

# **GRADO:** DOBLE GRADO EN ADE + DERECHO

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## **A STRATEGIC GROWTH PLAN FOR A LONG ESTABLISHED TRADITIONAL BUSINESS: HERBORISTERÍA LEIZURI**

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*“It is not the strongest of the species that survive, not the most intelligent, but the one most responsive to change.” - Charles Darwin*

*“The art of healing comes from nature, not from the physician. Therefore, the physician must start from nature, with an open mind.” - Paracelsus*

## **ABSTRACT:**

In today's digitally driven world small and traditional businesses are facing a significant challenge, namely how to stay competitive without incurring significant financial burdens. This project directly addresses this challenge by providing a comprehensive strategic growth plan for long-established businesses that effectively utilizes accessible resources.

Through a real-world case study of a small shop in Bilbao with over four decades of experience, the project offers a practical and actionable guide for small businesses to maximize their online presence, enhance customer engagement, and achieve sustainable growth. By implementing a tailored strategic growth plan that leverages accessible resources, businesses can maximize cost-effectiveness while achieving transformative potential. The presented case study serves as a compelling demonstration of how legacy businesses can successfully embrace the digital scene without jeopardizing their financial well-being. The project's findings and insights hold significant value for long-established small businesses seeking to navigate the digital landscape effectively, positioning themselves for long-term success and maintaining a competitive edge.

**Keywords:** SMEs, digitalization, customer engagement, business growth, innovation.

## **RESUMEN:**

En el mundo digital actual, las pequeñas y tradicionales empresas se enfrentan a un desafío significativo: cómo mantenerse competitivas sin incurrir en importantes cargas financieras. Este proyecto aborda directamente este desafío al proporcionar un plan estratégico de crecimiento integral para empresas establecidas que utiliza de manera efectiva recursos accesibles.

A través de un estudio de caso real de una pequeña tienda en Bilbao con más de cuatro décadas de experiencia, el proyecto ofrece una guía práctica y accionable para que las pequeñas empresas maximicen su presencia en línea, mejoren la interacción con los clientes y logren un crecimiento sostenible. Al implementar un plan estratégico de crecimiento adaptado que aprovecha los recursos accesibles, las empresas pueden maximizar su rentabilidad al tiempo que logran un potencial transformador. El estudio de caso presentado sirve como una demostración efectiva de cómo las empresas tradicionales pueden adoptar con éxito el panorama digital sin poner en peligro su bienestar financiero. Los hallazgos y las conclusiones del proyecto tienen un valor significativo para las pequeñas empresas

establecidas que buscan navegar por el panorama digital de manera efectiva, posicionándose para el éxito a largo plazo y manteniendo una ventaja competitiva.

**Palabras clave:** PYMES, digitalización, fidelización del cliente, crecimiento empresarial, innovación.

### **LABURPENA:**

Gaur egungo mundu digitalean, enpresa txiki eta tradizionalek erronka esanguratsu bati egin behar diote aurre, hau da nola eutsi lehiakor izateari gehiegizko finantza-zamarik izan gabe. Proiektu honek zuzenean heltzen dio erronka horri, hazkunde integraleko plan estrategiko bat eskaintzen baitu ezarritako enpresentzat, baliabide eskuragarriak eraginkortasunez erabiltzen dituen.

Lau hamarkada baino gehiagoko esperientzia duen Bilboko denda txiki baten kasu errearen azterketa baten bidez, proiektuak gida praktikoa eta eragingarria eskaintzen du, enpresa txikiak online presentzia maximizatu, bezeroekiko elkarreragina hobetu eta hazkunde iraunkorra lor dezaten. Baliabide eskuragarriak aprobetxatzen dituen hazkunde egokituko plan estrategiko bat ezartzean, enpresek errentagarritasuna maximiza, eta, aldi berean, ahalmen eraldatzailea lor dezakete. Aurkeztutako kasu-azterketak erakusten du enpresa tradizionalek nola har dezaketen arrakastaz panorama digitala beren finantza-ongizatea arriskuan jarri gabe. Proiektuaren aurkikuntzek eta ondorioek balio esanguratsua dute panorama digitalean modu eraginkorrean nabigatu nahi duten enpresa txikientzat, epe luzerako arrakastarako posizionatuz eta lehiarako abantaila mantenduz.

**Hitz gakoak:** ETE, digitalizazioa, bezeroaren fidelizazioa, enpresa hazkuntza, berrikuntza.

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# A STRATEGIC GROWTH PLAN FOR A LONG ESTABLISHED TRADITIONAL BUSINESS: HERBORISTERÍA LEIZURI

## 1. INTRODUCTION

### 1.1. Scope of study, work objectives and motivation

The pursuit of continuous growth is a cornerstone for firms, not only enhancing their competitive edge but also fortifying their market positions and attracting crucial resources. This principle, as Barney's seminal work (1991) underscores, finds resonance in the idea that sustainable competitive advantage is rooted in firms possessing valuable, rare, inimitable, and non-substitutable (VRIN) resources, such as a robust brand, a loyal customer base, proprietary technology, or a skilled workforce.

However, in the contemporary business landscape, sustainable competitive advantages are decreasing, emphasizing the need for adaptability as a key strategy. The rapid evolution of the business landscape emphasizes the growing importance of *dynamic capabilities*, a concept introduced by Teece D. J. et al. (1997). The ability to adapt and evolve continuously stands as essential for achieving long-term success in business. However, amidst today's disruptive environments, the challenge emerges as more significant for Small and Medium-sized Enterprises (SMEs).

The mentioned SMEs play a critical role in the Spanish economy, accounting for 99,81% of Spanish businesses (Gobierno de España, 2023). While SMEs employed 72% of the workforce in 2022, they generated only 61% of the added value (McDonagh, B., & Muñoz, C., 2022). This highlights the need for improved efficiency, a challenge shared by SMEs across the EU, where in 2022 they contributed 51,8% of value added while employing 64,4% of the workforce (Kraemer-Eis et al. 2023).

To address this challenge, SMEs must adapt and innovate in the dynamic market environment. Embracing digitalization is a key strategy for enhancing competitiveness and fostering growth. A study by Sage (2023) estimates that the EU could unlock 628 billion euros in annual economic growth if SMEs that are currently lagging behind in digital adoption

increase their adoption rates to the European average<sup>1</sup>. The World Economic Forum's Report (2023) further reinforces this point, emphasizing that SMEs that invest in digital skills are more likely to create new jobs and attract and retain talent. This transformation is not merely an option but a necessity for SMEs seeking sustained relevance in the modern business era, as their digital integration significantly influences the Spanish economy and competitive position.

In the context of companies' digital growth, this project aims to *investigate the potential benefits that small, traditional businesses with limited marketing and technological resources can gain from establishing a straightforward and effective digital presence*. The study seeks to explore how such businesses can leverage a digital presence to their advantage, especially in comparison to larger competitors.

The inspiration behind this project emerged from personal experiences within a small company that lacked a significant digital presence. Observing the common challenges faced by well-established businesses in establishing an effective online footprint, sparked a curiosity to explore innovative solutions. The main objective is *to explore and implement actionable digital strategies within Herboristería Leizuri (HL), a traditional business with limited resources, in order to investigate how such businesses can benefit from establishing a digital presence, specifically focusing on a moderately active and less polished approach. In addition to increasing customer engagement and environmental consciousness*. By doing so, the project seeks to identify practical insights, strategies, and best practices that drive growth and success, even for businesses with minimal existing resources. These strategic approaches will be implemented in the chosen business, HL, enabling us to observe the outcomes and challenges faced during the implementation process in a real-time manner.

After outlining the primary objective, it is essential to highlight the *secondary objectives*:

- SO1: Analyze the outer environment of HL
- SO2: Analyze the inner environment of HL
- SO3: Conduct a SWOT analysis for HL
- SO4: Bring forward growing proposals for HL based on a strategic analysis
- SO5: Analyze current outcomes and propose ways of achieving success in the future for HL

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<sup>1</sup>Sage's Report defines "lagging tech adopters" as those below the 80th percentile, whose predicted tech growth (+4%) is below inflation and significantly lower than the average rate of +16%.



At this stage of the project, it is imperative to clarify the differences among digitization, digitalization, and digital transformation (see Table 1). In this study, the primary emphasis will be on both digitization and digitalization processes.

Table 1: Understanding digitization, digitalization, and digital transformation

TERM	DEFINITION	EXAMPLES
<b>Digitization</b>	<p><i>“The use of digital technologies to transform business models, generating new revenue streams and value opportunities, leading to a transition toward a digital business”</i> (Gartner, Glossary of Information Technology, p. 24).</p> <p>In an organizational context, it mainly involves converting information into digital formats (Bloomberg 2018).</p>	<p>Converting paper documents into digital files, scanning handwritten notes, digitizing audio recordings</p>
<b>Digitalization</b>	<p><i>“The process of converting analog information or processes into digital form, often referred to as digital enablement”</i>. This process involves transforming analog procedures into digital formats without altering the fundamental nature of the process itself (Gartner, Glossary of Information Technology, p. 21).</p> <p>In an organizational context, digitalization revolves around the comprehensive transformation of operations, including business processes and social interactions, using digital technologies (Bloomberg 2018).</p>	<p>Automating customer support tasks using a chatbot, creation of a digital inventory, maintaining a presence on social media to expand brand awareness, creating an e-commerce</p>
<b>Digital transformation</b>	<p>A fundamental overhaul of an organization’s operational framework, the main objective is to gain a competitive advantage through consistent, large-scale implementation of technology (McKinsey’s 2023).</p>	<p>Introducing new business models, redesigning customer experiences using digital tools, streamlining operations (e.g. cloud based systems), and enhancing decision-making by implementing business intelligence tools</p>

Source: own elaboration

## 1.2. Work methodology

The methodology adopted for this project is centered on the application of a **real case study** aimed at increasing the digital footprint of the selected company, HL, in real time. Despite not being a traditional approach, when employed correctly, it can provide significant benefits. Emphasizing a hands-on approach, this methodology allows for practical implementation and evaluation, providing a comprehensive understanding of the challenges and dynamics involved in enhancing a small and traditional businesses’ digital presence.

Central to this methodology is the incorporation of insights and frameworks from the study of Villarreal and Landeta (2010). This study serves as a tangible demonstration to illustrate the effectiveness of the proposed methodology.

