

## **EXPORT BUSINESS PLAN**

### **Company MER-MEX**

THE GLOBAL BOARD

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#### **EXECUTIVE SUMMARY**

##### **EXPORT BUSINESS PLAN FOR THE COMPANY "MER-MEX"**

Nowadays, people seek to take care of their health but do not want to give up traditional products like jam. People want to consume more natural products with a delicious flavor and enjoy it. With a host of products that use chemicals to preserve it, the global food trend is now in organic products.

MER-MEX is a Mexican company dedicated to the manufacture and export of organic four-flavored jam, mainly strawberry jam. We are working to be the best option for Korean consumers, offering the most natural and delicious flavor they are looking for, with an affordable price and the best quality.

Our source of income will be the sale of jam packages with a value-added service for sellers such as organic jam, from a Mexican company that introduces an improved product to the market.

An investment of \$ 508,117.56 is required to carry out the project, including advertising parts and costs to be able to register our brand in the South Korean market.

The entrepreneurs of this project are seventh quarter students of the Universidad Politécnica Metropolitana de Puebla. These five management students are in charge of the production, sale and transfer of the product.

Executive Director Ana Karen López Maximo, the next graduate in Small and Medium Business Administration, who is highly qualified for the position, as well as our production manager named Jazmin Prado Ordoñez. The finance department will take over José Manuel Rodríguez Pérez. The sales area will be in charge of Aline Kristel Silva Licona and at the end of the payroll area it will be in charge of Andry Michel Zamora Alonso. South Korea is looking for a way to have a stronger business relationship with Mexico, resulting in a beneficial way for Mexico to expand and diversify its market. Our price is in the competition price ranking and we have the advantage of having the highest strawberry production and complying with the restrictions, inside and outside of Mexico.

Being university students, it is believed that the experience is enough, the information that was sought and considered and what is proposed to achieve the project is believed to be achievable since the 5 members have different capacities to carry carried out an excellent project.

It is believed that this business will be profitable because based on the production of organic jams and with the advertising that will be counted, we will have a very good export to this country and they will be high sales. The quality and compression is what shows us that it will be a very good company.

## SECTION 0. COMPANY NAME

### 0.1 Business Name

**MERMELADAS DE MÉXICO S. de R. L.**



**Mermeladas de México**

*S de R. L.*

### 0.2 Commercial Name

**MER-MEX**



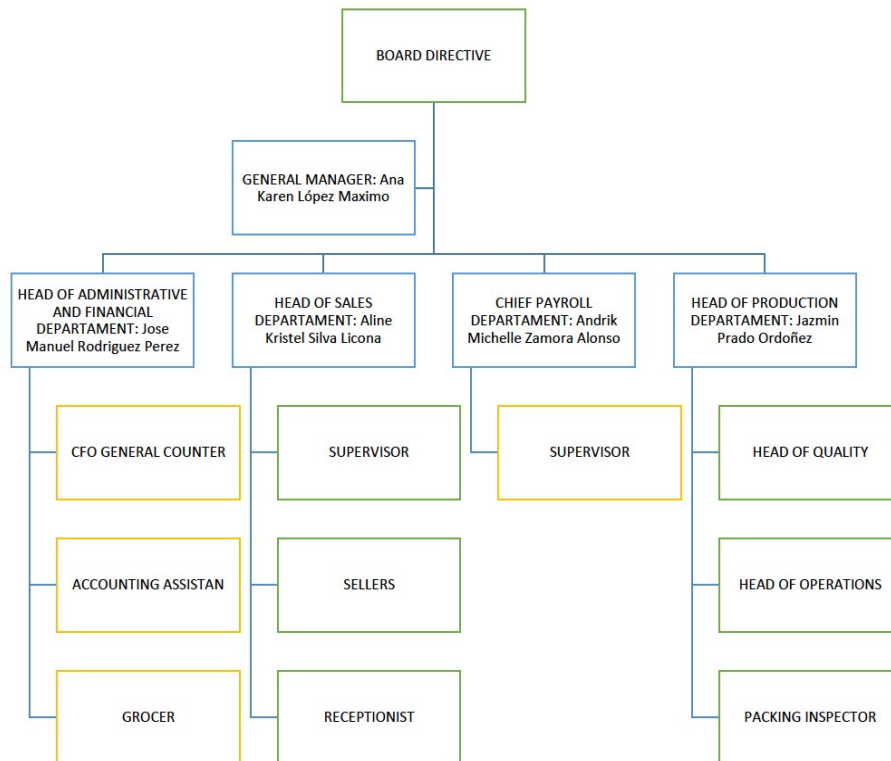
## SECTION I. ENTERPRISE ANALYSIS

### 1.1 Mission

We are a company created to satisfy the needs of consumers through the development and marketing of high quality fruit jam, providing nutritional value and natural flavor.

### 1.2 Vision

To be a leading international company in the production and of fruit jams for family consumption, providing our customers and consumers with services and products of the highest quality to be always their first choice.



**1.4 SWOT Analysis**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• The company is financially sound.</li> <li>• The quality of the products and their artisanship.</li> <li>• Has a very stable customer and supplier portfolio</li> <li>• Flexibility to respond to new requests.</li> <li>• Flexibility in product and packaging design.</li> </ul>	<ul style="list-style-type: none"> <li>• The constant rotation of staff</li> <li>• High cost of training.</li> <li>• The number of employees is small.</li> <li>• Pricing is not objective.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Inflation has remained stable so, the prices have been able to sustain and in households this gradually increasing their purchasing power.</li> <li>• The Mexican jams are already known abroad, what, which makes the job a little easier.</li> <li>• The government raises the export tax.</li> </ul>	<ul style="list-style-type: none"> <li>• Other companies that export, improve their price with a tax rate lower than of Mexico</li> <li>• The time of the travel could affect the conditions of our products</li> <li>• The cost of work with intermediaries increase our price.</li> </ul>

**1.5 Objectives: short, middle and long term.**

**Short term:**

- MER-MEX aims to expand to the market, exporting the products to South Korea being pleasant for society.
- Prepare the best fruit jam, complying with current legal and technical standards according with the requirements of South Korea.
- Obtain Service Quality Index (KS-SQI by Korean Standards Association (KSA), this certificate means that our clients are satisfied with our product and has a good position inside the Korean market.

