gelato, and communicating it to customers. At least in the first shop, the staff will be mainly Italian. The founders will work in the shop explaining to customers the characteristics and peculiarities of the product, and it will be fundamental for local people to see Italian professionals.

5.4 – Human Resources – cost projection

The planned costs for human resources are summarized in the table below.

Table 19 - HR cost projection

Costs	2015	2016	2017	2018
conisti cost (monthly)	\$13.500	\$14.000	\$14.500	\$15.000
# conisti	3	3	6	9
conisti cost (annual)	\$135.000	\$168.000	\$265.000	\$472.000
salary Giovanni (monthly)	\$5.000	\$5.000	\$6.000	\$6.000
salary Ezio (monthly)	\$4.250	\$4.500	\$4.750	\$5.000
owner salary (annual)	\$111.000	\$114.000	\$129.000	\$132.000

The projected cost of three *conisti* has been fixed of \$13.500 for the first year, and increasing of \$500 every year. Since in 2017 and 2018 the Company plans to open other two shops, the total number of staff components at the end of the five years considered is nine, giving that every shop has three *conisti*.

Giovanni Spaliviero's salary will be fixed at \$5.000 for the first two years, and only with the opening of the second shop will ramp up to \$6.000 a month.

Ezio Russo's salary will increase of \$250 a month every year starting from \$4.250 in 2015. The total staff expenditure will impact 17% of the total revenues in 2015, and 16% in the years to follow. The owners salaries will impact the total revenues for 14% in 2015, 11% in 2016, 8% in 2017 and only 4% in 2018. This is a very good sign considering the increase in the number of workers and in the salary. Projections prove the business will be not only feasible, but substantially profitable with a growing positive trend.

CHAPTER 6 - Financials

6.1 – Premise

In this chapter an analysis of the financial plan for the five years 2014-2018 will be given in order to show both the feasibility and the profitability of the business making evidence of the growth positive trend in the considered period.

6.2 – Capital requirement

After an analysis of the single cost-voices and a comparison with similar businesses in the area, the set-up costs have been fixed at 600 K USD. Considering the average turnover of a gelato shop in Italy is 650 K EUR ranging from a minimum of 250 to a maximum of 1.200 K EUR, it appears clear that the capital expenditure to cover the set-up costs will be probably lower than the average annual turnover. The breakeven will be reached in the first year.

The investment will be in the form of private loan as equity has to be fully owned by founders in order for the VISA to be approved. No debt will appear in the financial statements.

6.3 – Supporting factors when in US

When starting the gelato business in the US, there are a number of supporting factors to take into consideration. First, the favorable conversion to USD: if the average Italian turnover of a gelato shop is 650 K EUR, it will amount 870 K USD.

Other positive factors are:

- Average selling price in US is 40-60% higher than in Italy;
- Much higher available income and per capita income in US;
- 40% higher per capita consumption of frozen desserts in US;

- Much lower incidence of seasonality in California;
- Much lower direct competition in US.

Furthermore, the average net margin of a gelato shop in Italy is 40%, which is a lot. In the US, the margin could increase considering the higher selling prices. In fact, if the cost of raw materials has an impact of 30% on sales in Italy, it is likely to assume a decrease to 20% at US selling prices. Since direct and indirect taxation are much lower in the USA, net profit is in the end higher in this context.

6.4 - Assumptions

In the table below shows the key assumptions at the basis of the plan.

Table 20 - Profit&Loss assumptions

P&L assumptions	Year n.1	Year n.2	Year n.3	Year n.4	Year n.5
Max volume/day gelato	800	832	857	874	883
Max volume/day take-away	20	21	21	22	22
Max volume/day gelato cakes	20	21	21	22	22
Max volume day/crepes	50	52	54	55	55
Raw materials incidence (Total)	25%	25%	24%	24%	24%
Consumable materials incidence	2%	2%	2%	2%	2%
Rent (Yearly) (Lab + location 1)	150.000	168.000	186.000	204.000	222.000
Rent (Monthly) (Lab + location 1)	12.500	14.000	15.500	17.000	18.500
Rent (Yearly) (Other Locations)	120.000	138.000	156.000	174.000	192.000
Rent (Monthly) (Other Locations)	10.000	11.500	13.000	14.500	16.000
Conisti cost (Monthly)	13.000	13.500	14.000	14.500	15.000
Max monthly utilities cost (Lab + location 1)	3.000	3.000	3.000	3.000	3.000
Max monthly utilities cost (Other locations)	1.000	1.000	1.000	1.000	1.000
Salary Giovanni	4.500	5.000	5.000	6.000	6.000
Salary Ezio	4.000	4.250	4.500	4.750	5.000
Unit Prices					
Scoop	4,0	4,1	4,1	4,2	4,2
Take Away	14,0	14,2	14,4	14,6	14,9
Gelato cakes	20,0	20,3	20,6	20,9	21,2
Crepes	5,0	5,1	5,2	5,2	5,3
Growth Assumptions					
Quantity		4,00%	3,00%	2,00%	1,00%
Price (constant in all PoS)		1,5%	1,5%	1,5%	1,5%

The four products considered in the projection analysis are gelato, gelato cakes, take-away

and crepes. On the top are put under evidence the growth assumptions in the volume/day sold. The costs of the rent and the management salary is then shown. Finally, evidence is given to the hypothesized growth in quantities and prices.