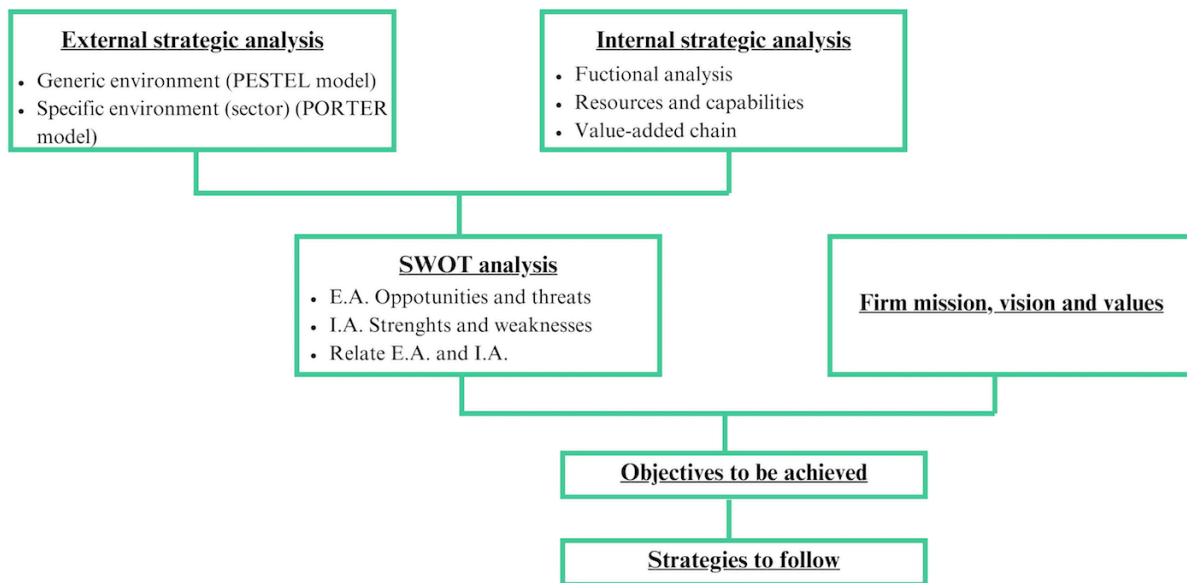
Table 2: Technical sheet on the digital growth of HL

<b>Research objective</b>	Examine and apply effective digital strategies at HL, a traditional business with limited resources, to understand the advantages of creating a digital presence. The focus will be on a moderately active and less refined approach. The goal is to uncover insights and practices that fuel growth and success, particularly for businesses with minimal resources.
<b>Research methodology</b>	Unique case study, analyzing a singular instance of a single company, considered critical and sufficiently valid due to its importance and significance, allowing for conclusive insights.
<b>Unit of analysis</b>	A microfirm operating within the herbalists, dietetics, and nutrition sector, encompassing three physical establishments with a short-to-medium-term objective of digitalization. This selection is founded upon personal professional experience within the company and cooperative partners willing to contribute information and collaborate.
<b>Geographical scope</b>	Basque Country
<b>Type of sample</b>	A logical and theoretical sample chosen for its analytical capacity to generalize the studied phenomenon, distinct from random sampling and statistical generalization.
<b>Sample</b>	A small firm, Herboristería Leizuri, characterized by a strong customer base but lacking any substantial digitalization efforts.
<b>Data collection methods</b>	<ul style="list-style-type: none"> <li>● <b>Interviews:</b> Conducting semi-structured and unstructured interviews with individuals involved in or affected by the case.</li> <li>● <b>Document analysis:</b> Reviewing and analyzing various documents such as reports, emails, budgets, financial records, or any relevant archival material related to the case.</li> <li>● <b>Observations:</b> Systematically observing the case environment or participants to gather firsthand information in order to provide valuable qualitative data.</li> <li>● <b>Visual data collection:</b> Using photography, figures, or graphics to visually document elements of the case, providing additional context and illustrating findings.</li> </ul>
<b>Sources of information</b>	<ul style="list-style-type: none"> <li>● <b>Internal:</b> Documentation, reports, website, and company databases. Interviews with partners. Real physical context. Direct observation of the company’s operations. Personal experience within it.</li> <li>● <b>External:</b> Databases external to the company.</li> </ul>
<b>Key informants</b>	Founder partner of the company, employees of the company.
<b>Methods of evidence analysis</b>	Qualitative type, decision analysis and identification of causal relationships.
<b>Scientific approach</b>	Systematic data collection, objective analysis and theory development or testing.
<b>Evaluation of rigor and methodological quality</b>	Validation tests applied to the information within the study and assessment of its coherence.
<b>Schedule of execution</b>	September 2023- January 2024

*Source:* Based on Villarreal and Landeta (2010)

The development of the strategic plan for the project is rooted in the academic knowledge gained throughout the educational journey, with a particular focus on the courses Strategic Management: Business Policy and Strategic Management: Business Growth and Development. The work is structured according to the proposed framework outlined in these courses (see Figure 1).

Figure 1: Strategic Management framework for project development



*Source:* Strategic Management, Business Policy course (UPV/EHU)

Additionally, since the methodology employed in this project is grounded in a real case study, the concluding phase involves the assessment of current processes and outcomes.

## **2. STRATEGIC GROWTH PLAN FOR HERBORISTERÍA LEIZURI**

### **2.1. Company overview: mission, vision, and values**

The company HL, despite being a small-scale manufacturing company with 8 employees, has distinguished itself by establishing 3 stores in Bizkaia. With two locations in Bilbao, the region's capital, and one in Mungia, where the company's founder was born, HL has expanded its reach and customer base. According to the provisions of Commission Regulation (EU) No. 651/2014<sup>2</sup>, the company qualifies as a microbusiness, characterized by having fewer than 50 employees and an annual turnover below 2 million euros. Additionally, the company is structured as a limited liability corporation.

Despite its small size, the company prides itself on its manufacturing capabilities, boasting an extensive inventory of over 5.000 products available for purchase in their shops. Supported by a comprehensive system featuring approximately 60.000 references, HL efficiently fulfills orders within a matter of days.

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<sup>2</sup>Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty. <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32014R0651>

The company serves a diverse customer base, encompassing individuals from various backgrounds, age groups, and purchasing capacities. Specializing in wellness and natural health, the company's shops offer an extensive range of natural and sustainable products, including natural health products, organic food, natural cosmetics, supplements, expert advice, and personalized consultation services (such as nutritionist, naturopathic doctor, and Sattva Center). What truly distinguishes this company is its unwavering dedication to providing personalized attention and tailored solutions to each individual customer. Each sale is carefully selected to meet specific needs, ensuring that customers find exactly what they are looking for.

While the company's mission, vision, and values are not yet clearly defined, proposed statements for each are as follows<sup>3</sup>:

HL's **mission** could be to *“empower individuals on their journey to holistic wellness by assembling a selection of specialized products, natural remedies, and providing expert guidance. Our dedication lies in supporting our community to embrace natural alternatives, thereby nurturing a healthier, more balanced life.”*

Their **vision** could be to *“become the trusted cornstore for natural wellness, empowering individuals to achieve optimal health. Through personalized guidance and high-quality products, our aim is to inspire lifelong well-being.”*

The company, aiming to enhance its value proposition, is presently exploring a series of values that would reflect its essence and direct its operations. These values serve as the foundation of the guiding principles shaping HL's conduct and decisions for employees, customers, and stakeholders across all facets of the business. The proposed values are comprehensively outlined in Table 3.

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<sup>3</sup>The proposed mission, vision, and values, personally developed, are formulated based on collected evidence and practical experience gathered during the process.

Table 3: HL's core values

VALUE	DESCRIPTION	SUB-VALUE
<b>Product expertise</b>	Ensuring in-depth knowledge and expertise in the extensive inventory of natural and sustainable products, providing accurate guidance and recommendations.	<ul style="list-style-type: none"> <li>● Extensive product knowledge</li> <li>● Accurate recommendations</li> </ul>
<b>Customer-centered</b>	Prioritizing personalized attention, understanding diverse customer needs, and offering tailored solutions, ensuring a satisfying and fulfilling shopping experience.	<ul style="list-style-type: none"> <li>● Personalized service</li> <li>● Tailored solutions</li> </ul>
<b>Holistic wellness</b>	Promoting holistic well-being through natural health products and services, emphasizing physical, mental, and emotional health for individuals and communities.	<ul style="list-style-type: none"> <li>● Physical, mental, and emotional wellness</li> </ul>
<b>Product transparency</b>	Ensuring clear and accessible information about the origin, composition, and benefits of natural and sustainable products, fostering trust and informed choices.	<ul style="list-style-type: none"> <li>● Clear product information</li> <li>● Trust-building practices</li> </ul>
<b>Continuous innovation</b>	Embracing creativity and seeking new ideas, product sourcing, and sustainable practices to stay ahead in the wellness industry.	<ul style="list-style-type: none"> <li>● Creative solutions</li> <li>● Sustainable practices</li> <li>● Industry advancements</li> </ul>
<b>Environmental sustainability</b>	Commitment to eco-friendly practices, sourcing sustainable products, and minimizing environmental impact throughout operations and product offerings.	<ul style="list-style-type: none"> <li>● Eco-friendly practices</li> <li>● Sustainable sourcing</li> <li>● Environmental impact reduction</li> </ul>

*Source: own elaboration*

These mentioned statements encapsulate the company's mission, vision, and values in a concise and impactful manner, outlining its commitment to holistic wellness.

## **2.2. External strategic analysis**

### **2.2.1. Analysis of generic environment: PESTEL model**

HL operates within the Basque Country, where various external factors significantly impact its business landscape. As outlined in SO1, "Analyze the outer environment of HL", a comprehensive examination of the Political, Economic, Social, Technological, Environmental, and Legal aspects (PESTEL) is crucial to perceive and anticipate the diverse influences that shape the operation and growth of this natural health firm within this region.

#### *2.2.1.1. Political-legal factors*

In analyzing the political-legal landscape, the focus will be on three key areas: laws impacting small businesses, regulations concerning self-employed workers, and government initiatives aimed at fostering digitalization within businesses .

Table 4: Key laws and regulations affecting small businesses, self-employed workers, and digitalization initiatives

LAW	Key regulations for small businesses
<b>Law 7/1996<sup>4</sup></b>	Product information disclosure, sales conditions, consumer rights, promotions and advertising, guarantees and returns, penalties for non-compliance, and supplier-retailer relationships.
<b>Law 1/2004<sup>5</sup></b>	It addresses commercial hours by empowering merchants to set their hours, with a 90-hour minimum threshold preventing overly restrictive regional regulations. Small establishments (under 300m <sup>2</sup> ) have the autonomy in setting their opening hours, while larger businesses can choose to open on a minimum of 16 Sundays and holidays, adjustable by local authorities. This law balances merchant freedom, regional needs, and worker well-being, promoting competition and protecting small businesses. The Royal Decree law 20/2012 <sup>6</sup> complements this law.
<b>Directive 2011/83/EU<sup>7</sup></b>	Addresses consumer rights. Article 9 grants consumers the right to withdraw from online purchases within 14 days of receiving the product (also stated in Article 71 of the Royal Legislative Decree 1/2007 <sup>8</sup> ). However, Article 16 enumerates some exceptions (e.g. personalized or perishable items.)
<b>Royal Legislative Decree 1/2007</b>	A cornerstone law in Spain that protects consumers by requiring clear product information, guaranteeing consumer rights, establishing minimum warranties, prohibiting unfair contractual clauses, and regulating online transactions for transparency and data protection.
<b>Law 34/2002<sup>9</sup></b>	Holds the primary objective of integrating the “E-Commerce Directive” (Directive 2000/31/CE <sup>10</sup> ) into Spain’s legal system. This law aligns Spanish regulations with EU principles for digital services and online commerce, providing guidelines for information society services within the country.
<b>Organic Law 3/2018<sup>11</sup></b>	Strengthens data protection and digital rights by establishing guidelines for personal data management and safeguarding digital rights in the field of technology and communication.
<b>Royal Decree 293/2018<sup>12</sup></b>	Regulation of the use and sale of plastic bags, mandated charge for plastic bags offered within Spanish establishments.