**Medium term:**

- Our brand be recognized by the South-Korean people to be able to produce and market fruit jam.
- To satisfy the needs of the consumer of products of excellent quality and variety, thus obtaining the loyalty of them.
- Obtain Korean Sustainability Index (KSI)
- Reach Korean Standard-Quality Excellence Index(KS-QEI)

### Long term:

- Innovate and make continuous improvement of products to achieve a better position in the market and increase profitability.
- Reach Korean Standard-Premium Brand Index(KS-PBI)
- Obtain Korean Standard-Wellbeing Consumer Index (KS-WCI)
- Reach Korean Standard Contact Service Quality Index (KS-CQI)
- Promote the sale and production of fruit jam to other countries and our customers satisfied by the taste and treatment towards them.

## SECTION II. PRODUCT ANALYSIS

### 2.1 Company products



Strawberry Jam



Pineapple jam



Mango jam

### 2.2 Flagship Product

The strawberry jam will be made with the most select raw materials, and will be packed in containers of high durability.

We going to have highly qualified staff, experts in the preparation of jellies and jams that follow the strictest quality controls and hygiene standards that make MER-MEX could provide an appropriate product for consumption.



Most of our possible customers prefer this product because besides being traditional, its sweet taste has made this jam the bestselling our company will has.

### 2.3 Product or service description.

#### Strawberry Jam

The Strawberry jam is a gelatinous red consistency product cloudy and sour-sweet. Used in breakfasts, desserts, ice cream and in the preparation of dishes exotic.

This product is obtained from the pulp of this fruit and thanks to our production process, you will get a product with the ability to spread and be consumed directly.

#### Pineapple Jam

The pineapple jam is a product obtained from the pulp of this fruit and it is Ideal for eating as part of breakfast, for desserts or sandwiches.

#### Mango Jam

The mango jam is a product obtained from the pulp of this fruit.

### 2.4 Product Differentiation

Our customers will not have much to think about or analyze when making their purchase decision in relation to the products we going to offer, we will be always in their mind. It could be the case of the small shop on the way to home or work or the place where our co-workers or school buy, or where our family members usually buy or the business recommended by a friend, etc.

### 2.5 Substitute goods



#### Honey

It is a sweet-tasting food that is made by bees from the nectar of flowers for their own consumption, is produced and stored in their nests in hexagonal structures that converge to form the honeycomb.



#### Sweet preparation

It consisting of fruit juices boiled with sugar until obtaining a kind of soft gelatin or almost translucent gel. It is made with fruits with high pectin content, which allows to obtain its gelation, but in some cases you can obtain fruit peels that have a high content of this or industrialized pectin.



#### Peanut butter

It is also marketed under the name of peanut butter, peanut butter or peanut paste, is a paste made from roasted and ground peanuts (also known as peanuts), although it may also contain other additives to modify its flavor or texture.

## 2.6 Supplies and Providers

In order to manufacture our jams, we need to take into account the following:

- Raw material
- Fruit
- Sugar
- Citric acid
- Pectina
- Tary

We going to have many high quality providers in the region; our fruit suppliers bring us the merchandise directly from the field. The other providers are Zucarmex and VicPac (Raw Material)

## 2.7 Tariff Code

According with the Mexican consult website ([www.qa.ventanillaunica.gob.mx](http://www.qa.ventanillaunica.gob.mx))“Ventanilla única > Calculadora de Aranceles (Importación / Exportación) > Calculadora de gravámenes por fracción arancelaria” our tariff code is:

Tariff code	Description
20079999	Preparations of vegetables, fruits or other fruits or other parts of plants - Jams, jellies and jams, purees and pastes of fruits or other fruits, obtained by cooking, even with the addition of sugar or other sweetener. - Others. - Others.

These products have differences that could influence the tariff classification. TO

Some characteristics for these products are defined below.

- Jam is a variety of jam, usually prepared with citrus fruits.
- Fruit or other fruit jelly is prepared by cooking with sugar the juice obtained by pressing of fruits and other fruits in cold or previous cooking. Thus a product is obtained that, when to cool, gels.  
Jellies are consistent, transparent and contain no pieces of vegetables. Within this group of products, preservation occurs by heating and adding sugar. This method is generally used only for fruits.
- The puree of fruits or other fruits is prepared with sifted pulp or with fruit powder peel, even with added sugar; cooking lasts until consistency is achieved more or less pasty. It differs from jam because of its strong concentration in fruit or others fruits.
- Pasta of fruits or other fruits (apples, quinces, pears, apricots, almonds, etc.), It is an evaporated puree, of solid or almost solid consistency.

