



UNIVERSIDADE CATÓLICA PORTUGUESA

ARTISANI ICE CREAM – a taste for growth

By September 2011, Artisani ice creams were being sold in four stores, all of them located around Lisbon. Luisa Lacerda Lampreia, the owner of these stores and creator of several of the ice cream flavors, graduated with a degree in Business Administration from the Catholic University of Portugal in 1997. Before the creation of Artisani she had worked as an auditor and held several commercial and financial positions. Lately, she held a position in one of her family businesses, involving ice cream production, as a complementary project of the core

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business. Her family owned a company called Fritz, a restaurant chain specialized in crepes and waffles. When Fritz closed she decided to focus on the ice cream production and founded the Artisani brand in 2009. Since then, the company has undergone a fast expansion and had been receiving several proposals to open more stores in many different locations.

With this rapid pace of growth, Artisani expected revenues of one million euros for 2011, and its owners had to make some crucial decisions regarding Artisani's future expansion. If the company wanted to continue opening more stores and thus gain more clients, Artisani's current production center would not be capable of responding to this increase in demand. Therefore, Artisani's owners would have to decide if they wanted to acquire a new production center with a greater capacity but requiring a huge investment. Furthermore, they also had to decide how Artisani was going to continue its expansion process: they could continue to open street stores, as they have done until 2011, or try other options such as opening kiosks in shopping centers or even franchising. Whatever they decided to pursue, they had to discern whether their current business model and organizational structure was going to work in the future or if it would have to be adapted to the company's new dimension.

1 COMPANY BACKGROUND

Artisani's first store opened in June 2009, in Doca de Santo, a renewed section of the city of Lisbon in the banks of the Tagus river.

Luisa discovered her vocation as an ice cream maker in one of her previous professional experiences, in Reste SA. This consulting company where she used to work shared its facilities with a restaurant company R&E – Exploração de Estabelecimentos, Esplanadas e Consultadoria Lda - through which Luisa was exposed to the ice cream production process on a daily basis. This experience had a direct impact on the creation and development of her own business, the Artisani brand. Therefore, when her family business, Fritz, closed, Luisa already had a plan: to create an artisanal ice cream brand. She wanted to continue producing ice cream, but now she desired to sell it as the core product of the business, not just as a complementary product as in the case of Fritz. Her first step in achieving this goal was the creation of a company - "Sabores do Dia" Gelado Artesanal Lda¹ - where she started producing and testing ice cream flavors.

¹ Sabores do Dia Gelado Artesanal Lda. was the legal name of the company, which later developed the Artisani brand.

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Since her previous family business also included the selling of ice cream, Luisa already had a production center to start producing and testing her ice creams. She invented dozens of innovative ice cream flavors and she walked from door to door, giving her new ice cream to taste to several restaurants and luxury hotels. Her ice cream started to have a great acceptance and she conquered her clients by the flavor and quality of her product.

This was the beginning of her activity for the foodservice providers sector, for which she worked exclusively for one year and she started selling her ice cream in dozens of well-known restaurants and hotels. She continued to improve her production technique and to invent several unusual flavors. Her clients were also attracted by the tailor-made format, which allowed them to create their own exclusive flavor. This first step with the ice cream production and the acquisition of clients in the foodservice providers sector served as trial period.

Through her commercial relationship with the well-known restaurant Doca de Santo, she was invited to open her first store there. Hence her first store opened in June 2009 in trendy Docas, a renovated section of Lisbon in the banks of the Tagus River and the Artisani brand was born. By renting this first space, Luisa ensured an excellent place to start selling her ice cream.

After the success of this first store, one year later Luisa decided to open two more stores: one in Carcavelos, a popular beach in the outskirts of the city of Lisbon, and another one in the Lisbon city center, near Jardim da Estrela, a public park in a traditional neighborhood. “We want to have our stores in exceptional locations where our clients can spend great moments while they are enjoying a high quality artisanal ice cream”, said Luisa. The Carcavelos store space was once again rented from a restaurant – Capricciosa - that belonged to the Doca de Santo group. Although these stores did not require huge investments due to the partnership with the Doca de Santo group, Luisa alone did not have enough credit to continue to grow. Exhibit 1 shows the values of investment in two different stores. Therefore, in 2010, she invited Diogo Saraiva e Sousa to be her partner in owning and running this company. Diogo had already been a partner in one of her family businesses and he was also interested in the ice cream business. Besides being her partner, Diogo assumed the role of business angel, also contributing to Artisani with his vast experience in the beverage distribution sector – he was the founder and president of Somagnum-Pernod Ricard Portugal.

In the beginning of 2011, Artisani opened its 4th store in Cascais, a trendy town by the sea, 25 kilometers from Lisbon, and intended to open a 5th one by the end of 2011. Meanwhile, the company had also increased its wide range of external clients, including restaurants, hotels,

catering companies, one gourmet store and other ice cream stores, which all share a special concern for product quality.

In 2011 Artisani had more than 80 clients throughout the whole country, including a successful and rapidly expanding Portuguese restaurant chain that had already started its internationalization process. This relationship provided Artisani with an opportunity to start selling its ice cream abroad. Artisani's single production center was going to be transferred to a new place until the beginning of next year. Its new location would be on the ground floor of the Artisani store in Alvares Cabral, near Jardim da Estrela. The current and new production centers would have roughly the same average production capacity of 600 kg of ice cream per day.

2 THE ICE CREAM INDUSTRY/MARKET

The global ice cream market had been growing exponentially and in 2010 the European market alone had generated total revenues of more than 17,5 billion euros, with a compound annual growth rate (CAGR) of 3,5% for the period between 2006 and 2010 (see exhibit 2). The European ice cream market reached a volume of more than 4,300 million liters and presented a CAGR of 2,4% between 2006 and 2010. (see exhibit 3). It was expected that this market's growth would accelerate with a CAGR of 3,9% for the five-year period of 2010-2015 and that such acceleration would drive its revenues to a total value of 21,1 billion euros until the end of 2015.