<sup>4</sup>Ley 7/1996, de 15 de enero, de Ordenación del Comercio Minorista.

<https://www.boe.es/buscar/act.php?id=BOE-A-1996-1072>

<sup>5</sup>Ley 1/2004, de 21 de diciembre, de Horarios Comerciales.

<https://www.boe.es/buscar/act.php?id=BOE-A-2004-21421>

<sup>6</sup>Real Decreto-ley 20/2012, de 13 de julio, de medidas para garantizar la estabilidad presupuestaria y de fomento de la competitividad. <https://www.boe.es/buscar/act.php?id=BOE-A-2012-9364>

<sup>7</sup>Directive 2011/83/EU Of The European Parliament And Of The Council of 25 October 2011 on consumer rights, amending Council Directive 93/13/EEC and Directive 1999/44/EC of the European Parliament and of the Council and repealing Council Directive 85/577/EEC and Directive 97/7/EC of the European Parliament and of the Council. <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32011L0083>

<sup>8</sup>Real Decreto Legislativo 1/2007, de 16 de noviembre, por el que se aprueba el texto refundido de la Ley General para la Defensa de los Consumidores y Usuarios y otras leyes complementarias. <https://www.boe.es/buscar/act.php?id=BOE-A-2007-20555>

<sup>9</sup>Ley 34/2002, de 11 de julio, de servicios de la sociedad de la información y de comercio electrónico. <https://www.boe.es/buscar/act.php?id=BOE-A-2002-13758>

<sup>10</sup>Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market (“Directive on electronic commerce”). <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32000L0031>

<sup>11</sup>Ley Orgánica 3/2018, de 5 de diciembre, de Protección de Datos Personales y garantía de los derechos digitales. <https://www.boe.es/buscar/act.php?id=BOE-A-2018-16673>

<sup>12</sup>Real Decreto 293/2018, de 18 de mayo, sobre reducción del consumo de bolsas de plástico y por el que se crea el Registro de Productores. <https://www.boe.es/buscar/act.php?id=BOE-A-2018-6651>

<b>Royal Decree-Law 8/2023<sup>13</sup></b>	Recent VAT changes for 2024 include a reduction in VAT for essential food from 4% to 0% until June, while products such as oil and pasta see a reduction from 10% to 5%. These changes aim to reduce the tax burden on food, while electricity VAT increased to 10% in January.
<b>BATUZ Foral Law 5/2020<sup>14</sup> to Foral Law 8/2023<sup>15</sup></b>	A comprehensive tax regulation system for businesses and self-employed individuals in Bizkaia, encompassing invoicing software, record-keeping, and tax preparation. Recent legislation extended the mandatory adoption deadline for BATUZ until January 2025 for limited liability companies, considering economic challenges and rising costs.
<b>LAW</b>	<b>Key regulations for self employee workers</b>
<b>Royal Decree-Law 13/2022<sup>16</sup></b>	A new self-employed contribution system, in effect from 2023 to 2025, introduces tiered contributions based on projected income. Fees range from 225 euros (minimum) to 530 euros (maximum) <sup>17</sup> in 2024, with a gradual increase across 15 tiers.
<b>LAW</b>	<b>Key regulations of government initiatives aimed at fostering digitalization</b>
<b>ETD/1498/2021<sup>18</sup></b>	Establish the “Digital Kit” program. This program aims to subsidize the use of digital solutions for small businesses, micro-enterprises, and self-employed individuals in Spain, funded by the European Union’s Recovery and Resilience Mechanism <sup>19</sup> .
<b>Eus-COMMERCE<sup>20</sup></b>	This program offers free assistance to retail businesses in the Basque Country to help them enhance their e-commerce practices and effectively navigate the digital landscape.

*Source: own elaboration*

#### 2.2.1.2. Economic factors

The Basque Country’s economy is characterized by a dynamic and diverse landscape, shaped by various key factors that influence its financial standing and business environment.

<sup>13</sup>Real Decreto-ley 8/2023, de 27 de diciembre, por el que se adoptan medidas para afrontar las consecuencias económicas y sociales derivadas de los conflictos en Ucrania y Oriente Próximo, así como para paliar los efectos de la sequía. <https://www.boe.es/buscar/act.php?id=BOE-A-2023-26452>

<sup>14</sup>Norma Foral 5/2020, de 15 de julio, por la que se establece el sistema BATUZ. <https://www.batuz.eus/fitxategiak/batuz/normativa/Norma%20Foral%205-2020,%20de%2015%20de%20julio,%20Batuz.pdf?hash=9ed37463886995625db7924ede9749d3>

<sup>15</sup>Norma Foral 8/2023, de 22 de noviembre, por la que se aprueban medidas para ordenar la implantación definitiva del sistema batuz, para la trasposición de la directiva (UE) 2021/514 del consejo, de 22 de marzo de 2021, por la que se modifica la directiva 2011/16/UE relativa a la cooperación administrativa en el ámbito de la fiscalidad y otras modificaciones tributarias. [https://www.batuz.eus/fitxategiak/batuz/normativa/norma%20foral%208\\_2023.pdf?hash=3811c592bba6a931018fcb9074f3608a](https://www.batuz.eus/fitxategiak/batuz/normativa/norma%20foral%208_2023.pdf?hash=3811c592bba6a931018fcb9074f3608a)

<sup>16</sup>Real Decreto-ley 13/2022, de 26 de julio, por el que se establece un nuevo sistema de cotización para los trabajadores por cuenta propia o autónomos y se mejora la protección por cese de actividad. <https://www.boe.es/buscar/act.php?id=BOE-A-2022-12482>

<sup>17</sup>These contributions correspond to the minimum contribution base within each range.

<sup>18</sup>Orden ETD/1498/2021, de 29 de diciembre, por la que se aprueban las bases reguladoras de la concesión de ayudas para la digitalización de pequeñas empresas, microempresas y personas en situación de autoempleo, en el marco de la Agenda España Digital 2025, el Plan de Digitalización PYMEs 2021-2025 y el Plan de Recuperación, Transformación y Resiliencia de España -Financiado por la Unión Europea- Next Generation EU (Programa Kit Digital). <https://www.boe.es/buscar/doc.php?id=BOE-A-2021-21873>

<sup>19</sup>Regulation (EU) 2021/241 of the European Parliament and of the council of 12 February 2021 establishing the Recovery and Resilience Facility. <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32021R0241>

<sup>20</sup>Eus-COMMERCE is a program supervised by the Basque Government’s Department of Tourism, Trade, and Consumer Affairs and operated by the Cámara de Comercio. For further details regarding the program, please refer to the following link: <https://euscommerce.eus/>

Despite these dynamic and diverse characteristics, the Basque Country's economy is facing mixed signals in the labor market. While employment increased by 4.300 in Q3 2023, the unemployment rate increased slightly to 7,5%, reflecting an additional 1.300 unemployed individuals (Eustat 2023).

However, despite a slight month-on-month decline in December 2023 (Eustat, 2024), inflation remains a pressing issue in the Basque Country. The Consumer Price Index (CPI) reached 112,8 in December 2023, indicating a 3,1% annual increase (Eustat, 2024). This translates to a 12,8% rise in prices compared to December 2022. The persistent inflationary pressures pose challenges for businesses by reducing consumer purchasing power and potentially slowing down overall economic activity.

Despite the lingering challenges posed by inflation and the global economic slowdown, the Basque Country's economy has demonstrated resilience, maintaining a modest growth trajectory. The region's GDP grew by 0,2% in Q3 2023 compared to the previous quarter, and an estimated 1,6% compared to the same quarter of the previous year (Eustat, 2023).

Amidst the overall economic resilience, concerns remain regarding the level of public debt in the Basque Country. The region's public debt increased steadily in recent quarters, reaching 12,80% of the Gross Domestic Product (GDP) in the third quarter of 2023 (Gobierno Vasco, 2023). Although the Basque Country's debt burden remains lower than the average among Spain's autonomous communities, it still raises questions about the region's long-term financial sustainability.

Therefore, the Basque Country's economy presents both opportunities and challenges. While boasting positive employment and consistent GDP growth, it faces concerns due to a rising public debt and inflationary pressures impacting individual finances and investment.

#### *2.2.1.3. Sociocultural factors*

This section will focus on two primary aspects: demographic and sociocultural changes.

Firstly, regarding demographics, Spain's population has grown slightly, reaching 48.446.594 in 2023 (INE, 2023). Specifically, the Basque Country has a population of 2.219.909 inhabitants, being the 7th most populous community in Spain in 2023 (Statista, 2024). Bilbao and Mungia, the key locations of HL, exhibit distinct age distributions. In 2023, Bilbao's



population was 342.484, with Santutxu boasting around 30.576 residents and Mungia hosting 17.515 inhabitants (Eustat, 2023).

Demographically, Santutxu has the lowest percentage of young residents (14,4%), while Mungia has a higher proportion (21,4%) compared to Bilbao (15,7%). The working-age group (20-64) is more evenly distributed, with Bilbao (59,4%), Mungia (60,1%), and Santutxu (56,3%) reflecting similar trends (Eustat, 2023). Moreover, the aging population in Spain presents a pressing demographic challenge. In 2022, the elderly population (65+) accounted for 20,1% of the total population, projected to reach 30,4% by 2050 (INE, 2022). This demographic shift poses challenges for employment and eldercare, requiring proactive measures from governments, companies, and families.

Secondly, addressing the socio-cultural factors shaping the retail sector, Rafael Torres, President of the Spanish Confederation of Commerce, identifies three key factors contributing to the closure of traditional shops: lack of digitalization, surging e-commerce, and the lack of generational succession. He stresses the urgent need for digital adoption by traditional businesses and urges government support for these efforts (Adelantado, 2023).

Furthermore, the COVID-19 pandemic significantly accelerated the global shift to digitization, with a McKinsey Global Institute study (LaBerge L. et al., 2020) suggesting a seven-year increase in digital adoption rates. This coincided with the launch of the Digital Decade<sup>21</sup>, further emphasizing the importance of digital transformation. While the pandemic closed some stores, the primary driver of Spain's e-commerce surge (reaching 445 million transactions by 2022) is changing consumer behavior (Orús, 2023). This growth spans generations, with 45-54 year olds emerging as the leading online buyer segment (5,7 million) and significant participation from younger demographics (3,6 million aged 16-24; 5,5 million aged 25-34) (Orús, 2023). These figures highlight the increasing preference for online purchases, posing a significant challenge for traditional stores unprepared for the digital shift.

Spain's digital landscape extends beyond its robust e-commerce presence, boasting an impressive 41 million social media users and exceeding 85% internet user engagement in 2023 (Bianchi, 2023). This establishes Spain's prominent social media market within Western Europe. Notably, WhatsApp enjoys unrivaled popularity, capturing the attention of over 91% of Spanish internet users and solidifying its position as their preferred network (Bianchi,

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<sup>21</sup>The Digital Decade is a concept introduced by the European Parliament in reference to the decade of 2020-2030 (European Parliament, 2020).