## 2.8 Costs Analysis

<i>Indirect manufacturing costs</i>		\$
<i>Weighing machine</i>	\$	<i>2,029.00</i>
<i>Blender</i>	\$	<i>647.00</i>
<i>Work table</i>	\$	<i>1,199.00</i>
<i>Cutting board</i>	\$	<i>70.00</i>
<i>Cleaning tools</i>	\$	<i>330.00</i>
<i>Uniforms and safety equipment</i>	\$	<i>1,760.00</i>
<i>Measuring spoon</i>	\$	<i>110.00</i>
<i>Pots</i>	\$	<i>749.00</i>
<i>Tina</i>	\$	<i>125.00</i>
<i>Strainers</i>	\$	<i>70.00</i>
<i>Pitchers</i>	\$	<i>99.00</i>
<b>Total</b>	\$	<b>7,188.00</b>



<i>Detail</i>	<i>Quantity</i>	<i>\$ Unit</i>	<i>Total</i>
<i>Pineapple (kg)</i>	<i>700</i>	<i>\$ 12.50</i>	<i>\$ 8,750.00</i>
<i>Sugar (kg)</i>	<i>400</i>	<i>\$ 22.50</i>	<i>\$ 9,000.00</i>
<i>Pectina (kg)</i>	<i>1</i>	<i>\$ 790.00</i>	<i>\$ 790.00</i>
<i>Benzonato de sodio (kg)</i>	<i>1</i>	<i>\$ 195.00</i>	<i>\$ 195.00</i>
<i>Labels (Unit)</i>	<i>3000</i>	<i>\$ 3.00</i>	<i>\$ 9,000.00</i>
<i>Jars (Unit)</i>	<i>3000</i>	<i>\$ 13.50</i>	<i>\$ 40,500.00</i>
		<b><i>Total</i></b>	<b><i>\$ 68,235.00</i></b>

<i>Detail</i>	<i>Quantity</i>	<i>\$ Unit</i>	<i>Total</i>
<i>Strawberry</i>	<i>715</i>	<i>\$ 28.50</i>	<i>\$ 20,377.50</i>
<i>Sugar (kg)</i>	<i>400</i>	<i>\$ 22.50</i>	<i>\$ 9,000.00</i>
<i>Pectina (kg)</i>	<i>1</i>	<i>\$ 790.00</i>	<i>\$ 790.00</i>
<i>Benzonato de sodio (kg)</i>	<i>1</i>	<i>\$ 195.00</i>	<i>\$ 195.00</i>
<i>Labels (Unit)</i>	<i>3000</i>	<i>\$ 3.00</i>	<i>\$ 9,000.00</i>
<i>Jars (Unit)</i>	<i>3000</i>	<i>\$ 13.50</i>	<i>\$ 40,500.00</i>
		<b><i>Total</i></b>	<b><i>\$ 79,862.50</i></b>

<i>Detail</i>	<i>Quantity</i>	<i>\$ Unit</i>	<i>Total</i>
<i>Mango</i>	<i>555</i>	<i>\$ 19.90</i>	<i>\$ 11,044.50</i>
<i>Sugar (kg)</i>	<i>390</i>	<i>\$ 22.50</i>	<i>\$ 8,775.00</i>
<i>Pectina (kg)</i>	<i>1</i>	<i>\$ 790.00</i>	<i>\$ 790.00</i>
<i>Benzonato de sodio (kg)</i>	<i>1</i>	<i>\$ 195.00</i>	<i>\$ 195.00</i>
<i>Labels (Unit)</i>	<i>3000</i>	<i>\$ 3.00</i>	<i>\$ 9,000.00</i>
<i>Jars (Unit)</i>	<i>3000</i>	<i>\$ 13.50</i>	<i>\$ 40,500.00</i>
		<b><i>Total</i></b>	<b><i>\$ 70,304.50</i></b>

<b>Work Force</b>			
<i>Worker</i>	<i>Quantity</i>	<i>Salari</i>	
<i>Production manager</i>	<i>1</i>	<i>\$ 8,370.00</i>	<i>\$ 8,370.00</i>
<i>Assistant</i>	<i>3</i>	<i>\$ 5,145.00</i>	<i>\$ 15,435.00</i>
		<b><i>Total</i></b>	<b><i>\$ 23,805.00</i></b>

<i>Columna1</i>	<i>Columna2</i>
<b><i>Costos directos</i></b>	<b>\$ 212,402.00</b>
<b><i>Gastos indirectos</i></b>	<b>\$ 36,800.00</b>
<b><i>Gastos del periodo</i></b>	<b>\$ 103,785.70</b>
<b><i>Total</i></b>	<b>\$ 352,987.70</b>

<b><i>Cleaning and disinfection</i></b>	<b>\$ 9,000.00</b>
<b><i>Repair and maintenance</i></b>	<b>\$ 4,700.00</b>
<b><i>Monthly depreciation</i></b>	<b>\$ 599.00</b>
<b><i>Export costs</i></b>	<b>\$ 89,486.70</b>
<b><i>Total Costos Indirectos</i></b>	<b>\$ 103,785.70</b>

<b><i>Raw material and supplies</i></b>	
<b><i>Strawberry jam</i></b>	<b><i>\$ 79,862.50</i></b>
<b><i>Mango jam</i></b>	<b><i>\$ 70,304.50</i></b>
<b><i>Pineapple jam</i></b>	<b><i>\$ 62,235.00</i></b>
<b><i>Work force</i></b>	<b><i>\$ 23,805.00</i></b>
<b><i>Total</i></b>	<b><i>\$ 236,207.00</i></b>

## 2.9 Internal Quality Control

Quality control must carry out a series of operations as follows:

Inspection of input inputs to prevent raw materials or defective packaging from reaching the processing area.

Process control.

Inspection of the final product.

Product surveillance during storage and distribution. This is an area that is usually neglected and that can cancel all previous quality control work.

It is important to note that to obtain a good quality product should take into account the following considerations:

Preparation instructions for each product.

Specific processing equipment.

Processing temperatures and times.

Packaging materials.

Weight limits or volumes for packaging.

Product labeling.

## 2.10 External or National Quality Control

Hereunder are the certifications that South Korea considers important to comply with in order to be recognized as a brand accepted and respected by the Korean consumer.