The ice cream market was divided into four main categories: impulse ice cream, take-home, artisanal and frozen yogurt. In exhibit 4 we can observe the market share of each one of these categories for the European ice cream market by 2010. The impulse segment was the largest one, immediately followed by take-home ice cream. The artisanal category occupied the third position with 29.6% of the market, though it had been constantly growing in those last years.

Portugal had a per capita consumption of ice cream of 3-4 liters, lower than the 6-7 liters in Europe and 16 liters in USA, leaving room for the Portuguese market to grow in the following years. In a new trend, manufacturers had been introducing more healthy ice cream lines into the Portuguese market. Regarding this specialty trend, Luisa said "The artisanal ice cream category is a recent phenomenon and it is far away from its mature phase". These artisanal ice creams were made in traditional ways and using natural ingredients, following the trend of the constant growth in demand for healthier products. Another trend of the Portuguese market

was the increase of the in-house ice cream consumption. With the current crisis, of the past few years, Portuguese consumers had preferred supermarkets, hypermarkets and discount suppliers when buying ice cream and had avoided more expensive ice cream that could be bought in other distribution channels².

Another interesting factor in the Portuguese ice cream market was weather. In southern Europe and Portugal the ice cream consumption was mainly impulse driven and increased enormously when the weather warmed up. In central and northern Europe the take home ice cream consumption was much higher and the weather factor did not have such a great impact on sales. The Unilever consumption director, Jorge Lopes, said that the fact that there was still a strong seasonality in the ice cream sales curve and the potential growth of the take-home ice cream category meant that the Portuguese ice cream market was not asleep and still had much to explore³.

3 PLAYERS IN THE PORTUGUESE ICE CREAM MARKET

At the time of the Artisani's inception, there were several national brands in the Portuguese ice cream market that had proven successful and had expanded their business, mainly through the opening of more stores. Foreign brands with a proven record in other markets also had begun investing in the Portuguese market with innovative and different concepts.

3.1 COMPETITION IN THE FOODSERVICE PROVIDERS SEGMENT

The competition in the foodservice providers segment was very intense and Artisani's competitors were mainly industrial ice cream producers (see exhibit 5 for Artisani's competitors in this sector and prices charged for 1 liter of ice cream).

In 2011 Carte D'or, from Unilever, and Nestlé were probably Artisani's biggest competitors in this sector. Several luxury hotels, restaurants and catering companies often opted to serve a medium quality ice cream like Carte D'Or or Nestlé. This happened due to several reasons: 1) the lower price compared with artisanal ice creams; 2) these brands had credibility since they were well-known and had been in the market for a long time; 3) these brands usually provided

² Source: <http://www.euromonitor.com/ice-cream-in-portugal/report>

³ Source: <http://www.hipersuper.pt/2007/06/29/marcas-apostam-no-consumo-domstico/>

post-sales material support and also offered ice cream exhibition vitrines that otherwise would have to be acquired by those foodservice providers at a high price. Häagen Dazs was also a strong competitor in this sector. This brand was present in some of the best hotels and restaurants in Portugal and also at special events. Häagen Dazs had an excellent reputation and a very reliable quality sold at a slightly higher price than the artisanal ice creams.

The two other artisanal companies that battled for the same clients as Artisani were Fragoletto and Ice Gourmet. Both brands had a philosophy of gourmet flavors and were considered high quality brands. However, they were not very active in the process of acquiring new clients especially because they had smaller business structures than Artisani.

Finally, there was also another kind of competition that was important to consider in regards to the foodservice providers selling ice cream: the ice cream production machines. Through increased access to this technology, several chefs were producing their own ice cream in their restaurants and did not need to purchase ice cream from larger producers.

3.2 COMPETITION IN THE ICE CREAM STORES SEGMENT

In Portugal there were at the time several traditional ice cream stores specialized in producing artisanal ice cream. The brands Santini, Nosolo, Fragoletto, Emanha and Veneziana were just some examples. Besides the artisanal ice creams stores there were also other competitors such as industrial brands like Olá and more recently the Spanish natural frozen yogurt brand Llalao. On exhibit 6 we can see the prices of Artisani's main competitors regarding the ice cream stores segment.

Santini existed since 1949 and from the time of its establishment in Portugal it had gone through several generations of the Santini's family. They opened the first store in Estoril but in 1960 they moved to Cascais. In 2009 the brand was managed by Eduardo Santini (grandson of the founder Attilio Santini) and in the same year, because of financial constraints, this company had to open its capital to new partners from Logoplaste management, a successful Portuguese packaging company. That partnership allowed Santini to expand the brand, by reopening their summer store in Estoril and subsequently opening a new store in Chiado, a traditional shopping area in the center of Lisbon. Santini's three street stores were all strategically located in areas with high pedestrian flow and its sales had been constantly increasing. Martim de Botton, Santini's brand administrator, said they would continue to open

more stores under the same criteria since their plans did not include opening stores in shopping centers.⁴

According to the Lonely Planet Guide, Fragoletto had “the tastiest gelato this side of Genoa”. Fragoletto is located in Lisbon downtown area and it produced authentic Italian ice cream, using fresh and seasonal fruits. Honey with ginger, chestnut, pear and muesli were some of the unusual ice cream flavors sold in this store. In 2007 this brand had created a soybean ice cream line thinking of vegans and lactose intolerant.