2023). Beyond personal use, social media platforms such as Facebook and Instagram have emerged as powerful marketing tools, significantly influencing online shopping trends (Orús, 2023). Further demonstrating its digital prowess, Spain's digital advertising market holds a prominent position globally, ranking 5th in Europe and 12th worldwide (Bianchi, 2023). Instagram, notably, has emerged as the platform of choice for Spanish influencers, garnering the preference of 74% (Bianchi, 2023).

Understanding these socio-cultural trends provides HL with valuable insights for its strategic growth, emphasizing the importance of targeted engagement and marketing strategies across preferred digital platforms to align with evolving consumer behaviors.

#### 2.2.1.4. Technological factors

The analysis of the technological landscape impacting HL in Spain focuses particularly on companies' digitalization strategies. This aligns with the project's core objectives and aims to provide insights into how businesses, particularly SMEs such as HL, are embracing digitalization. To facilitate this analysis, two valuable tools will be utilized: The Digital Economy and Society Index (DESI) 2022 and the State of the Digital Decade Report (SDDR) 2023.

DESI has been tracking Europe's digital performance since 2014. It provides key indicators and EU-wide analysis, effectively evaluating Member States' digitalization levels and tracking their progress. Since 2023, in alignment with the 2030 Digital Decade Policy Agenda<sup>22</sup> DESI has been integrated into the SDDR, offering a comprehensive assessment of the EU's progress towards digital transformation.

Moving forward, the analysis will be structured around two dimensions of the SDDR 2023.

First, regarding *digital skills*, while Spain has made significant progress, with 64% of the population possessing basic digital skills (compared to the EU average of 54%), the country faces a shortage of specialized ICT personnel. Only 4,3% of employed individuals are ICT specialists, slightly lower than the EU average of 4,6%. To address this challenge, Spain has implemented measures such as a new vocational education and training system (VET) law<sup>23</sup>

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<sup>22</sup>Decision (EU) 2022/2481 of the European Parliament and of the Council of 14 December 2022 establishing the Digital Decade Policy Programme 2030.  
<https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32022D2481>

<sup>23</sup>Ley Orgánica 3/2022, de 31 de marzo, de ordenación e integración de la Formación Profesional.  
<https://www.boe.es/buscar/act.php?id=BOE-A-2022-5139>

and a new VET specialization course on AI and Big Data. However, more comprehensive efforts are needed to upskill and reskill the workforce in advanced and emerging technologies to bridge the gap in ICT specialists, particularly for SMEs.

Second, in terms of *digitalization of business*, despite lagging slightly behind the EU average in overall business digitalization (68% v. 69% EU average), Spain has made significant strides in adopting advanced technologies such as AI (12,3% compared to 8% in 2022) and Big Data (14,3% compared to 9% in 2022) for internal business purposes. Notably, according to the DESI 2022 Spain witnessed a surge in presence on enterprise social media, reaching 39% in 2022 (EU average: 29%). Additionally, a slight increase in Spanish SMEs engaging in online sales has been recorded, rising to 25%, surpassing the EU average of 18% in 2022.

Spain demonstrates a comprehensive approach to digital transformation through initiatives such as the SMEs Digitalization Plan 2021-2025. This plan aims to create scalable programs for basic SME digitalization, including initiatives such as Digital Kit, Acelerapyme, and the Agents of Change program. With an estimated reach of 1,35 million SMEs, the plan is projected to empower businesses toward both economic growth and a more sustainable future. Furthermore, Spain prioritizes digital transition within its Recovery and Resilience Plan (RRP), allocating 28,2% (EUR 19,6 billion) to initiatives primarily focused on enhancing digital skills and equipping businesses for the digital age.

Recognizing the transformative power of digitalization, the Basque Government has also implemented a series of initiatives to support the growth and development of SMEs in the region. The 2024 SMEs Aid Plan, with a 600€ million budget, provides a comprehensive package of grants and financial assistance to assist SMEs in embracing innovation and technological development, as well as digitalization and efficiency. Key digitalization programs under this plan include “Mikroempresa digitala inplantariak” for implementing digital solutions and “Mikroempresa digitala prestakuntza” for providing digital training. Additionally, the Basque Government’s Digital Transformation Strategy 2025 (Estrategia ETDE 2025) serves as a comprehensive roadmap to accelerate the digital transformation.

Overall, despite Spain’s notable progress, there’s an opportunity for further enhancement, particularly for SMEs, to leverage digitalization and advanced technologies for increased productivity and market expansion. In this digital landscape, HL’s position within this evolving ecosystem becomes crucial, requiring a strategic response to leverage the ongoing technological advancements for sustained growth and competitiveness.

#### 2.2.1.5. *Environmental factors*

The environmental analysis of HL within the Basque Country encapsulates important considerations around climate change and the extensive measures taken by both the EU and the Basque Government to address environmental challenges.

At the EU level, a multifaceted approach has been implemented to tackle climate change and environmental challenges. Key initiatives include the EU Emissions Trading System (ETS), the world's first international emissions trading system, now in its fourth phase (2021-2030), and the Renewable Energy Directive<sup>24</sup>, which aims to generate 32% of the EU's energy from renewable sources by 2030 (Article 3). Further bolstering these efforts, the Energy Efficiency Directive<sup>25</sup> prioritizes energy efficiency by establishing the principle of "energy efficiency first". In conjunction with these initiatives, the Circular Economy Package<sup>26</sup> seeks to minimize waste and promote the reuse and recycling of materials, further contributing to green environmental sustainability. To further address these challenges, the EU has launched the ambitious European Green Deal, a comprehensive strategy to achieve a sustainable and low-carbon economy, with the aim of achieving climate neutrality by 2050.

On a regional level, the Basque Government has taken proactive measures to address climate change and environmental concerns. In this context, the Basque Green Deal stands as a comprehensive strategy to achieve a sustainable and low-carbon economy. Complementing this initiative is the Basque Strategy for Circular Economy 2030, which aims to transition the Basque Country towards a circular economy model. Moreover, the Basque Climate Change Adaptation Plan aims to achieve a 30% reduction in greenhouse gas emissions by the end of 2024, a 20% share of renewable energies in final energy consumption by 2024, and ensure the Basque Country's resilience to climate change by 2024.

HL, located in the Basque Country, should conscientiously consider the environmental factors significantly affecting the business landscape. Given the substantial commitment and comprehensive measures undertaken by the EU and the Basque Government towards

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<sup>24</sup>Directive (EU) 2018/2001 Of The European Parliament And Of The Council of 11 December 2018 on the promotion of the use of energy from renewable sources.  
<https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32018L2001>

<sup>25</sup>Directive (EU) 2023/1791 of the European Parliament and of the Council of 13 September 2023 on energy efficiency and amending Regulation (EU) 2023/955.  
<https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32023L1791>

<sup>26</sup>European Commission COM(2020) 98 final. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. A new Circular Economy Action Plan for a cleaner and more competitive Europe.  
<https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52020DC0098>

sustainability, HL stands to benefit from aligning its operations with these initiatives. Understanding and integrating these environmental imperatives into HL’s strategic decisions and operational frameworks could enhance its resilience, foster sustainability, and align the company’s trajectory with the broader environmental objectives and regulations in the region.

Table 5 aims to summarize the main opportunities (O) and threats (T) associated with each aspect of the PESTEL serving as a foundation for the outer SWOT analysis:

Table 5: Summary of key opportunities and threats out of the PESTEL analysis

	OPPORTUNITIES	THREATS
<b>Political-legal factors</b>	<ul style="list-style-type: none"> <li>● <b>O1:</b> Flexible operational hours.</li> <li>● <b>O2:</b> Consumer protection and fair trade practices.</li> <li>● <b>O3:</b> Reduction of VAT fostering affordability for consumers.</li> <li>● <b>O4:</b> Digitalization support: Kit digital, Eus-COMMERCE.</li> </ul>	<ul style="list-style-type: none"> <li>● <b>T1:</b> Extensive regulation on consumer rights and data protection.</li> <li>● <b>T2:</b> Ongoing BATUZ implementation demands strict adherence, potentially heightening administrative burdens and costs.</li> </ul>
<b>Economic factors</b>	<ul style="list-style-type: none"> <li>● <b>O5:</b> Spain’s resilient economy: strong GDP position, positive employment trends.</li> </ul>	<ul style="list-style-type: none"> <li>● <b>T3:</b> Challenges in economic trends: increase of public debt, slight increase of unemployment and slight inflationary pressures.</li> </ul>
<b>Sociocultural factors</b>	<ul style="list-style-type: none"> <li>● <b>O6:</b> Growing elderly population: opportunity to provide services and products tailored to their needs.</li> <li>● <b>O7:</b> Opportunity to reach new audiences due to the increase of social media platforms usage and the increased online sales.</li> </ul>	<ul style="list-style-type: none"> <li>● <b>T4:</b> Shift in customer behavior towards digitalization.</li> <li>● <b>T5:</b> Complexity in adapting to the rapid digitalization.</li> <li>● <b>T6:</b> Increasing market competition due to the surge in e-commerce.</li> <li>● <b>T7:</b> Dynamic nature of digital advertising: challenges for businesses in keeping up with effective and evolving marketing strategies.</li> </ul>
<b>Technological factors</b>	<ul style="list-style-type: none"> <li>● <b>O8:</b> Government investments in digitalization.</li> <li>● <b>O9:</b> Strong basic digital knowledge among the population and growing adoption of advanced technologies.</li> </ul>	<ul style="list-style-type: none"> <li>● <b>T8:</b> Lagging slightly behind the EU average in overall business digitalization.</li> <li>● <b>T9:</b> Deficit in employed ICT specialists.</li> <li>● <b>T10:</b> Limited workforce upskilling and reskilling in advanced and emerging technologies.</li> </ul>
<b>Environmental factors</b>	<ul style="list-style-type: none"> <li>● <b>O10:</b> Government support for businesses adopting sustainable practices.</li> </ul>	<ul style="list-style-type: none"> <li>● <b>T11:</b> Pressure to implement sustainable practices intensifies as the EU and Government spearhead initiatives aimed at mitigating climate change.</li> <li>● <b>T12:</b> Transition costs: shifting towards eco-friendly practices might involve high initial costs or infrastructure investments.</li> <li>● <b>T13:</b> Changing consumer expectations due to environmental consciousness.</li> </ul>

Source: own elaboration

### 2.2.2. Analysis of specific environment: PORTER model

Employing the established Porter's Five Forces model (Porter, 1982), this section examines the specific industry context in which HL operates, understanding its external environment in line with SO1. This comprehensive analysis will reveal both the opportunities and threats presented by the competitive landscape, encompassing rivalry between existing competitors, threat of new entrants, the threat of substitute products, bargaining power of customers, and bargaining power of suppliers.

#### 2.2.2.1. Rivalry among existing competitors

The Basque Country's natural wellness products sector is intensely competitive, with HL holding a notable position among the top establishments, as reported by unofficial rankings Salir.com (Prado, 2022) and Bi-Aste.com (Bi-Aste.com, 2023). The industry is fragmented, with the market share distributed among various competitors. However, two main rivals, Herbolario Navarro<sup>27</sup> and Veritas<sup>28</sup>, hold a higher differentiated market share.