MER-MEX will comply with these certifications gradually, that is why they are in the medium and long term objectives.



### Service Quality Index (KS-SQI)

Korea's single comprehensive index and an economic indicator that measures quality levels of overall service industry. Service users evaluate satisfaction of service quality. It is to support companies with the analysis results to improve their service quality level and ultimately that of service industries, and aims to increase national happiness and the quality of life in Korea.



### Korean Sustainability Index (KSI)

Measures social responsibilities of domestic enterprises based on stakeholders' assessment and KSA awards excellent enterprises



### Korean Standard-Quality Excellence Index (KS-QEI)

The KS-QEI is an index jointly developed by KSA and the Index Research Group of the Korean Society for Quality Management that reflects consumer satisfaction and the characteristics of products.

The index measures the quality of and degree of satisfaction with products based on a survey of consumers who have purchased or used the products, and of experts who have professional knowledge of the products.



### Korean Standard-Premium Brand Index (KS-PBI)

The KS-PBI is a brand evaluation tool jointly developed by KSA and the Management Research Center of Seoul National University to increase corporate competitiveness by promoting the materiality of brands and encouraging companies to strategically manage their own brands.

KSA and the Center determine and announce the best company in each category after surveying consumers who are aware of the brands on their perception of the value of the brand as an asset.

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### **Korean Standard-Wellbeing Consumer Index (KS-WCI)**

KSA determines and announces the best company in each category based on a consumer survey on the wellbeing of health conscious and environmentally friendly products and services that can help consumers to improve the quality of their life. The index was developed to provide objective criteria for choosing products and services that promote health and wellbeing and to encourage a LOHAS-based consumption culture.



### **Korean Standard Contact Service Quality Index (KS-CQI)**

It is a model through which the quality levels of services provided by call centers in Korea can be scientifically examined and evaluated according to local conditions. The purpose of KS-CQI is to satisfy customers' needs, support business growth, and service industry development through the improved quality level of call centers.



### **General Tests**

Although tasks regarding legal tests at KTL are not established procedure, they are to conduct consultation with staff, to confirm the test eligibility, to accept necessary documents and samples, to conduct the tests, and to issue the test reports

- R Marking
- Reliability certification testing
- KCC Certificate
- Wired/wireless communication equipment
- Reliability Evaluation Certification
- Certification of environmentally friendly goods.
- The KTL Quality Certification Mark
- KAS Certificate
- KS Certification Testing
- GS Certificate
- CC Certificate

## **2.11 Production Process**

### **1. Selection**

This operation removes those fruits in a rotting state. The harvested fruit must be subjected to a selection process, as the quality of the jam will depend on the fruit.

### **2. To weigh**

It is important to determine yields and calculate the amount of other ingredients to be added later.

### **3. Washed**

It is made in order to remove any foreign particles, dirt and soil debris that may be attached to the fruit. This operation can be performed by immersion, agitation or spraying. Once the fruit is washed, it is recommended to use a disinfectant solution. The most commonly used disinfectant solutions are composed of sodium hypochlorite (bleach) at a concentration 0.05 to 0.2%. The immersion time in these disinfectant solutions should not be shorter.

### **4. Peeled**

It can be done manually, using knives, or mechanically with machines. In the mechanical peeling the peel is removed the peel, the heart of the fruit and if desired is cut into slices, always depending on the type of fruit.

### **5. Pulp**

It consists of obtaining the pulp or juice, free of shells and nuggets. This operation is carried out on an industrial level in pulp machines. At semi-industrial or artisanal level, it can be made using a blender. Depending on the tastes and preference of consumers, the fruit may or may not be liquefied. It is important that in this part the pulp is weighed as it will depend on the calculation of the rest of 12 supplies.

### **6. Cooking**

Cooking can be done at atmospheric pressure in open or vacuum pails in closed pails. In the vacuum cooking process hermetically sealed pails are used that work at vacuum pressures between 700 to 740 mm Hg, the product is concentrated at temperatures between 60 – 70 C, better retaining the organoleptic characteristics of the fruit.

### **7. Addition of sugar and citric acid**

Once the product is in the process of cooking and the volume has been reduced by a third, the citric acid and half the sugar are added directly. The total amount of sugar to be added in the formulation is calculated taking into account the amount of pulp obtained. It is recommended that for every kg of fruit pulp between 800 to 1000 grams of sugar is added.

### **8. Decanting**

Once the cooking end is reached, the jam is removed from the heat source, and a former is inserted to remove the foam formed on the surface of the jam. Immediately afterwards, the jam should be transferred to another container in order to avoid overcooking, which can cause darkening and crystallization of the jam. The transfer will allow the jam to be slightly cooled (up to a temperature not less than 85 C), which will favor the tap.

### **9. Packing**

It is hot at a temperature not less than 85 C. This temperature improves the fluidity of the product during filling and at the same time allows the formation of a suitable vacuum inside the container by the effect of contraction of the jam once it has cooled.

## 10. Cooling

The cooling is done with jets of cold water, which at the same time will allow us to perform the external cleaning of the containers of some jam residues that would have been impregnated.

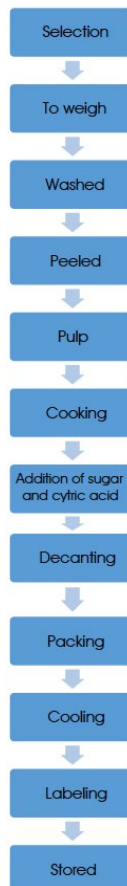
## 11. Labeling

Labelling is the final stage of the jam making process. All product information must be included on the label.

## 12. Stored

The product must be stored in a cool, clean and dry place; sufficient ventilation to ensure the preservation of the product up to the time of its placing on the market.