Besides these artisanal ice cream makers, Artisani also competed with industrial ice cream brands that had been growing a lot and opening stores and kiosks throughout the whole country (exhibit 7 shows the main differences between artisanal ice cream and industrial ice cream). Olá’s stores project was born in 2000, with the opening of its first store in Colombo shopping center, in Lisbon. In 2003, with already 9 spaces, Olá rebranded its image and store concept. Offering a portfolio of unique and exclusive products – such as Swirls, Scoops, Smoothies and Hot n’Cream – the Olá stores and kiosks allowed each client to choose the combination of flavors, toppings and fruits they preferred, meaning that each person “made” his/her own ice cream. Olá had a massive expansion, reaching 41 stores/kiosks in shopping centers from the north to the south of Portugal, and it was the leading brand in the impulse ice cream segment. The brand sells its ice cream through its stores and also through several thousand independent points of sale. As so, clients can buy an Olá ice cream through several different channels. Regarding the take-home ice cream category, Pingo Doce, Auchan and Continente were also considered competitors with their private label ice creams.

Nevertheless, Santini was probably considered Artisani’s main competitor. According to Luisa, Artisani was actually proud when compared to this brand because it had been in the market for more than half a century.

4 PRODUCT, PRICE, PROMOTION AND PLACE

4.1 PRODUCT

Since its creation the Artisani brand has been constantly innovating and creating new ice cream flavors and formats (see exhibit 8). The brand attempts to convey the idea that its ice

⁴ Source: Marketeer Magazine nº 182, September 2011

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cream allies the artisanal and traditional quality to the Italian method of producing ice cream. Artisani is specialized in the production and sale of Italian artisanal ice creams and sorbets, produced according to a rigorous production method that is enabled by specific precision instruments. It established partnerships with the best Portuguese brands of milk and water in order to produce its ice cream: it is made with Vigor milk and fresh cream, resulting in creamy and velvety consistency and a soft long-lasting flavor. The Artisani sorbet is made with Luso water and natural juices or spirituous drinks like caipirinha. As the sorbets do not have fat addition, they have fewer calories and they are fresher and have more intense flavors than the ice cream.

The best ingredients such as daily milk, fresh cream and fresh fruit are used in order to produce the best quality ice cream. Artisani utilizes the specific fruits of each season to make special edition flavors and it prefers to use local and nationally grown fruits. To date, they have created more than 100 flavors and at any time they usually have around 24 flavors available in their stores. The more conventional flavors like strawberry or chocolate are permanently available and the more innovative gourmet flavors like lemon with basil or ginger are offered in rotation. Moreover, the flavors available in each store are not exactly the same because the consumers that go to each of the stores have usually different preferences regarding ice cream flavors.

Regarding new formats, Artisani had also been constantly innovating, creating new products but always keeping the ice cream as the core product. Other products include ice cream cupcakes, ice cream lollipops, ice cream with waffles and ice cream milkshakes. Artisani is also sensitive to health problems like food restrictions. Clients can check the exact ingredients of each flavor on the company's website and also in the menu available in each store (see exhibit 9). Symbols indicate whether each flavor contains saccharose, lactose, egg yolk, gluten or fat. "This is one of the major differences regarding Artisani and its main competitors" said Diogo "having this information constantly available in our stores is extremely useful at the moment one consumer wants to choose his ice cream, especially if he is intolerant to some kind of ingredient".

4.2 PRICE

The prices charged by Artisani are considered to be at the same level than the prices of its competitors in the same ice cream category. The prices are the same in its four stores and they have slightly increased since the opening of the first store in 2009. Luisa explained, "Our prices

are actually quite accessible if we take into account that nowadays a regular industrial ice cream is around 2 euros". Exhibit 10 shows Artiani's prices in its stores. Luisa argued that Artisani is not an exclusive brand: "Artisani is for everybody!"

With the major crisis that Portugal was facing in 2011, Artisani's owners feared that this could also affect ice cream consumption and reduce the number of clients: "with the current crisis our clients continue to come to our stores but we noticed slight changes in their consumption habits" remarked Luisa. "For example some clients that used to order larger portions of ice cream now usually ask for just one portion". Artisani has also created a smaller and cheaper portion of ice cream (a mini-scoop) particularly intended for children.

4.3 PROMOTION

The brand was mainly promoted through the word-of-mouth effect that it has sparked since it opened its first store. "I think we, the Artisani brand, beat our competitors mainly through the excellent location of our stores and through the brand image that we have created: light, fresh and innovative", claimed Luisa. The brand's communication and promotion is controlled by a communication agency and by Artisani itself. Every time a new store is opened, a launching event is organized, flyers are distributed in the surrounding areas and radio campaigns are run on Marginal, a radio station that covers the entire zone between the store located in Docas and the store in Cascais. The Artisani brand is also promoted through its regular features in magazines like Time Out.

Artisani also organizes several different actions and events on special days like Children's Day, Father's Day, Valentine's Day, and Christmas Day when it usually creates and offers special ice creams. It created, for example, the "king cake"⁵ ice cream to sell during the Christmas season. More recently, in 2011, Artisani launched its new website, designed by a digital marketing agency specialized in communication and advertising. This new website has information about Artisani's products and its stores but the brand communicates more often with its clients through its page on Facebook, where it regularly publishes posts about new flavors and products. In 2011, it made its own client card and it had enrolled more than 3.400 cards so far. These cards will allow the company to create a clients' database for future endeavors, by

⁵ A traditional Portuguese cake eaten during Christmas season

giving Artisani the opportunity to communicate directly with them. Those clients will also have access to an immediate 10% discount every time they purchase an Artisani product.

Luisa emphasized the importance of all these promotions but she insisted that tasting was more crucial: “the main promotion action that we use on a daily basis is the ice cream tasting in our stores. We instilled in all our staff members the need to give our customers the opportunity to try our ice creams. What if one client wants to try all the available flavors in the store? He can surely do it! We know that he will be back!”