HL faces intensified price competition due to a lack of product differentiation, although it stands out by offering specialized and varied products, personalized service, and a strong commitment to sustainability. Despite HL's emphasis on personalized customer attention, one of the most important factors to purchase a supplement according to research provided by Ipsos (2022), the market offers similar products in rival stores, with common items available in supermarkets and supplements on platforms such as Amazon. Furthermore, the absence of an e-commerce platform poses a challenge, especially in the rise of online purchases.

Figure 2 demonstrates the primary competitors of HL across its three physical locations while also spotlighting online competitors. The online competitors are denoted in green; this includes certain shops situated in HL's three locations that maintain an online presence, hence

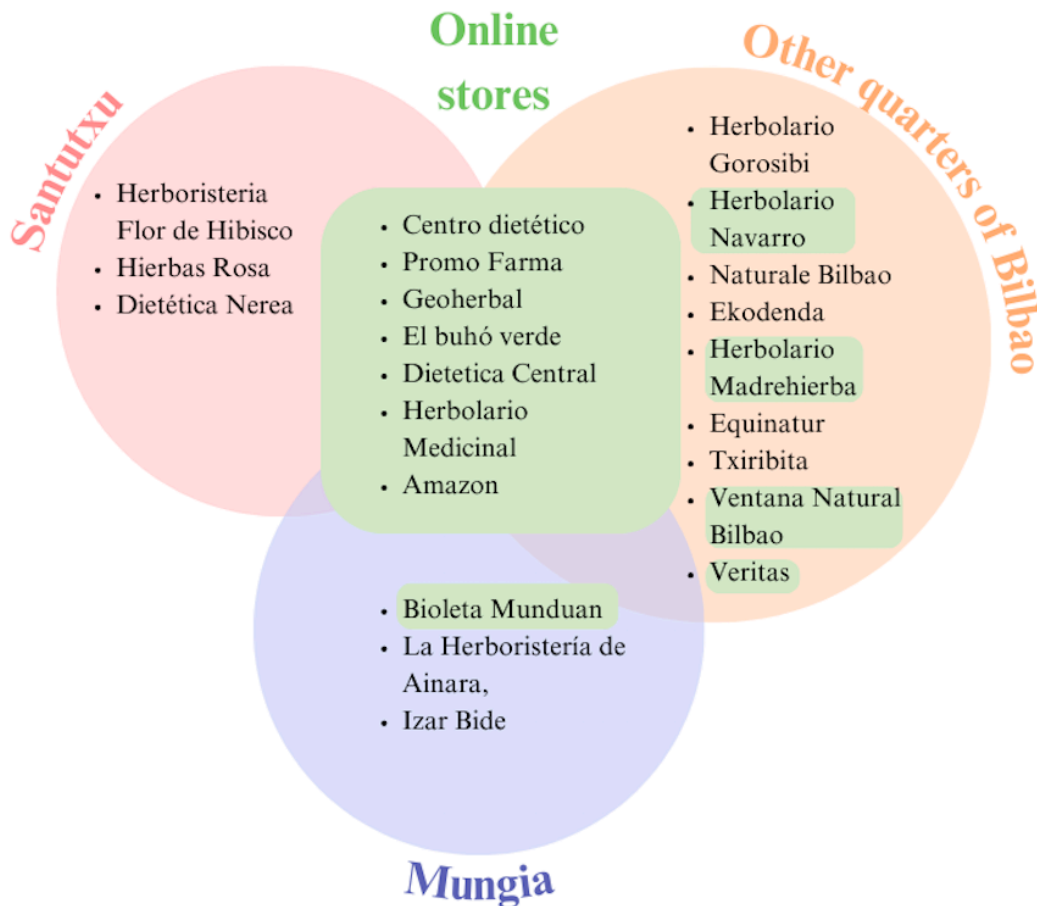
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<sup>27</sup>The recent report from Food Retail, El Diario de la Alimentación (2023) further validates the prominent market presence of Herbolario Navarro (HN) within the industry. Despite the market's fragmented nature, HN stands out as one of the dominant players, commanding a significantly higher market share. With a substantial increase in sales, surpassing 36 million euros in 2022 and projected to reach 42 million euros by 2024, HN's market stronghold is undeniable. The company's strategic growth plans, including the foresight to open over 20 additional stores before 2026, exemplify their continued commitment to expanding their influence.

<sup>28</sup>According to a recent report from Crónica Global (2023), Veritas consolidated its position as a frontrunner in the organic market, achieving a growth of 5,1% in 2022, a significant increase from the previous year's 1,2%. Closing 2022 with a turnover of over 113 million euros, the company faced the challenge of rising energy costs impacting its operations. However, despite these challenges, Veritas maintained a strategic focus on store consolidation, opening a new store and renovating 9, an investment of approximately 1,7 million euros. With 78 physical stores currently in operation, the company anticipates opening approximately 20 more stores by 2025, highlighting its commitment to continued growth.

their representation in green. Moreover, several other shops, despite not being physically located within HL’s three designated areas, possess an online store serving the entire Spain market, thereby competing with HL. Additionally, there are exclusively online competitors such as Amazon.

Figure 2: HL’s main competitors



Source: own elaboration

The competitive landscape presented by the company’s primary physical and online competitors underscores the intense rivalry within the market, accentuating HL’s strategy to distinguish itself by offering personalized customer service. However, the lack of distinct product features allows for substitution by same items found in rival stores, supermarkets, and online platforms. Moreover, the absence of an e-commerce presence presents a competitive obstacle. Insights from Statista (Orús, 2023) and Ipmark (2023) underline the growing significance of online purchases in Spain, emphasizing the need for HL to adapt to evolving customer preferences and embrace the trend of online shopping to navigate this competitive landscape effectively.

#### 2.2.2.2. Threat of new entrants

The threat of new entrants into the natural wellness products industry is relatively moderate. Although the barrier to entry in terms of capital investment is not substantial, a comprehensive understanding of natural remedies and wellness products is crucial.

The market, while accessible to new participants, tends to favor established brands, as indicated by insights garnered from interviews with the company owner. This preference for recognized brands is primarily attributed to several advantages, notably stemming from economies of scale, well-established customer relationships, and proprietary knowledge of natural remedies. According to information provided by the company owner, renowned brands enjoy cost advantages due to suppliers offering greater discounts on bulk orders. Moreover, the enduring relationships with customers, cultivated over time, contribute significantly to the brand's stronghold in the market. Additionally, expertise owned by these established brands, especially in natural remedies, serves as a distinct advantage<sup>29</sup>.

However, the emergence of online retail platforms could potentially diminish entry barriers, leading to heightened competition. Additionally, government policies have significantly reduced entry barriers, particularly through the promotion of entrepreneurial initiatives, outlined in the Foral Decree 162/2022<sup>30</sup>. These initiatives were further reinforced by the Foral Decree 217/2023<sup>31</sup>, extending support into 2024. The implementation of these policies has led to an increase of new ventures, exemplified by the recent establishment of “*La Herboristería de Ainara*” in Mungia, capitalizing on government incentives.

Consequently, the industry landscape remains competitive and fragmented, characterized by the presence of numerous global and regional players. Frequent market entries persist due to the availability of government incentives and low entry barriers, indicating the absence of a dominant market player.

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<sup>29</sup>Information gathered from a semi-structured interview with the company owner on September 6th, 2023.

<sup>30</sup>Decreto Foral 162/2022, de 27 de diciembre, de la Diputación Foral de Bizkaia, por el que se establecen las bases reguladoras y se aprueban las convocatorias de la concesión de subvenciones para el fomento de iniciativas emprendedoras, del ejercicio 2023: autoempleo, transmisión empresarial, y consolidación empresarial. [https://www.bizkaia.eus/lehendakaritza/Bao\\_bob/2023/01/05/I-1185\\_cas.pdf?hash=963c63ca16c70138dff8bfb690bb5ef2](https://www.bizkaia.eus/lehendakaritza/Bao_bob/2023/01/05/I-1185_cas.pdf?hash=963c63ca16c70138dff8bfb690bb5ef2)

<sup>31</sup>Decreto Foral 217/2023, de 28 de diciembre, de la Diputación Foral de Bizkaia, por el que se establecen las bases reguladoras y se aprueban las convocatorias de la concesión de subvenciones para el fomento de iniciativas emprendedoras, del ejercicio 2024: autoempleo, transmisión empresarial, y consolidación empresarial. [https://www.bizkaia.eus/lehendakaritza/Bao\\_bob/2024/01/10/I-1574\\_cas.pdf?hash=f5359f1ef99ef9081d13a4dde2bce049&idioma=CA](https://www.bizkaia.eus/lehendakaritza/Bao_bob/2024/01/10/I-1574_cas.pdf?hash=f5359f1ef99ef9081d13a4dde2bce049&idioma=CA)



### 2.2.2.3. Bargaining power of customers

HL sells its products and services directly to the consumers who are the end-users of its products or services (B2C). Serving exclusively to final customers, the company distinguishes itself by offering specialized, high-quality products paired with personalized attention. The company's commitment to tailored solutions and in-depth product knowledge establishes a firm foundation against price-centric negotiations, fostering a loyal customer base and consequently reducing overall bargaining power.

However, certain customers who make high-volume purchases hold a stronger position in negotiations, often receiving discounted rates for their purchases. Additionally, considering the widespread availability of similar products across various shops, the competition appears heightened. Nonetheless, HL's personalized attention enhances its value proposition, mitigating price sensitivity and boosting customer satisfaction.

Table 6 presents an overview of HL's diverse customer segments, encompassing their demographics, purchase capacities, preferences, and distinctive characteristics.

Table 6: Customer segmentation overview for HL

Customer type	Description	Residency	Purchase capacity	Preferences	Bargaining power
<b>Regular Walk-in buyers</b>	Frequent visitors seeking fresh products or common supplements	Local residents	Moderate	Organic, general products	<b>Low</b>
<b>Occasional visitors</b>	Interested in specialized products, normally recommended by an expert due to an illness or health concern	Variable: residents, non residents	Moderate to high. Nevertheless, due to health concerns there are customers that will spend as much as they need. They get a 10% due to informal agreements with some wellness doctors.	Specific, expensive supplements items	<b>Moderate</b>
<b>Bulk buyers</b>	Frequent customers with a higher spending capacity, purchasing various products in larger quantities	Variable: residents, non-residents	High	Multiple products	<b>High</b>
<b>Inquisitive shoppers</b>	Seek advice and recommendations, varying purchases based on expert guidance and curiosity	Mostly local residents	Variable	Expert advice, varied purchases	<b>Low</b>
<b>Transient customer</b>	Intermittent or occasional visitors	Non-resident, tourists	Variable	Variable	<b>Low</b>

Source: Own elaboration based on direct insights and information provided by employees at HL

In conclusion, the diverse customer segments identified in the table provide insights into HL's strategic approach to mitigate price-driven negotiations in the natural wellness products market. By tailoring solutions and leveraging extensive product knowledge, HL effectively addresses the varied needs and preferences of its customer base. This personalized approach strengthens the company's position against price-centric negotiations, cultivating strong customer loyalty and reducing the overall influence of bargaining power.