### 2.12 Production Process Diagram





### SECTION III. TARGET MARKET ANALYSIS

#### 3.1 Industry Analysis

South Korea is the thirteenth largest economy in the world and the fifth in the Asian region and more than 70% of its territory is mountainous, not suitable for commercial scale agriculture.

In addition, the long-term challenges for the current government are the rapid aging of its population, the inflexible labor market, the dominance of large conglomerates (chaebols) and the strong dependence on its exports, which represent about half of its GDP.

The official language is Korean and the commercial language is English, which is understood and spoken in business, as well as in administrative areas.



#### 3.2 Market Research Analysis and Statistics

JAM PRODUCTION IN South Korea (US\$ Millions)			
PROD./PER.	2006	2016	2017
PRODUCTION	80,000	70,000	75,000
IMPORTS	6	24	23.3
EXPORTS	13,000	23,000	6.54
CNA	67,000	47,024	75,016.76
TCA	-	-29.81%	<b>59.49%</b>

JAM PRODUCTION IN United States (US\$ Millions)			
PROD./PER.	2006	2016	2017
PRODUCTION	12,000	13,000	15,000
IMPORTS	104	262	30.4
EXPORTS	4.35	100	104
CNA	12,099.65	13162	14,926.4
TCA	--	8.7%	13.40%

JAM PRODUCTION IN Germany (US\$ Millions)			
PROD./PER.	2006	2016	2017
PRODUCTION	737.3	727.6	680
IMPORTS	128	251	361
EXPORTS	155.2	267.4	244
CNA	710.1	711.2	800
TCA	-	0.15	12.48

**3.3 Target Market Segmentation and its features.**

**DEMOGRAPHIC:**

Gender: Male and female

Age: 18-25 / 26-56 / + 56

Occupation: students, workers, cooks, homemakers etc.

Nationality: Koreans

Religion: Buddhism (43%), Christianity (34.5%)

Education level: High school, Junior High, university, master's degree etc.

Family cycle: singles Incomes: \$5,000 monthly

Socio-Economic Status: C & C+ (High middle class and Middle class.)

Social class	Name	Incomes per month (minimum)	Incomes per month (maximum)
A/B	Rich people	\$1,000,000	+
C+	High middle class	\$85,000	\$90000
C	Middle class	\$6000	\$46000
D+	Middle low class	\$45000	\$37000
D	Poor class	\$25000	\$2200
E	Extreme poverty	\$500	\$400

**PSYCHOPRAPHIC (VAL'S – Values and Life Styles):**

Personality: order and distinguish, respect, Dependents, workers, loners

LIFE STYLE CLASSIFICATON: The 4Cs (Cross Cultural Consumer Characterization)

Resigned:

Rigid, strict, authoritarian and chauvinist values, oriented to the past and to resigned roles. Brand choice stresses safety, familiarity and economy.

Struggler: Alienated, Struggler disorganized - with few resources apart from physical/mechanical skills (e.g. car repair). Heavy consumers of alcohol, junk food and lotteries trainers. Brand choice involves impact and sensation.

Mainstreamer: Domestic, conformist, conventional, sentimental, passive, habitual. Part of the mass, favoring big and well-known value for money 'family' brands. Almost invariably the largest 4Cs group.

Aspirer: Materialistic, acquisitive, affiliative, oriented to extrinsic ... image, appearance, charisma, persona and fashion. Attractive packaging more important than quality of contents. (Younger, clerical/sales type occupation).

Succeeded: Strong goal orientation, confidence, work ethic, organization ... support status quo, stability. Brand choice based on reward, prestige - the very best. Also attracted to 'caring' and protective brands ... stress relief. (Top management) difference, sensation, adventure, indulgence and instant effect – the first to try new brands. (Younger - student).

Reformer: Freedom from restriction, personal growth, social awareness, value for time, independent judgement, tolerance of complexity, anti-materialistic but intolerant of bad taste.

Curious and enquiring, support growth of new product categories. Select brands for intrinsic quality, favoring natural simplicity, small is beautiful. (Higher Education).

**VALUES**

Familiar, No familiar,

Affective, no affective,  
Nationalist, no nationalist

Environmentalist, no environmentalist are security, self-respect, being well respected, selffulfillment, sense of belonging, excitement, fun and enjoyment, warm relationships, and sense of accomplishment.

### **BEHAVIORAL:**

- Behavioral Segmentation Based on Usage Rates
  - heavy users
  - light users
  - non-users
- Behavioral Segmentation by Loyalty
  - High
  - Medium
  - Low
- Behavioral Segmentation by Occasion
  - Universal occasions
  - Regular personal occasions
  - Rare personal occasion
  - Favorite jam flavor is the mixed fruit mix

### **Target Market**

The population that is in the Korean country between 18-25, up to 56 years old among them are students, university students, workers, etc. These are still a high social group, which their country is very rich in producing and exporting products in it their income is very high, in terms of employment, 67% of people aged 15 to 64 in Korea have a job paid, small figure lower than the OECD average of 68%. About 76% of men have paid employment, compared to 57% of women. In Korea, the percentage of employees who have a very long work schedule is greater than the OECD average of 11%.

Their way of life of Koreans is that they are very active, they spend it on the move every day and even always using the cell phone, they are very educational people, organized in their jobs until things go well.

### **3.4 Reference Prices in Target Market.**

These jams are competing products for us as they are distributed in South Korea.

Yuja Applemango Jam





US \$ 1-4 per unit  
Tangerine Jam

Organic imported sugar



410 gr - 9900 won

Blueberry Jam

300 gr. - 8800 won



Cranberry and Banana Jam

Organics for Children

210 gr - 5.700 won

Product imported from Germany

### 3.5 Intermediaries Margins

The retail channels for food products that move the largest volume are the departments of Food for department stores, hypermarkets (discount stores), and supermarkets.