6.5 – Income Statement

Table 21 - Income statement

		2014	2015	2016	2017	2018
Scoop	Quantity/day	--	409	536	807	1.483
	Unit Price	4,0	4,1	4,1	4,2	4,2
	Tot revenues	--	606.151	808.701	1.231.521	2.298.110
Take-Away	Quantity/day	--	10	13	20	37
	Unit Price	14,0	14,2	14,4	14,6	14,9
	Tot revenues	--	53.038	70.761	107.758	201.085
Gelato Cakes	Quantity/day	--	13	17	26	47
	Unit Price	20,0	20,3	20,6	20,9	21,2
	Tot revenues	--	93.153	129.472	199.547	363.775
Crepes	Quantity/day	--	21	35	50	91
	Unit Price	5,0	5,1	5,2	5,2	5,3
	Tot revenues	--	38.973	65.552	95.431	175.381
	Total revenues	--	791.315	1.074.487	1.634.258	3.038.351
Variable	Raw materials	--	194.905	260.741	396.439	739.173
	Labor	--	135.000	168.000	265.000	472.000
	Disposable materials	--	15.826	21.490	32.685	60.767
	Utilities	--	20.400	22.500	27.600	36.800
Fixed	Owner Salaries	--	111.000	114.000	129.000	132.000
	Rent	12.500	150.000	168.000	296.000	462.000
	Other (admin, etc)	--	12.000	14.400	18.600	27.600
	Total Costs	12.500	639.131	769.131	1.165.324	1.930.340
	EBITDA	(12.500)	152.183	305.356	468.933	1.108.011
	D&A	--	72.896	89.225	120.392	184.892
	EBIT	(12.500)	79.288	216.131	348.542	923.119
	Interest	--	--	--	--	--
	EBT	(12.500)	79.288	216.131	348.542	923.119
	Taxes	--	15.754	74.999	121.670	341.383
	Net Profit	(12.500)	63.534	141.132	226.871	581.736

Table 21 shows a projected income statement for the first five years. As mentioned before, the business is expected to be profitable from 2015, and the net profit will increase by almost ten times by the end of 2018, passing from 63.354 K USD to 581.736 K USD.

6.6 - Balance Sheet

Table 20 shows a projection on the balance sheet for the considered period. While the Company's equity stay fix at 600 K USD, the increase in cash availability will be partially put in equity reserves and partially in retained earnings.

Table 22 - Projected balance sheet

	dic-14	dic-15	dic-16	dic-17	dic-18
Assets					
Fixed Assets	--	366.979	287.754	427.363	502.471
Inventory	--	16.604	3.241	6.469	9.840
Receivables	--	4.299	4.674	9.269	14.132
Cash	587.500	273.236	507.299	597.501	1.107.131
Total	587.500	661.119	802.969	1.040.602	1.633.574
Liabilities and Shareholder Equity					
Payables	--	10.085	10.803	21.565	32.801
Debt	--	--	--	--	--
Equity	600.000	600.000	600.000	600.000	600.000
Equity Reserves	--	(12.500)	51.034	192.165	419.037
Retained Earnings	(12.500)	63.534	141.132	226.871	581.736
Total	587.500	661.119	802.969	1.040.602	1.633.574

Romana wants to reinvest from profit and accelerate the business' growth. Although the management is young, there is a strong focus in working in a long term perspective. The profit available will be saved to fund future openings all over the USA.

CHAPTER 7 - Conclusion

The Management team is willing and very enthusiastic to start this business venture in less than twelve months from June 2014 by transforming this opportunity into action and make it a successful venture to look at within the group of Italian excellences abroad.

The prime analysis and findings have shown that Romana-USA has a strong potential for success because the management team is talented and experienced, the market is a niche, and the projected financial outcomes show that the business will be profitable by the end of the first year.

Several factors are converging in preparing the path for a successful introduction of the currently strongest Italian Gelato Franchise:

- the frozen dessert industry is growing;
- artisanal food-service production is growing within the industry;
- gelato business is independent of economic cycle and has been growing during the crisis;
- there is a growing interest in organic food and healthy high quality ingredients.

Thanks to all these current trends, Romana has the opportunity to succeed meeting an American customers' new demand.

Gelato has already been introduced by several Italian players in USA, but it is still unknown to the average US consumer and often perceived as exotic. Romana will fill this gap recurring to both a localization of taste without compromising on quality and a strong marketing campaign to make people aware of the product and the brand.

For all the listed reasons, the management is strongly determined in starting this business, being sure that this is the right period to enter the USA with this premium proposal. Understood and studied the competitors' main mistakes, there is a great trust in the potentiality of this opportunity, especially in California where summer never ends, tourism is at high levels and the economic and social conditions are very favorable to entrepreneurship..

WEBSITES

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