#### *2.2.2.4. Bargaining power of suppliers*

HL operates as a retailer, relying exclusively on external suppliers for its product offerings. These suppliers fall into two primary categories: wholesalers and trading houses.

While the shop cannot negotiate terms with wholesalers directly, the presence of multiple wholesalers offering similar products provides alternative sourcing options. However, certain wholesalers possess considerable power due to their ability to facilitate rapid deliveries, allowing them to marginally dictate prices. Despite their influence, the multiplicity of sourcing options presents a risk of losing clientele due to pricing strategies. For instance, two major suppliers, Naturlider and Actibios, offer comparable products, leading employees to prioritize price when making purchasing decisions. In December 2023, Actibios undercut Naturlider's prices to retain customers. Consequently, while wholesalers have pricing power, price-centric competition can damage market position and customer loyalty.

In contrast, negotiating with trading houses, while potentially offering cost benefits, demands a more multifaceted approach compared to wholesalers. Though trading houses occupy a key role in the supply chain, sourcing from them should not automatically equate to superior or inferior conditions. While they may incentivize direct purchases through discounts or special benefits, a thorough evaluation is crucial to ensure these offerings translate into true profitability for the shop. Table 7 illustrates an analysis of suppliers of HL, shedding light on their bargaining power and associated variables.

Table 7: Supplier bargaining power analysis at HL

Supplier <sup>32</sup>	Type	Availability of alternatives	Price advantages	Order placement method	Selection criteria	Purchase value <sup>33</sup>	Negotiation power
<b>Bizi-Lur SL</b>	Trading house	<b>No alternatives</b> available; exclusive offering	Bulk discounts	Phone call	Effective product communication, exceptional customer care.	128.023,75€	<b>High</b>
<b>Nova-Diet SA</b>	Trading house	<b>No alternatives</b> available; unique offering	Bulk discounts, direct bill discounts, promotions	Face-to-face merchant orders	Strong quality-price relationship, they facilitate the store nutrition service.	113.336,28€	<b>High</b>
<b>Dispronat SL</b>	Trading house	<b>Moderate</b>	Specific discounts based on purchase quantity	E-mail or webpage	Multi-brand with many products, self-delivery and convenient.	63.447,83€	<b>Moderate</b>
<b>A.Aparicio-A.Boillos CB</b>	Trading house	<b>Moderate</b>	Non-negotiable pricing	E-mail	Multi-brand with many food products, local suppliers, good service.	51.289,26€	<b>Moderate</b>
<b>Naturaleader Import Export SL</b>	Wholesaler	<b>High</b>	Non-negotiable pricing	Webpage	The only supplier that serves on Saturdays. They do not require a minimum order quantity (except on Saturdays).	34.681,44€	<b>Moderate</b>
<b>Actibios Distribuciones SL</b>	Wholesaler	<b>High</b>	Non-negotiable pricing	Online, through their webpage	Fast, next day delivery	27.658,53€	<b>Moderate</b>
<b>Suplementos Solgar SL</b>	Trading house	<b>Moderate</b> , availability; alternatives predominantly offered by wholesalers	Specific discounts based on purchase quantity	Phone call	One of the first companies on this market to enter the field of orthomolecular medicine. Good product, good reputation, and high demand. However, since Nestlé bought it in 2021, the service and prestige have declined.	24.495,93€	<b>Moderate</b>

<sup>32</sup>Given the considerable number of HL suppliers (more than 80), only the primary suppliers are considered for this purpose, employing a criterion that focuses on those suppliers with purchases exceeding 16.000 euros in the Fiscal Year 2022.

<sup>33</sup>Purchase Value from Fiscal Year 2022 (January 1, 2022 - December 31, 2022)

<b>Bedar SL</b>	Wholesaler	<b>High</b>	Non-negotiable pricing	Phone call	Poor website quality, limited product range, minimum order quantity requirement for shipping costs.	23.863,28€	<b>None, no longer a main supplier in 2023</b>
<b>Laboratorio Cobas SL</b>	Trading house	<b>Low</b>	Non-negotiable pricing	Face-to-face merchant orders, phone call	Countertop product, product with therapeutic prescription, a must-have. High demand in the market.	22.605,02€	<b>High</b>
<b>Dietinor SL</b>	Trading house	<b>No alternatives</b> available; unique brand	Bulk discounts	Email	Product with therapeutic prescription. High-quality, expensive.	21.543,21€	<b>High</b>
<b>Prodibios SL</b>	Wholesaler	<b>High</b>	Non-negotiable pricing	Online, through their webpage	Own shipping logistics. Wide range of products. No minimum order required.	21.251,17€	<b>Low</b>
<b>Biogran SL</b>	Trading house	<b>Moderate</b> availability; alternatives predominantly offered by wholesalers	Direct bill discounts	Face-to-face merchant orders, webpage.	Varied food selection; strong quality-price relationship. Company with B Corp certification.	21.181,10€	<b>Moderate</b>
<b>Laboratorios Nutergia SL</b>	Trading house	<b>Moderate</b> , availability; alternatives predominantly offered by wholesalers	Bulk discounts	Email	Products with therapeutic prescription.	17.697,32€	<b>Moderate</b>
<b>Feliubadaló SA</b>	Wholesaler	<b>High</b>	Non-negotiable pricing	Webpage	Wide variety of products. Next-day delivery. Competitive prices on some items.	16.125,76€	<b>Low</b>

*Source:* Own elaboration based on direct insights and information provided by employees at HL

The detailed assessment within the table offers a comprehensive view of the bargaining power held by the main suppliers of HL. This analysis revealed that while dealing with wholesalers provides alternative sourcing options, certain wholesalers possess a stronger position due to their capability to ensure rapid deliveries. On the other hand, interactions with trading houses present greater options in negotiation. Considering these variables, HL must carefully navigate supplier relationships, leveraging alternatives to maintain advantageous terms and uphold profitability within its supply chain.

#### *2.2.2.5. Threat of substitute products or services*

HL faces a significant threat from substitute products, primarily due to the existence of potential alternatives in other industries, particularly in the pharmaceutical segment. The competitive landscape presents customers with various options to explore similar remedies or health solutions available at conventional pharmacies, creating a challenge for HL's market share. Ipsos' research (2022) emphasizes the prominence of pharmacies as a key player in the supplement market, revealing that approximately 63% of supplements are purchased through these channels, solidifying their position as a significant source for such products.

Moreover, the mentioned Ipsos' study identifies pharmacies as the second most trusted source of information for supplements among consumers, with doctors being the primary trusted source. This underscores the influence and credibility pharmacies hold in guiding consumers' choices. Despite HL's unique value propositions of personalized attention and holistic remedies, the availability of pharmaceutical products in regular pharmacies poses a considerable threat. These alternative sources not only offer a wide array of pharmaceutical solutions but also potentially divert customers' attention away from natural products, impacting HL's market penetration and consumer base. As customers increasingly rely on conventional pharmacies for their health-related needs, HL faces a pressing challenge in maintaining its distinct market positioning amidst growing competition and evolving consumer preferences.

Table 8 seeks to summarize the primary opportunities and threats associated with each aspect of the PORTER.

Table 8: Summary of key opportunities and threats out of PORTER's 5 Forces'

	OPPORTUNITIES	THREATS
<b>Rivalry among existing competitors</b>	<ul style="list-style-type: none"> <li>● <b>O11:</b> Distinction by offering specialized and varied products, personalized service, and a strong commitment to sustainability.</li> </ul>	<ul style="list-style-type: none"> <li>● <b>T14:</b> Intense rivalry within the market.</li> <li>● <b>T15:</b> Increase in the number of competitors utilizing e-commerce platforms.</li> <li>● <b>T16:</b> Lack of distinct products: substitutes found in rival stores, supermarkets and online platforms.</li> </ul>
<b>Threat of new entrants</b>	<ul style="list-style-type: none"> <li>● <b>O12:</b> Established brand advantages: e.g. economies of scale.</li> <li>● <b>O13:</b> Expertise in natural remedies.</li> <li>● <b>O14:</b> Well-established customer relationships.</li> </ul>	<ul style="list-style-type: none"> <li>● <b>T17:</b> Government policies impact in reducing entry barriers.</li> <li>● <b>T18:</b> Emergence of online retail platforms diminishing entry barriers.</li> </ul>
<b>Bargaining power of customers</b>	<ul style="list-style-type: none"> <li>● <b>O15:</b> Strategic approach to mitigate price-driven negotiations.</li> </ul>	<ul style="list-style-type: none"> <li>● <b>T19:</b> Customers making high-volume purchases hold a slightly stronger position in negotiations.</li> </ul>
<b>Bargaining power of suppliers</b>	<ul style="list-style-type: none"> <li>● <b>O16:</b> Multiple suppliers offering similar products: availability of alternative sourcing options.</li> </ul>	<ul style="list-style-type: none"> <li>● <b>T20:</b> Exclusive reliance on external suppliers.</li> <li>● <b>T21:</b> Challenges in dealing with trading houses.</li> </ul>
<b>Threat of substitute products or service</b>	<ul style="list-style-type: none"> <li>● <b>O17:</b> Competitive awareness of substitute products.</li> </ul>	<ul style="list-style-type: none"> <li>● <b>T22:</b> Alternative sources providing access to pharmaceutical solutions.</li> </ul>

Source: Own elaboration

### 2.3. Internal strategic analysis<sup>34</sup>

To achieve SO2's objective of analyzing HL's inner environment, an in-depth examination of its resources and capabilities is crucial. This will unveil the strengths and weaknesses that shape its internal landscape. This analysis methodology, often credited to Grant (1991), involves categorizing the company's assets into tangible and intangible resources.

On one hand, **tangible resources** refer to the physical assets held by a company. HL possesses two types of tangible resources: *physical* and *financial*. In terms of *physical resources*, HL maintains three stores that generate substantial annual sales figures: 724.296,56€ in Santutxu, 222.467,65€ in other quarters of Bilbao, and 416.156,13€ in Mungia, contributing to a net revenue of 1.362.920,34€ in 2022. Additionally, HL prides itself on a diverse inventory of holistic and natural wellness products, boasting over 60.000 items available in inventory and 5.000 in the physical store. This extensive selection, often delivered within 24 hours to meet customer demands, significantly enhances the overall

<sup>34</sup>The data in this section has been obtained from the balance sheets and income statements of the years 2021 and 2022 of the company HL. These accounts were acquired through the advisory services of Etxepare Advisory, a firm with which the company collaborates.

consumer experience. This wide range not only addresses diverse customer needs but also bolsters HL's market positioning and appeal to consumers.

As for *financial resources*, the company maintains a consistent treasury, reflecting a working capital of 354.159,63€<sup>35</sup> in 2022. Furthermore, it exhibits a high debt capacity, evidenced by a debt ratio of 0,15<sup>36</sup> in 2022, signifying that only 15% of the company's total assets are financed through debt. This low ratio indicates a reduced reliance on debt, which translates to enhanced financial stability and a lower susceptibility to financial difficulties.