4.4 PLACE

Fulfilling the assertion that “we are responsible for a great part of our distribution operations”, Artisani owns two vans for daily deliveries to its four stores and to all the clients in the foodservice providers sector located in the Lisbon area. The remaining clients, located outside of the Lisbon area, are supplied by an external transportation company that Artisani hired for this purpose. The ice cream mixtures are all made in the production center with an expiration date assigned to them. Those mixtures are subsequently delivered to the stores and each store is responsible for the ice cream final production stages. They need to mix the ice cream within the assigned expiration date, meaning five days for ice cream and three days for the sorbet. See exhibit 12 for the ice cream production process. For the clients in foodservice providers sector, Artisani produces the liquid mixtures and then it also finalizes those mixtures in the production center. In this case, the ice creams delivered to the restaurants and hotels are ready to be sold to the ultimate consumer. For the majority of Artisani’s clients in this sector, the ice cream is sold to the final consumer under another brand name. However, there are some exceptions. The company considers selling its ice cream under the Artisani brand name in some strategic clients that have a renowned capacity to finalize the artisanal ice cream production process in their own premises.

All Artisani stores are strategically located. The store located in the city center is on a central street, with steady pedestrian traffic and is located near several schools, one public garden and a major metro station. Its three seasonal stores are attached to a host restaurant, and all have an excellent exterior space next to the river or to the sea and with a pleasant terrace. Exhibit 11 shows the interior and exterior space of Artisani’s four stores. The city store is open during the whole year and the other three stores are considered seasonal stores since the Carcavelos and Docas stores close for four months and the Cascais store for around two months a year. All

the stores are also considered a production unit since the production process is concluded in each store on a daily basis.

Artisani sells take-home ice cream in its stores and it has an agreement with another company that has a home-delivery service. The company also sells and distributes its ice creams for special events like weddings, birthday parties, corporate events, etc. The orders for these type of events have been constantly growing and Artisani makes an effort to respond to all of them. “We produce and deliver ice cream for several different kinds of events” said Luisa “The client just has to choose the flavors, formats and the containers they want and we do it”.

“Sales in our stores have been constantly increasing but we also enjoy an enormous growth of our sales for the foodservice providers sector”, said Diogo. By the end of 2011 Artisani’s sales to this sector were expected to represent around 30% of their total sales (see exhibit 13). “I was recently analyzing the list of all our clients and I actually noticed that we already deliver our ice creams to 140 places⁶” noted Luisa “And this is not counting a restaurant chain where we deliver the products centrally and they distribute them later to each one of their restaurants”. The Artisani’s current clients mix is presented on exhibit 14.

More recently, Artisani has invested in acquiring old ice cream carts (see exhibit 15). These ice cream carts are located in strategic popular locations or on restaurant terraces. In 2011 the brand also opened ice cream corners in privileged locations like the cafeteria of Pavilhão do Conhecimento, a popular science museum in the Lisbon Expo zone. Artisani sells its ice cream in these spaces by paying a certain amount previously agreed with the owner of the space.

5 HUMAN RESOURCES

Between 2009 and 2010 Artisani has created 27 temporary jobs and 13 fixed full-time jobs. Regarding these positions Diogo explained, “Several temporary jobs are occupied by immigrants such as Brazilians, Cape Verdeans and Russians”. “Usually it is not very easy to find Portuguese employees for this kind of job”. In 2011 the company was able to create 18 more temporary jobs and 6 full-time fixed jobs. This increase in the number of workers was mainly

⁶ Artisani has around 80 clients in the foodservice providers sector but usually it delivers its ice creams in each one of the restaurants that belong to the same restaurant chain, totalizing 140 delivery places. There is only one exception where the Artisani ice cream is delivered centrally.

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due to the opening of the Artisani store in Cascais and also due to the constant growth in the number of orders from clients.

Regarding the stores staff, Artisani usually has 26 employees during the summer and 11 employees during the winter. This seasonal difference is mainly due to the fact that Artisani closed two of its stores during the winter period. Concerning distribution, Artisani has one person working in this area during the winter period and 2 employees during the summer.

Each store has a manager responsible for supervising its operations. In order to ensure that they hire the best employees, Artisani is assisted by a company specialized in consultancy and human resources. Artisani selects its employees through a recruitment process that includes several different phases. In the first phase the human resources company selects some candidates and these are then interviewed by Luisa in Artisani. The candidates have to meet some requirements such as pleasant presentation, proactive personality, good communication skills and emotional stability. The second phase is an interview with the manager of the store who then selects the best candidates. Finally the ones that were selected attend a training week in the store with the manager and if they do not demonstrate the required skills and traits, they will certainly not be hired. This training week intends to instruct the new employees about necessary themes such as hygiene practices, products recipes and the operational rules of the store.

The company also hired a quality engineer that supervises the four stores. This quality engineer started working in Artisani in 2009 after working as a brandy taster in Pernod Ricard for more than 6 years. As the Artisani products are all handmade and seasonal, they are subject to large variations such as the fruit flavors throughout the year. Therefore, it became indispensable to hire a person to taste all the Artisani products regularly. Every week, she visits the four stores, tasting around 60 different flavors. She analyzes the color, texture and creaminess and checks if each ice cream has the common taste that the client is used to. To a certain extent, she is considered an auditor because she evaluates several aspects of each store every time she visits it, giving it a final percentile grade like 60% or 90%. The manager that is responsible for each store receives feedback about his or her store on that specific evaluation. The goal is to improve or change the aspects that received a bad score, so that when the quality engineer visits that store again and checks all of the subjects of the previous audit, she will be able to give a positive evaluation.