Sales Volume per channel	
Channel	% Food on total sales
Department store (Food Department)	15.1%
Hypermarkets	43.9%
Supermarkets	72.7%
Small business	47.7%

*Source: Distribution Industry Yearbook*

The main selling point of food products is the hypermarket.

The most important hypermarkets of the country are E-Mart (Shinsegae Group), which was also the first company to open a hypermarket in Korea, and Lotte Mart (Lotte Group).

- The opening of the distribution market for foreign companies took place in 1996. Today the Main foreign distribution chains are: Home Plus (TESCO), Carrefour, COSTCO Whole Sales and Wal-Mart.

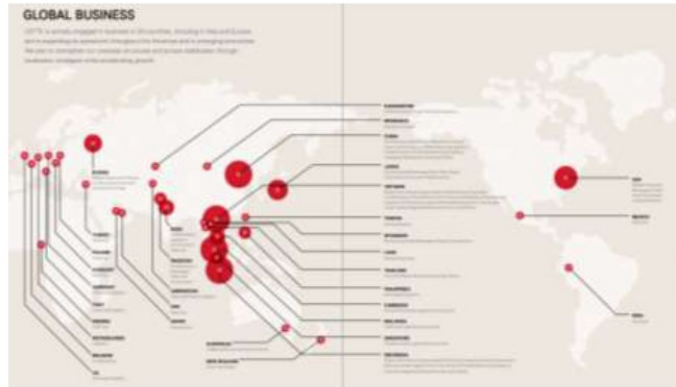
- For these establishments, direct import represents a minimum part of the total volume of their purchases, as they go to local importers and wholesalers to supply most of the products. Direct imports are generally made through its international purchasing network and, In most

cases, it involves importing your own brands.

### OUR INTERMEDIARY

Lotte (in Korean 롯데, in Japanese ロッテ) is a group of companies of Korean origin, founded in 1948 by businessman Shin Kyuk-ho. The conglomerate is made up of more than sixty companies and exports internationally, with a majority presence in South Korea.

The best-known branch of the group is food, as a manufacturer and distributor of sweets, drinks and fast food. However, Lotte also has a presence in businesses such as construction, electronics, information technology, publishing houses, hotels and the entertainment industry. Lotte's business is concentrated in South Korea and Japan, although it also maintains investments in the of Asia and Europe.



Lotte Supermarket has a specific tariff, the profit should be 30% per unit for the group.

The price of MER-MEX jam is 2 118.18 won per unit.

So, The 30% of jam is 635.45 won, that is the profit of Lotte Group per unit sold.

The sale price will be 2 753.63 won / \$49.72 MXN

### 3.6 Tariffs Restrictions to the Exports in Mexico

Korea's exports are not subject to restrictions.

"Export permits" and "export consent" are only needed for goods subject to international restrictions (weapons, nuclear energy, missiles, toxic waste, etc.). Exports to North Korea also require an official permit

No export taxes apply. Exports are exempt to South Korea.

### 3.7 Tariffs Restrictions to the Imports in Target Market.

The best option is South Korea because even when we do not have a Free Trade Agreement, it still being cheaper than the other countries. Also, we keep our sale prices in the ranking of our competitors, so, our intermediary still getting the profit tariff that they marked since the first.

Country	Ad valorem Tariff (per bill)	Specific Tariff	Price (per piece)	Importation Final value (12000 pieces in total)	Importation Final value (MXN)
South Korea	30%	No apply	2118.18 wones	25,418,160 wones	<b>\$ 459,270.43</b>
Germany	24%	23 euros / 100 kg	2 euros	24,000 euros	<b>\$ 588,307.39</b>
United States	7%	No apply	1.77US	21,240US	<b>\$ 468,890.11</b>

### 3.8 Non Tariffs Restrictions

Exist a process to export the products, below is shown the process and the documents that is needed for every step, one by one.

- First stop - Get ready

Before starting contact with the store make sure you have:

- Bar Code registered with GS1 Mexico
  - Verification of the printing of the Bar Code
  - Comply with the Official Mexican Standards (NOM)
  - A package that meets store specifications
  - Be registered in SHCP and issue invoices
- 
- Second stop - Contact the store and fill out the forms

Ready you have all the above, now you must contact the Commercial Chain and fill out the documents that are requested to participate in the selection process for suppliers.

Most of the large Commercial Chains have a section on their website with indications to be suppliers and, even, you can download applications and formats online.

- Third Stop - Send your documents

Once you send your full formats, your product goes into the evaluation phase through the Purchasing area of the store or supermarket, where it can be accepted or rejected.

- Final stop - Sign the contracts

Congratulations, your product has already been approved by the Purchasing area! Now you must deliver signed contracts and final documents that you request, example:

- Information confidentiality agreements
- Data for electronic transfer
- Constitutive Act
- Official ID
- Among others.

Required declarations


The import declaration must be made by the customs office corresponding to the place of storage of the goods. The process will be carried out using the EDI method specifying the name of the freighter owner, a customs agent and a customs broker company.

The declaration must be made on an import declaration form, recording the description of the merchandise, as well as the quantity, value and other required details. The form must be accompanied by the following documents:

- Import license (for goods that need it)
- Bill
- Declaration price
- Modern knowledge
- Accreditation of compliance with the requirements of article 226 of the Customs Law
- Detailed shipment relationship
- Certificate of origin
- Application for exemption / reduction of tariffs, preferential rates, etc.