However, the company faced setbacks in 2022, particularly in profitability. The Return on Assets (ROA) dropped to -0,018<sup>37</sup> in 2022, meaning it incurred a loss of 1,8 cents for every unit of assets. This downturn was largely attributed to two main reasons: high employee departure costs and the disposal of fixed assets to the owner, who is retiring in 2024 and opted to remove a significant portion of their assets from the company. This contrasts with the positive ROA of 0,13<sup>38</sup> in 2021. Similarly, the Return on Equity (ROE), dropped from 0,15<sup>39</sup> in 2021, to -0,02 in 2022<sup>40</sup>, due to the same factors.

On the other hand, **intangible resources** encompass information-based assets that often remain unseen within accounting data. They can be categorized into technological, commercial, and human origins. First, in terms of *human resources*, HL boasts a proficient team with adaptable and skilled employees who seamlessly operate across the company's three shops. Notably, the departure of two conflicting employees in 2022 resulted in a more committed and cohesive team, further reinforced by their higher-than-industry-standard remuneration (wages and salaries costs amounted to 335.877,07€ in 2022, supporting eight employees). Second, while the company currently lacks *technological resources*, plans are underway to acquire them.

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<sup>35</sup>This number was calculated using the following formula: Working Capital 2022 = Current Assets-Current Liabilities = 421.667,68-67.508,05

<sup>36</sup>This number was calculated using the following formula: Debt Ratio 2022 = Total Liabilities/Total Assets = 67.508,05/445.997,54

<sup>37</sup>This number was calculated using the following formula: ROA 2022 = Net Income / Total Assets = -8.023,46/445.997,54

<sup>38</sup>This number was calculated using the following formula: ROA 2021=Net Income/Total Assets = 70.485,13/535.417,27

<sup>39</sup>This number was calculated using the following formula: ROE 2021 = Net income/Shareholders' Equity = 70.485,13/(535.417, 27-78.904,32)

<sup>40</sup>This number was calculated using the following formula: ROE 2022 = Net income/Shareholders' Equity = -8.023,46/(445.997,54-67.508,05)

Lastly, in terms of *commercial resources*, the company holds the trademark ownership of “Herboristería Leizuri”, supported by a strong reputation forged over its 40-year existence. HL distinguishes itself through personalized customer service, effectively addressing customer needs, and upholding product quality and reliability. Furthermore, the company prioritizes building lasting relationships with both customers and suppliers. Prompt payment of bills is one aspect of this approach, which helps build trust with suppliers and contributes to a strong reputation and positive standing within the market. Additionally, beyond its customer-centric approach, which fosters long-term partnerships, HL prioritizes sustainability efforts that impact both value and quality for its customers. Responsible sourcing, minimal environmental impact, and eco-friendly product options resonate with environmentally conscious consumers, solidifying HL’s reputation as a responsible and trustworthy brand.

From the interplay between the mentioned tangible and intangible resources emerge the company’s **capabilities**, forming the foundation for sustainable competitive advantage. These capabilities encompass various facets. First, the company boasts *human capabilities*, with a group of knowledgeable and experienced employees. In a dynamic industry, these adaptable workers continuously enhance their skills by participating in webinars conducted by trading houses, alongside frequent interactions with merchants, thereby constantly upgrading their knowledge base. The skilled and committed workforce contributes significantly to exceptional customer service and comprehensive product knowledge. This conducive working environment, coupled with fair remuneration, fosters a sense of ownership among employees, leading to a collective commitment to the company’s success.

Additionally, the company holds robust *commercial capabilities*. Its strong brand recognition, along with personalized attention and a reputation for trustworthiness, solidifies its position in the market. HL possesses valuable intellectual property related to natural remedies, supporting product differentiation. The company’s emphasis on customer satisfaction is evident as it effectively addresses the minimal number of complaints, where nearly all instances lead to product exchanges, fostering trust and loyalty.

Moreover, brief financial analysis shows strong *financial capabilities*. Notably, the company has positive operational capital, increasing from 326.671,65€<sup>41</sup> in 2021 to 354.159,63€<sup>42</sup> in

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<sup>41</sup>This number was calculated using the following formula: Operating Capital 2021 = Current Assets–Current Liabilities= 405.575,97-78.904,32

<sup>42</sup>This number was calculated using the following formula: Operating Capital 2022 = Current Assets–Current Liabilities= 421.667,68-67.508,05



2022. This indicates the company has more readily available cash (current assets) than short-term liabilities, demonstrating a healthy financial position.

Building on its positive operational capital growth, HL exhibits strong short-term financial stability, as evidenced by key liquidity ratios. Firstly, the short-term solvency ratio stood at 5,14<sup>43</sup> in 2021 and increased to 6,24<sup>44</sup> in 2022. This illustrates that for every monetary unit of short-term debts and obligations, the company allocates 5 and 6 monetary units respectively to current assets, ensuring the settlement of these obligations upon maturity. Secondly, the liquidity ratio, measuring 4,63<sup>45</sup> in 2021 and 5,60<sup>46</sup> in 2022, indicates the company's capacity to cover short-term debts. Additionally, the immediate liquidity ratio, recording 2,91<sup>47</sup> in 2021 and increasing to 3,60<sup>48</sup> in 2022, demonstrates HL's ability to meet immediate obligations. However, despite strong liquidity positions, HL holds substantial amounts in cash equivalents (229.617,83€ in 2021 and 243.676,68€ in 2022), while partially invested in fixed-term deposits (70.000€ in 2021 and 100.000€ in 2022), indicate possible underutilized resources and missed opportunity costs. Furthermore, HL maintains long-term financial stability, demonstrated by the long-term solvency ratio<sup>49</sup>, marking 6,79<sup>50</sup> in 2021 and 6,61<sup>51</sup> in 2022. This denotes that HL holds almost 7 times more assets than long-term debts, showcasing a robust ability to meet future debt obligations.

Furthermore, the company boasts *organizational capabilities* evident in its successful 40-year operation and management of an inventory comprising 5.000 diverse products in the shop and more than 60.000 references. However, there is a need for an upgraded planning and control system, given the existing storage issues, where inaccuracies in documentation occasionally lead to duplicate orders or missing products.

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<sup>43</sup>This number was calculated using the following formula: Short-Term Solvency Ratio 2021 = current assets/current liabilities = 405.575,97/78.904,32

<sup>44</sup>This number was calculated using the following formula: Short-Term Solvency Ratio 2022 = current assets/current liabilities = 421.667,68/67.508,05

<sup>45</sup>This number was calculated using the following formula: Liquidity Ratio 2021 = (certain receivables+cash and cash equivalents)/current liabilities = ((1.287,14+134.546)+229.617)/78.904,32

<sup>46</sup>This number was calculated using the following formula: Liquidity Ratio 2021 = (certain receivables+cash and cash equivalents)/current liabilities = (134.546+243.676,68)/67.508,05

<sup>47</sup>This number was calculated using the following formula: Immediate Liquidity Ratio 2021 = cash and cash equivalents/current liabilities = 229.617,83/78.904,32

<sup>48</sup>This number was calculated using the following formula: Immediate Liquidity Ratio 2022 = cash and cash equivalents/current liabilities = 243.676,68/67.508,05

<sup>49</sup>Also known as the total, guarantee, or distance to bankruptcy ratio.

<sup>50</sup>This number was calculated using the following formula: Long-Term Solvency Ratio 2021 = total assets/total liabilities = 535.417,27/78.904,32

<sup>51</sup>This number was calculated using the following formula: Long-Term Solvency Ratio 2022 = total assets/total liabilities = 445.997,54/67.508,05

Recognizing and leveraging these resources and capabilities effectively will be crucial for the company to navigate the dynamic market landscape, take advantage of these strengths, and sustain its growth trajectory.

To conclude the internal analysis, we will focus on the **value chain** of HL, based on Porter's Value Chain framework (1985). HL's value chain seamlessly integrates primary activities that directly transform inputs into outputs with secondary activities that provide support and infrastructure.

Starting with *primary activities*, HL carefully chooses reputable suppliers, ensuring a consistent supply of high-quality natural products. Careful storage and handling preserve the integrity of these inputs. Moreover, HL's knowledgeable staff guides customers in selecting the most suitable natural remedies and supplements based on individual needs and preferences. HL meticulously selects and presents its products in an attractive and informative manner, enhancing customer engagement and product appeal. Additionally, HL's efficient outbound logistics system ensures timely and efficient fulfillment of customer orders. While HL's marketing strategy currently focuses on in-store promotions, it lacks digital marketing.

Moving on to the *secondary activities*, HL fosters strong supplier relationships to ensure a steady supply of high-quality raw materials. Through strong supplier partnerships and effective negotiation, HL secures favorable pricing terms while maintaining open communication to ensure a reliable supply chain. While HL could benefit from investing in optimized technologies to enhance its operations, the company prioritizes the recruitment and development of a knowledgeable and passionate team. Finally, in terms of company infrastructure, Leizuri manages an inventory of over 60.000 references, shipping products to the other stores once or twice a day. However, inventory organization and control could be further optimized to enhance efficiency and accuracy.

Overall, HL's value chain is a well-structured and integrated system that has enabled the company to establish itself as a leading provider of natural wellness products. However, to further enhance its competitiveness and expand its market reach, HL should focus on strengthening its digital marketing presence, investing in technology development to streamline operations, and optimizing inventory management.

Table 9 aims to encapsulate the key strengths and weaknesses identified in the internal analysis, laying the foundation for the internal SWOT analysis.

**Table 9: Summary of key strengths and weaknesses out of INNER analysis**

		STRENGTHS	WEAKNESSES
TANGIBLE RESOURCES	<i>Physical Resources,</i>	<ul style="list-style-type: none"> <li>● <b>S1:</b> Strong sales performance: the company has three stores generating substantial annual sales.</li> <li>● <b>S2:</b> Diverse product inventory: diverse range of holistic and natural wellness products, both in-store and in inventory, meeting diverse customer needs and enhancing market positioning.</li> <li>● <b>S3:</b> Consumer-centric approach: delivery of a comprehensive product range within 24 hours aligns with customer demands, enhancing the overall consumer experience.</li> </ul>	<ul style="list-style-type: none"> <li>● <b>W1:</b> Lack of technological sophistication and a slightly outdated information system.</li> </ul>
	<i>Financial Resources</i>	<ul style="list-style-type: none"> <li>● <b>S4:</b> Financial stability: HL demonstrates a consistent treasury and high debt capacity.</li> </ul>	<ul style="list-style-type: none"> <li>● <b>W2:</b> Financial performance deterioration and profitability challenges in 2022.</li> </ul>
	<i>Human Resources</i>	<ul style="list-style-type: none"> <li>● <b>S5:</b> Adaptable and skilled employees operating across multiple shops.</li> <li>● <b>S6:</b> Improved teamwork and commitment due to the departure of conflicting employees.</li> <li>● <b>S7:</b> Higher-than-industry-standard remuneration supporting employee retention and fostering loyalty.</li> </ul>	No specific weaknesses have been identified.
INTANGIBLE RESOURCES	<i>Technological Resources</i>	No specific strengths have been identified.	<ul style="list-style-type: none"> <li>● <b>W3:</b> Non-functional and outdated website.</li> <li>● <b>W4:</b> Lack of digital inventory.</li> <li>● <b>W5:</b> Lack of a customer loyalty program.</li> </ul>
	<i>Commercial Resources</i>	<ul style="list-style-type: none"> <li>● <b>S8:</b> Trademark ownership of “Herboristería Leizuri” with a 40-year strong reputation.</li> <li>● <b>S9:</b> Personalized customer service that effectively addresses customer needs.</li> <li>● <b>S10:</b> Emphasis on product quality and reliability.</li> <li>● <b>S11:</b> Establishment of lasting relationships with customers.</li> <li>● <b>S12:</b> Prompt payment of bills, building trust and solidifying reputation with suppliers.</li> <li>● <b>S13:</b> Sustainability commitment.</li> </ul>	<ul style="list-style-type: none"> <li>● <b>W6:</b> Lack of e-commerce.</li> <li>● <b>W7:</b> Lack of consistent, impactful, and coherent social media presence.</li> <li>● <b>W8:</b> Outdated brand image: outdated old-style logo not suitable for modern platforms, outdated business cards with an old-fashioned design and missing information.</li> </ul>