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The secret of the Artisani ice cream is mainly in the hands of two women who had been producing it for several years. Although there are usually more people working in the production center, these two women are the ones responsible for the production area. The Artisani recipes are a well-kept secret but there are some ingredients that never change: the Belgian chocolate, Vigor milk, Luso water and the national fruits. Artisani has also hired a person who is exclusively responsible for inventing and testing new ice cream flavors and formats throughout the whole year. While many flavors start out as clients' suggestions, someone needs to actually invent the recipes and make them perfect for sell in the Artisani stores. Other flavors were created in partnership with renowned chefs, many of whom had innovative ideas to create new flavors of ice cream for their restaurants but did not know how to make them and thus looked for Artisani's help to create those recipes.

In addition to all of the ice cream producers, customer service in the stores and distribution staff, there are also other employees that are responsible for Artisani's success. The Artisani office is located near the Alvares Cabral store and employs five people, including Luisa and Diogo. Three people are in charge of administrative tasks like support activities to the production center and contact with clients. Luisa and Diogo are both responsible for the commercial area but somehow they have different tasks: usually Diogo seeks out new clients and Luisa then formalizes agreements and specific arrangements with them.

6 OPERATIONAL CHALLENGES

According to Artisani's management, the ice cream business requires significant infrastructural and operational development. For example, one of the first requirements that Artisani had to fulfill was the computerization of the whole production center. This process is already concluded but it took much time, hard work, and investment. Another operational challenge that Artisani is now facing is the implementation of a connection between all their stores and the back office system in order to have a greater control over the whole business. Artisani wants to implement bilateral software that allows for access to the back office's central system from a computer located in one of the stores and the introduction of data such as purchase invoices. Luisa explained the significance and costliness of this change, noting "this step will be extremely important since there are purchases that are done centrally but there are also other things that are ordered and bought independently by each store, according to their needs". "However, the budget presented to us in order to implement this is extremely expensive so we are still looking for other solutions."

Another of the major operational problems was the initial phase of organizational logistics in the stores: “We deliver the fresh ice cream in our stores and it has to be finalized in a few days. We also want the ice cream to be mixed on a daily basis in order to have the adequate texture. This daily logistic process in all the stores was extremely complicated in the beginning of our business”, claimed Luisa. In order to guarantee the high quality of the Artisani products the company also had to study and determine the adequate expiration dates of the ice cream mixes when delivered into the stores and the expiration date of the ice cream when completely finalized and ready to be sold. To ensure the high quality of their products and service, Luisa and Diogo are constantly visiting the four stores, and they realized that such monitoring will be impossible if they continue to open new stores: “by now we have four stores and it is feasible to guarantee that everything goes well but when we have ten stores it will be physically impossible that the two of us have always everything under control”.

7 PROJECTING FURTHER GROWTH

The Artisani brand has been growing at a fast pace and Luisa and Diogo are now discussing the main goals for the future expansion of their company, the greatest of which is to become the leader in the artisanal ice cream segment.

The new production center that is going to be located in the ground floor of the Artisani store in Alvares Cabral will have a capacity to produce roughly the same quantities of ice cream as the previous factory. The first step is to set up all the equipment and put the new production center working at 100%. One of the main concerns is the fact that the new plant location can somehow interfere with the daily operations of that store - the owners are not sure if this can have some negative impact on that store. “It is not easy to park the car at that location. The logistic process around the production center can somehow have an impact on the regular operations of that store” claimed Diogo. “We hope the operations related with the production center will not affect our service and will not bother our customers”.

That factory is considered a good solution for now but as the company is constantly receiving new orders from new clients, Artisani has been rapidly increasing the quantity of ice cream it sells. This quantity has been increasing at a fast pace and if Artisani wants to continue to expand its brand, within one or two years it will have to find a new place to produce its ice cream. Diogo emphasized the economic difficulty they would face, saying, “in order to move our production center to a bigger place we will have to invest a huge amount of money and

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with this deep crisis that our country is facing now it will be difficult to get that money". This is one of the present dilemmas regarding the company's future.

The Artisani owners have been receiving proposals to open stores in several different places in Portugal such as Oporto, Algarve and Madeira and they even received a request from Angola. In the long run, they also think about the brand's internationalization but for now the first step is to consolidate the four stores they currently own and to expand internally. They have also been receiving proposals to open kiosks in shopping centers, which could help improve their sales throughout the year. 70% of Artisani's sales are made during the period between April and September. Since shopping centers are places where Portuguese people spend a lot of time, Luisa and Diogo wonder whether this could be a good strategy to combat the seasonality of ice cream. However they fear that opening kiosks in shopping centers could somehow damage the brand's image. Artisani's products are bought by a specific target of the market and, by opening kiosks, it could become a mass market brand and its status could change in the consumers' minds.

Regarding the Artisani business model, Luisa said that it was "made to allow the Artisani brand to grow but in order to do this we will need to have a greater production capacity in the future". All the clients in the foodservice providers sector are extremely important since this is the channel that sells more during the winter period so it is also important to continue acquiring new clients from this sector.

Franchising is also a possibility for the future expansion of this brand. "Our entire model was developed thinking of the possibility of franchising in the future", argued Luisa.

Production is centralized. The liquid mixes are produced in the production center and can be distributed to several different places.

Luisa and Diogo want to expand their brand while maintaining the high quality of the products. That is one of the core issues at stake in franchising. "If we choose to initiate our activity in the franchising channel we cannot obviously sell our ice cream completely finalized to those stores because then our product will certainly lose quality" believed Luisa "We have to sell our liquid mixtures and they will be finalized in each one of the stores."

Thus one can clearly see how Artisani, in its continued expansion, is faced with many opportunities but also with possible impediments and conflicting interests.