Company Name	Product Image	Price	Features	Add Value
Mermeladas de México S de R. L.		2113.19 Wones	It's a organic strawberry jam with a capacity of 450 g	It's a organic product. Mexican Product
Trapiss Monastery		9,900 Wones	It's an organic mandarin jam with a capacity of 400 g  In a presentation of glass	It's a organic product



Artesanu		3242.65 won	Positioning attributes: Organic, to serve with savory dishes or sweet	Organic product.
QueensBerry		4463.51 won	100% Fruit: no added sugar 100% Natural: preservative free	Natural Product.

### 3.10 Entrance Strategy in Target Market

The strategies we will manage for the introduction of the “Mer-mex” product is through South Korean advertising agencies to publicize the quality of our jam.

Social videos in which a Korean group called K-Pop will participate.

A fair will be held that is one of the most recognized and have sponsors.

### 3.11 Labeling specifications in Target Market

Labeling: Imported food products are required to wear readable Korean labels to enter the market.

Stickers can be used, but should not be easily removable and should not cover the original label.

- Product name
- Type of product
- Importer’s name and address
- Manufacturing Time Storage Time
- Expiration Date “Best Before”
- Nutritional information (proteins, sugars, fats, calories, according to VDR)
- Additive content
- Allergen content
- Other items designated by detailed food labelling standards, such a public health warnings

New products on the market:

- Mandatory laboratory inspection.
- Subsequent shipments of the same product that have passed the first inspection will be eligible for a much simpler/shorter documentary/visual inspection (but may still be subject to laboratory testing randomly).

### 3.12 Promotion in Target Market

Promotion

- The promotion and advertising will be distinguished by:

VFAR is a video production company with headquarters in South Korea. They were founded in 2014. The team is composed of creative media entrepreneurs and passionate experts in the fields of TV Advertisement, Branded Contents, Viral Marketing, Music Videos, Online Video & Streaming production and more.

Service

Overseas shooting without any connections or contacts can be challenging. Finding location, equipment, authorization, casting, accounting for weather and hiring proper local-production and staff are all complications that can hinder your project and incur unnecessary expenses.

Video

€1000 – €1000000

Video production is its bread and butter. It is what they are experts in. From small commercial clips to large scale music video and TV productions; if you can think it, they can create it. The team is composed of video experts from various fields and every project that work on is tailored uniquely for the client.

KPOP VIDEO

K-pop is how people call to Korean pop. This industry has a important impact even out of South Korea. The idols are characters that have been passed for a huge period of training in where they learned how to sing, dance and act in front the cameras.

The idols count with a bigger number of fans that moves the market depending the promotion of the artist. For example, in 2019 the BTS member Jungkook announced that he prefers use "Downy" when he made the laundry and in 1 hour, the product was sold out in supermarkets, even in the Downy page. This show the impact that this artists have in the public, that is the reason why we are interesting in have a group promotion our jam.

"Tomorrow by together", also known as TXT, is a rookie kpop group. They are calling the "Monster rookies of 2019" because they debuted in that year and they has accumulated 12 awards given for important events in South Korea as Melon Music Awards or Seoul Music Awards.

They are 5 members: Choi Soobin, Choi Yeonjun, Choi Beomgyu, Huening Kai and Kang Taehyun.

They with only 12 months in the industry have a consoled fan base that are called "MOA" (Moments of Always).

Because the time that they have been in the kpop industry, they do not count with this kind the promotion and it is important for the group because appear in TV will make that them image came to more people and we, as a company, has the security of almost their fans, will consume our brand.

## SEOUL FOOD & HOTEL

SEOUL FOOD & HOTEL has no rivals in terms of history, size and quality of its participants, exhibitors and visitors.

This is the second edition of the union of two great fairs: Food & Hotel Korea and Seoul Food. Both with 25 years of experience and trajectory. Food & Hotel Korea began in 2003 in response to demand from the six largest food exporting countries for an international event exclusively for business in the rapidly growing food and hospitality market in Korea; and Seoul Food which began its editions in 1983 and has since established itself as the largest and most successful event for professionals and consumers in Korea.

Both organizers, KOTRA and All World Exhibitions, understood that joining efforts in a single show would favor the growth of the rich and dynamic market of the food and hospitality industries in Korea. The new organization team will carry out SEOUL FOOD & HOTEL, one of the big Asian events, with great success. The only UFI (Union of International Fairs) certified event in Korea.

The urbanization boom in Korea in the last two decades brought great changes for the whole society and increased the per capita income in the whole country. One of the sectors that has grown the most is meat, its demand does not cease and Korea is not prepared agriculturally to respond.

Chile has already signed and is in the process of signing the FTA with South Korea, which also has the highest average prices for meat in the world. Both pork and chicken from the European Union are priced 60% below the price of local products.

On a cultural level, many Koreans see pork as their main source of protein consumption. Both the local industry and the importers have the same level of interest in developing and increasing the meat trade in Korea and this goal is being pursued with great enthusiasm by USMEF, Meat & Livestock Australia, Meat & Wool New Zeland, Canada Beef Export Federation, Canada Pork Intl, APA ASPROCER (Chile), ABIPECS (Brazil), INAPORC, all exhibitors of Seoul Food & Hotel.

## SECTION IV COST ANALYSIS

### 4.1 Capital Requirement for the project

An investment of \$ 508117.16 is needed to carry out the project, including the advertising parts and costs to be able to register our brand in the South Korean market.