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As the new year begins, Artisani's owners have to make some crucial decisions regarding its future as they attempt to balance their priorities of artisan quality with an ever-increasing scale of production that could affect several aspects of their company including the location of the production site, the size of the staff and administration and so on.

The expansion process of the Artisani brand can now continue through several different paths and channels.

8 EXHIBITS

Exhibit 1 – Investment Values

Doca de Santo store

| | |
|--|-------------------|
| Entry Fee | 20.000,00€ |
| New Equipment | 32.583,56€ |
| Electrical appliances + Kitchen Utensils | 5.000,00€ |
| Workmanships | 8.500,00€ |
| Architect | 1.650,00€ |
| Winrest | 2.000,00€ |
| Design+Communication | 6.000,00€ |
| Total | 75.733,56€ |

Source: Sabores do Dia Gelado Artesanal Lda.

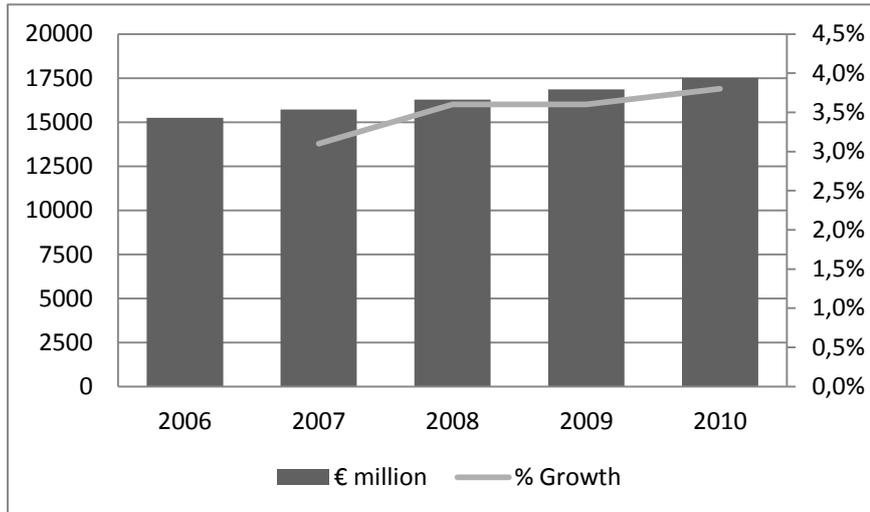
Álvares Cabral store

| | |
|----------------------|--------------------|
| New Equipment | 70.798,26€ |
| Used Equipment | 20.010,00€ |
| Back Office IT | 4.000,00€ |
| Winrest | 2.000,00€ |
| Design+Communication | 6.000,00€ |
| Architects | 8.150,00€ |
| Licensing Costs | 2.000,00€ |
| Workmanships | 100.000,00€ |
| Others | 2.400,00€ |
| Total | 215.358,26€ |

Source: Sabores do Dia Gelado Artesanal Lda.

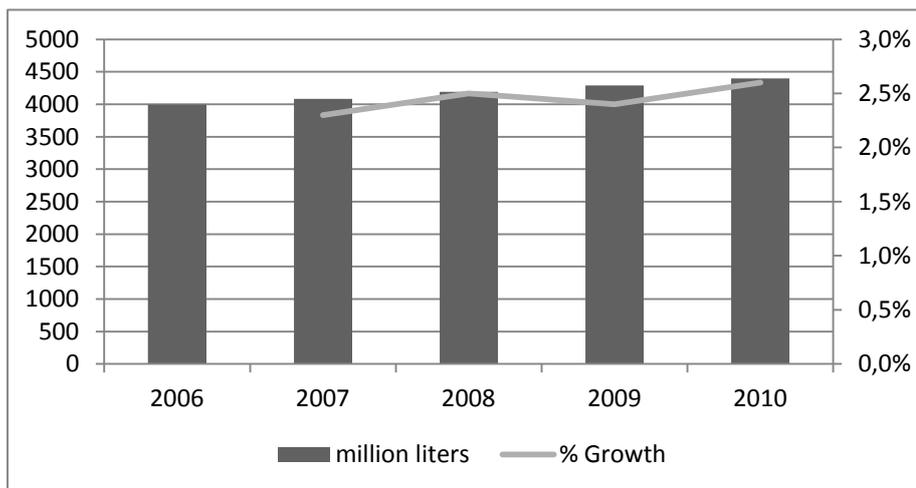
Artisani ice cream, a taste for growth

Exhibit 2 – Europe ice cream market value: €million, 2006-2010



Source: Datamonitor

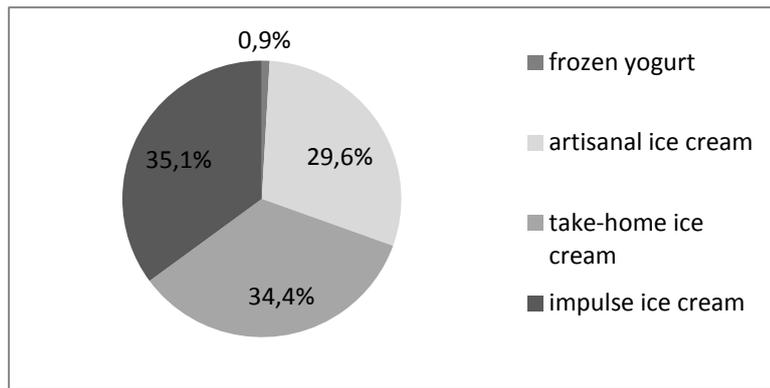
Exhibit 3 – Europe ice cream market volume: million liters, 2006-2010



Source: Datamonitor

Artisani ice cream, a taste for growth

Exhibit 4 – Europe ice cream segmentation: % share, by value, 2010



Source: Datamonitor

Exhibit 5 – Table with competitors prices, wholesale (2009) – Foodservice Providers

| Brand | Unit | Price Lt |
|-------------|------|----------|
| Häagen Dazs | Lt | 5.98€ |
| Carte D'Or | Lt | 4.46€ |
| Olá | Lt | 2.54€ |
| Nestlé | Lt | 4.60€ |
| Fragoleto | Lt | 5.65€ |
| Artisani | Lt | 5.31€ |
| Ice Gourmet | Lt | 5.79€ |

Exhibit 6 – Table with competitors’ prices in stores (2011) – Direct Sales

| Brand | Nº of stores/ Kiosks | Price | Price | Price 500ml | Price 1000ml |
|---------------|-------------------------|----------|---------|-------------|--------------|
| | | 1Scoop | 2Scoops | Take away | Take away |
| Häagen Dazs | 12 | 2.75€ | 4.45€ | Na | Na |
| Santini | 3 | 2.50€ | 4.30€ | 11.00€ | 21.00€ |
| Artisani | 4 | 2.50€(a) | 4.10€ | 11.00€ | 20.00€ |
| Nosolo Itália | 8(b) | 1.90€ | 3.40€ | 7.50€ | 10.80€ |
| Fragoleto | 1 | 2.00€ | 3.00€ | 7.00€ | 12.00€ |
| Emanha | 3(c) | 1.85€ | 2.95€ | 8.90€ | 16.00€ |
| Conchanata | 1 | 1.50€ | 2.50€ | 10.00€ | Na |
| Surf | 1 | 1.50€ | 2.30€ | 7.00€ | 11.00€ |
| Veneziana | 1 | 2.00€ | 3.00€ | 7.00€ | 14.00€ |
| Olá | 41(d) | 1.50€ | 2.65€ | 4.00€ | 7.00€ |
| Llallao | 3(e) | Na | Na | 5.00€ | 8.00€ |

(a) Artisani – they also have a smaller portion “mini-scoop” at 1.60€

(b) Nosolo – strong presence in Algarve area with 6 stores

(c) Emanha – 2 stores located in Figueira da Foz and 1 store in Lisbon

(d) Olá ice creams: Swirls, Scoops, Smoothies, Hot n’Cream, Sundae

(e) Llallao prices are per cup: small 2.50€, medium 3.00€ and large 3.50€

Exhibit 7 – Industrial vs. Artisanal Ice Cream

There are four main differences between an artisanal ice cream and an industrial ice cream:

| | |
|---|---|
| 1 | <p>Small Quantities</p> <p>Think about industrial ice cream, the several ice cream packs that you find available in supermarkets are produced in a large scale and frozen for a long time. The true artisanal ice cream is made on a daily basis and produced in much smaller quantities. If frozen for a long time it loses its flavor and texture that distinguishes it from the industrial ice cream.</p> |
| 2 | <p>Little or no entrained air in the ice cream</p> <p>The air increases the volume – overrun – of any frozen dessert, a fact that manufacturers can take fully advantage of. A better quality industrial ice cream may have an overrun of up to 50%. On the other hand, the artisanal ice cream must contain less than 20% or 10% air. Less air results in a denser and creamier texture than industrial ice cream, despite the lower fat content.</p> |
| 3 | <p>The ingredients freshness</p> <p>The artisanal ice cream is rich in fruits and milk and is made with fresh and natural ingredients. The diversity of flavors and nutrients is one of the strengths of this type of ice cream. The industrial ice cream generally has more fat and its taste does not match the true taste of the ingredients because it uses additives and flavor enhancers.</p> |
| 4 | <p>The artisanal sorbets are authentic natural fruit juices</p> <p>In the best artisanal ice cream shops you can find homemade sorbets, natural fruit juices ice cream with no fat and that must be consumed in a short time period. In industrial sorbets, the fruit flavor is obtained by using dyes and their longevity is achieved through the use of preservative food additives.</p> |

Source: Sabores do Dia Gelado Artesanal Lda.

Exhibit 8 – Artisani’s Products



Artisani Ice Cream



Artisani Sorbet



Skimos – fresh fruit and water



Pinguins – ice cream and chocolate covers



Ice Cream Bowls



Waffles with Ice Cream



Crepes with Ice Cream



Ice Cream Milkshakes



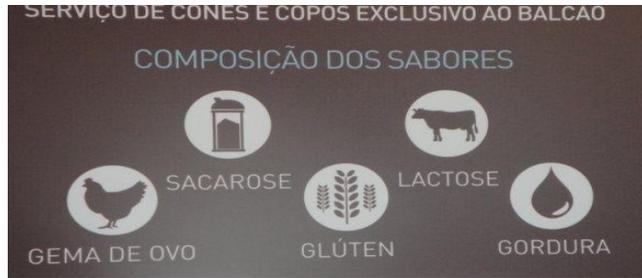
Ice Cream Cakes



Ice Cream Lollipops

Source: Artisani Official Website

Exhibit 9 – Ice Creams and Sorbets Components – Food Intolerance



Symbols Meanings

Source: Sabores do Dia Gelado Artesanal Lda.

Exhibit 10 – Artisani’s Prices 2011

| Cones / Cups | Price |
|---|---------|
| Mini-Scoop (for children) - with 1 flavor | 1,60 € |
| 1 Scoop - with 1 or 2 flavors | 2,50 € |
| 2 Scoops - with 2 or 3 flavors | 4,10 € |
| 3 Scoops - with 3 or 4 flavors | 5,30 € |
| Take-Away | |
| Ice cream package 0,5 Lt | 11,00 € |
| Ice cream package 1 Lt | 20,00 € |
| Ice cream package 1,5 Lt | 28,00 € |

Source: Sabores do Dia Gelado Artesanal Lda.