<b>Capital requirement for the project</b>		
<u>Administrative Expenses</u>		
Business Register	\$ 13,500.00	
Stationery goods	\$ 1,830.00	
Office Furnitures	\$ 13,328.00	
Administrative consumables	\$ 2,850.50	
Computer Purchases	<del>\$ 16,430.00</del>	\$ 47,938.50
<u>Exports Costs</u>		
Export Business Register	\$ 12,500.00	
Brand Register in Target Market	\$ 18,136.70	

Documentation in Mexico	\$ 16,700.00	
Documentation in Target Market	<del>\$ 42,150.00</del>	\$ 89,486.70
<u>Costs Production</u>		
Machinery	\$ 7,188.00	
Jars	\$ 4,500.00	
Labels	\$ 9,000.00	
Materials / ingredients / supplies (elijan 1)	<del>\$ 212,402.00</del>	\$ 233,090.00
<u>Fixed Costs</u>		
Rent	\$ 10,000.00	
Water	\$ 1,000.00	
Electricity	\$ 4,000.00	
Gas	\$ 800.00	
workers salaries	\$ 23,805.00	\$ 39,605.00

<u>Variable Costs</u>		
Water	\$ 72.00	
Electricity	\$ 84.06	
Gas	<u>\$ 232.00</u>	<u>\$ 388.06</u>
<u>Action Plan</u>		
Promotion	\$ 20,000.00	
Fairs Participation	\$ 53,200.00	
Social Media	<u>\$ 24,409.30</u>	\$ 97,609.30
<b>Total Investment</b>		<b>\$ 508,117.56</b>

4.2 Cash Flow of 1 years (monthly)

CASH FLOW YEAR 1													
Concepts / Periods	2020						2021						TOTALS
	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEM BER	OCTUB ER	NOVEM BER	DECEMB ER	JANUAR Y	FEBRUARY	
Initial Balance	\$ 508,117.6	\$ 191,623.0	-\$ 165,158.0	-\$ 185,993.0	-\$ 122,722.1	-\$ 54,809.5	-\$ 44,203.1	-\$ 7,729.9	\$ 41,688.6	\$ 76,880.6	\$ 157,106.3	\$ 155,453.3	
Incomes													
International Sales				\$ 345,987.7	\$ 345,562.6	\$ 340,895.2	\$ 310,568.0	\$ 322,149.0	\$ 352,627.8	\$ 342,860.7	\$ 320,657.0	\$ 319,207.0	\$ 2,999,715.1
Total Incomes			\$ 300,865.0	\$ 345,987.7	\$ 345,562.6	\$ 340,895.2	\$ 310,568.0	\$ 322,149.0	\$ 352,627.8	\$ 342,860.7	\$ 320,657.0	\$ 319,207.0	\$ 2,999,715.1
Outcomes													
Administrative Expenses	\$ 38,569.0		\$ 6,500.0	\$ 6,500.0	\$ 6,500.0	\$ 6,500.0	\$ 6,500.0	\$ 6,500.0	\$ 6,500.0	\$ 6,500.0	\$ 6,500.0	\$ 6,500.0	
Export Costs	\$ 15,635.0		\$ 15,635.0	\$ 15,635.0	\$ 15,635.0	\$ 15,635.0	\$ 15,635.0	\$ 15,635.0	\$ 15,635.0	\$ 15,635.0	\$ 15,635.0	\$ 15,635.0	
Costs Production	\$ 222,340.0	\$ 210,840.0	\$ 202,880.0	\$ 220,678.0	\$ 215,560.0	\$ 210,670.0	\$ 212,056.0	\$ 210,670.0	\$ 198,560.8	\$ 200,536.0	\$ 203,450.0	\$ 214,576.0	
Fixed Costs	\$ 39,605.0	\$ 39,605.0	\$ 39,605.0	\$ 39,605.0	\$ 39,605.0	\$ 39,605.0	\$ 39,605.0	\$ 39,605.0	\$ 39,605.0	\$ 39,605.0	\$ 39,605.0	\$ 39,605.0	
Variable Costs	\$ 345.6	\$ 332.0	\$ 300.0	\$ 298.8	\$ 350.0	\$ 298.8	\$ 298.8	\$ 320.5	\$ 355.0	\$ 359.0	\$ 340.0	\$ 378.0	
Action Plan		\$ 56,780.0	\$ 56,780.0			\$ 56,780.0			\$ 56,780.0		\$ 56,780.0		
Total outcomes	\$ 316,494.6	\$ 356,781.0	\$ 321,700.0	\$ 282,716.8	\$ 277,650.0	\$ 329,488.8	\$ 276,094.8	\$ 272,730.5	\$ 317,435.8	\$ 262,635.0	\$ 322,310.0	\$ 276,694.0	\$ 3,610,731.5
Efectivo al final del periodo	\$ 191,623.0	-\$ 165,158.0	-\$ 185,993.0	-\$ 122,722.1	-\$ 54,809.5	-\$ 44,203.1	-\$ 7,729.9	\$ 41,688.6	\$ 76,880.6	\$ 157,106.3	\$ 155,453.3	\$ 197,966.3	
RETORNO SOBRE LA INVERSIÓN													
				\$									
				197,966.									
UTILIDAD	x	100	=	3	x	100	=	39.0%					
INVERSIÓN				508,117.6									
According with the Return on Investment, we just have recover the 39% of the Social Capital, we are hopping the give the total amount back in a period of no more than 3 years													

4.3 Cash Flow projections of 5 years (annually)

4.4 Return on Investment (ROI)

Financial Projection for 5 years				
Cash Flow	Year 1	ROI =	39.0%	
Cash Flow	Year 2	ROI =	34.8%	
Cash Flow	Year 3	ROI =	32.6%	<b>106%</b>
Cash Flow	Year 4	Profits =	\$ 367,750.00	
Cash Flow	Year 5	Profits =	\$ 372,163.00	

According with these Cash Flow projection for the next 5 years, we estimate is possible to give the total Social Capital back in a period of 3 years, at the end of the third year and the following, we start having real profits. Profits that we are going to share with our Investors.

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