Exhibit 11 – Artisani's Stores



Artisani Cascais



Artisani Carcavelos



Artisani Doca de Santo (Lisbon)



Artisani Alvares Cabral (Lisbon)



Exhibit 12 – Ice cream production process

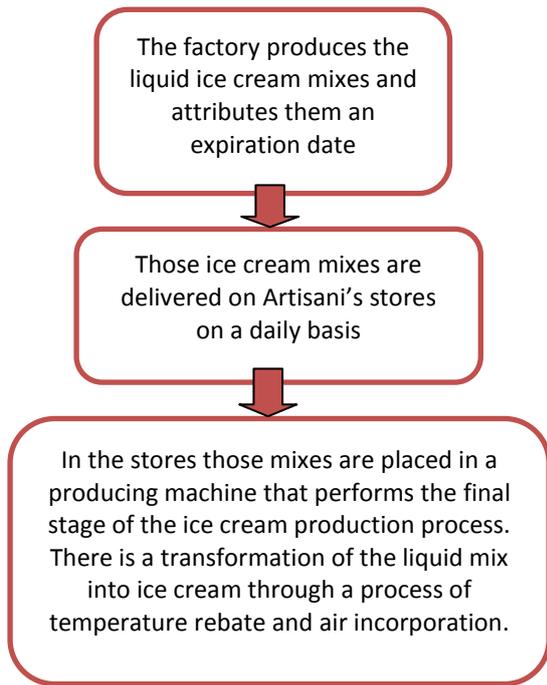
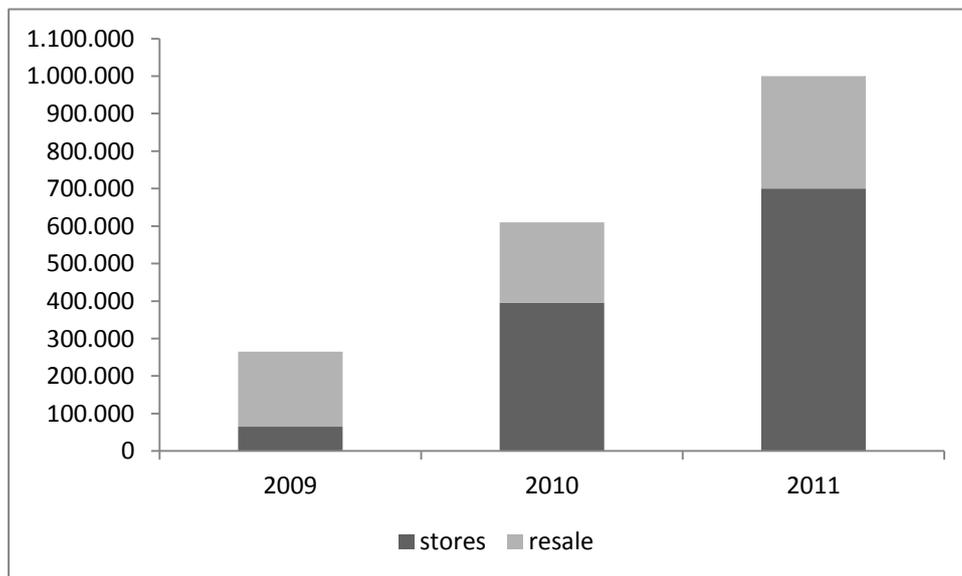


Exhibit 13 – Annual turnover evolution

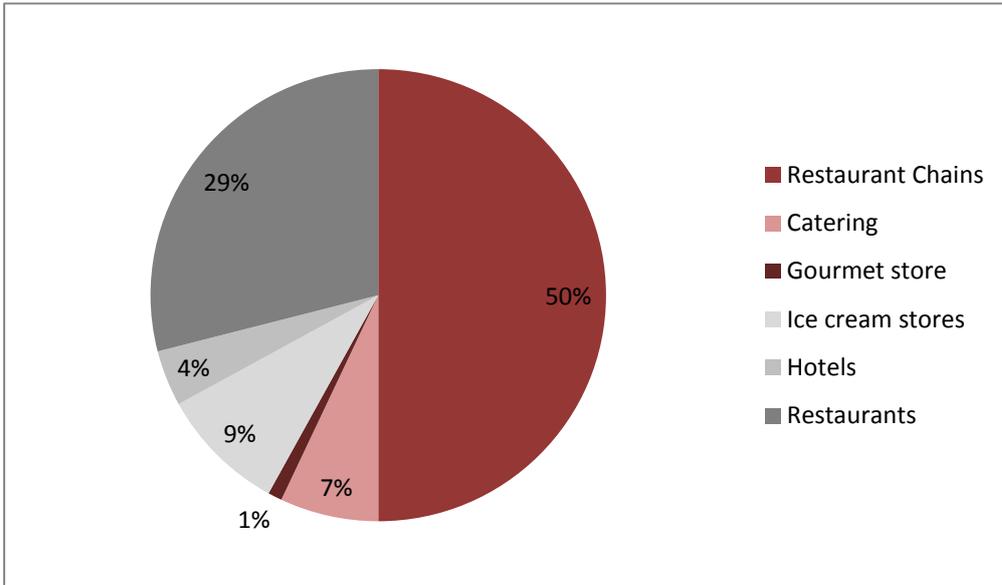
Values in Euros



Source: Sabores do Dia Gelado Artesanal Lda.

Artisani ice cream, a taste for growth

Exhibit 14 – Artisani’s Clients Mix



Source: Sabores do Dia Gelado Artesanal Lda.

Exhibit 15 – Artisani ice cream carts



Source: Artisani Facebook