<b>CAPABILITIES</b>	<b><i>Human Capabilities</i></b>	<ul style="list-style-type: none"> <li>● <b>S14:</b> Experienced and knowledgeable employees with long-term dedication.</li> <li>● <b>S15:</b> Adaptability and continuous skill enhancement through webinars and interactions with traders.</li> <li>● <b>S16:</b> Exceptional customer service and in-depth product knowledge.</li> <li>● <b>S17:</b> Positive working environment and fair remuneration leading to a sense of ownership and commitment among employees.</li> </ul>	<p>No specific weaknesses have been identified.</p>	
	<b><i>Commercial Capabilities</i></b>	<ul style="list-style-type: none"> <li>● <b>S18:</b> Strong brand recognition and reputation.</li> <li>● <b>S19:</b> Valuable intellectual property related to natural remedies, supporting product differentiation.</li> <li>● <b>S20:</b> Emphasis on customer satisfaction, evident through effective complaint resolution and trust-building.</li> <li>● <b>S21:</b> Reputation for quality products and adeptness in addressing customer needs, leading to enhanced customer satisfaction and trust.</li> </ul>		<ul style="list-style-type: none"> <li>● <b>W9:</b> Lack of in-depth knowledge of new market trends, especially related to digitization.</li> <li>● <b>W10:</b> Lack of a Point On Sale (POS) system.</li> <li>● <b>W11:</b> Limited knowledge in technology management.</li> </ul>
	<b><i>Financial Capabilities</i></b>	<ul style="list-style-type: none"> <li>● <b>S22:</b> Robust financial capabilities demonstrated through positive operational capital and short-term financial surplus.</li> <li>● <b>S23:</b> High short-term solvency and liquidity ratios indicate the company's ability to meet short-term obligations.</li> <li>● <b>S24:</b> Favorable long-term solvency ratio shows strong capacity to cover long-term debts.</li> </ul>		<ul style="list-style-type: none"> <li>● <b>W12:</b> Challenges related to unused resources despite investing part of the funds, leading to incurred opportunity costs.</li> </ul>
	<b><i>Organizational capabilities</i></b>	<ul style="list-style-type: none"> <li>● <b>S25:</b> Successful 40-year operation in the industry.</li> <li>● <b>S26:</b> Management of an extensive inventory of 5.000 diverse products in the shop and 60.000 references.</li> </ul>		<ul style="list-style-type: none"> <li>● <b>W13:</b> Need for an upgraded planning and control system to address storage issues and inaccuracies in documentation leading to duplicate orders or missing products.</li> </ul>

*Source: Own elaboration*

## 2.4. Strategic diagnosis of the company's situation: SWOT analysis

Building upon the previous sections' findings, this section conducts a strategic diagnosis of HL's situation through the SWOT analysis. This comprehensive tool assesses the company's Strengths, Weaknesses, Opportunities, and Threats, offering a holistic understanding of its internal and external environment. Therefore, this in-depth analysis aligns with SO3, enabling a well-informed understanding of HL's strategic position. Tables 5 and 8 detail the external SWOT analysis (Opportunities and Threats), while Table 9 focuses on the internal SWOT analysis (Strengths and Weaknesses). By combining these internal and external factors, as explored in the tables, four fundamental types of strategies can be generated, outlined in Table 10.

Table 10: Strategies (grouped by approaches) out of the SWOT analysis

OFFENSIVE APPROACHES (OA)	OPPORTUNITIES	STRENGTHS	AIM OF THE STRATEGY
<b>OA1: E-commerce expansion</b>	Digitalization support (O4), Spain's resilient economy (O5), and increased online sales (O7)	Strong sales performance (S1), a diverse product inventory (S2), and a consumer-centric approach (S3)	Expand online market share and customer base by creating an e-commerce platform, enhancing competitiveness in the digital landscape.
<b>OA2: Tailored solutions for the elderly population</b>	Growing elderly population's needs (O6), specialized and varied products, personalized serve and sustainability commitment (O11), established brand advantages (O12) and expertise in natural remedies (O13)	Diverse product inventory (S2), personalized customer service (S9), knowledgeable employees (S14) with continuous skill enhancement (S15), renowned quality products and adaption to customers needs (S21)	Develop tailored, eco-conscious solutions that align with the specific needs and values of the elderly population. This will foster trust and demonstrate HL's unwavering commitment to providing safe and sustainable solutions for the aging population.
<b>OA3: Promotion of sustainable practices</b>	Government support for sustainable practices (O10)	Sustainability commitment (S13) and robust brand recognition (S18)	Strategically align sustainability initiatives with relevant government agendas, particularly the Sustainable Development Goals (SDGs), to enhance market standing and solidify HL's reputation as an environmentally conscious brand that resonates with consumer values and government initiatives.
<b>OA4: Social media growth plan amplified by digitalization support</b>	Digitalization support (O4), increased social media platform usage (O7) and well-established customer relationships (O14)	Strong brand recognition (S18) and emphasis on customer satisfaction (S20)	Integrate digitalization support into HL's social media growth plan to boost brand awareness, engage new audiences, nurture customer relationships, and drive sales.

REORIENTATION APPROACH (RA)	OPPORTUNITIES	WEAKNESSES	AIM OF THE STRATEGY
<b>RA1: Brand image revitalization and social media enhancement for consistent online presence</b>	Digitalization support (O4), increased social media platform usage (O7) and distinctive offering of specialized and varied products, personalized service, and a strong commitment to sustainability (O11)	Inconsistent and ineffective social media presence (W7) and outdated brand identity (W8)	Modernize HL's brand identity by refreshing the logo redesigning business cards, and ensuring uniform logo representation on all social media channels. The aim is to strengthen HL's brand identity, elevate customer engagement, and fortify its competitive position in the digital landscape.
<b>RA2: Optimizing resource management and efficiency</b>	Availability of alternative sourcing options (O16)	Underutilized resources (W12) and storage issues and inaccuracies (W13)	Introducing an advanced planning and control system to streamline operations, eliminate redundancies, improve product management precision, amplify efficiency levels, and enhance cost-effectiveness within HL's operations.
DEFENSIVE APPROACH (DA)	THREATS	STRENGTHS	AIM OF THE STRATEGY
<b>DA1: Strengthening competitive positioning and innovation</b>	Intense market rivalry (T14) and lack of distinct products (T16)	Diverse product inventory (S2), personalized customer service (S9), emphasis on product quality (S10), prompt payment of bills (S12) and sustainability commitment (S13)	Drive product differentiation through innovation, with a focus on sustainable offerings that resonate with eco-conscious consumers and set the company apart from competitors.
<b>DA2: Digitalization readiness and workforce upskilling</b>	Customer behavior shifts towards digitalization (T4), complexity in adapting to rapid digitalization (T5), increasing market competition due to e-commerce (T6), challenges in keeping up with evolving digital advertising strategies (T7), digitalization gap (T8) deficit in employed ICT specialists (T9)	Financial stability (S4), adaptable and skilled employees (S5), continuous skill enhancement of employees (S15) and robust financial position (S22, S23, S24)	Strategically invest in upskilling the workforce and enhancing digital technology integration to align with evolving digital trends and reduce the impact of e-commerce competition. This investment should include hiring an ICT specialist to oversee and implement digital technology integration strategies.
<b>DA3: Customer-centric resilience amid economic challenges</b>	Economic challenges (T3), changing customers expectation due to environmental consciousness (T13) and rivalry within the market (T14)	Customer-centric approach (S3), adaptable employees (S5), top tier compensation (S7), lasting relationship with customers (S11), experienced staff (S14), continuous skill enhancement (S15), exceptional customer service (S16) and conducive working environment (S17)	Cultivate a workforce capable of delivering exceptional, personalized service, empowered by the skills and motivation to advocate for sustainable practices. Integrate these practices seamlessly into customer interactions, showcasing HL's commitment to environmental responsibility. This comprehensive approach will not only enhance customer satisfaction, but also attract environmentally conscious customers.

<b>DA4: Strengthening sustainability commitment</b>	Increased pressure to implement sustainable practices (T11), escalating transition costs (T12), changing consumer expectations (T13) and threat posed by alternative pharmaceutical sources (T22)	Sustainability commitment (S13) and robust financial capabilities (S22, S23, S24)	Address sustainability concerns, meet consumer expectations, and mitigate transition costs by aligning with evolving industry norms and showcasing HL as an eco-conscious brand through awareness campaigns focused on natural and sustainable products.
<b>SURVIVAL APPROACH (SA)</b>	<b>THREATS</b>	<b>WEAKNESSES</b>	<b>AIM OF THE STRATEGY</b>
<b>SA1: Creation of digital inventory</b>	BATUZ implementation (T2) and gap in business digitalization (T8)	Lack of technology sophistication (W1), lack of digital inventory (W4), lack of POS system (W10), limited technology skills (W11) and inadequate inventory control system (W13)	Implement a robust inventory management system to streamline operations, reduce errors, and enhance compliance with industry standards and regulatory requirements. This will mitigate administrative burdens, reduce costs, and establish a more resilient and efficient operational framework.
<b>SA2: Customer loyalty program</b>	Changing economic trends (T3), increasing market competition due to e-commerce (T6), intense market rivalry (T14) and lack of unique products (T16)	Lack of customer loyalty program (W5)	Introduce a comprehensive customer loyalty program that leverages digital platforms to enhance customer engagement, retention, and brand loyalty. This will enable HL to adapt to evolving consumer preferences, establish itself as a distinct choice in a market lacking unique products, and navigate changing economic trends effectively.
<b>SA3: Website upgrade and E-commerce launch</b>	Shift in customer behavior towards digitalization (T4), e-commerce surge (T6), absence of an e-commerce platform (T15) and emergence of online retail platforms (T18)	Non-functional and outdated website (W3) and lack of e-commerce (W6)	To stay competitive in the face of growing online retail and customer digitalization, HL will improve the website's navigation, search functionality, and mobile responsiveness, and introduce a user-friendly e-commerce platform. This comprehensive approach will position HL to capture a significant share of the online market.
<b>SA4: Enhanced social media marketing</b>	Challenges for businesses in keeping up with effective and evolving marketing strategies (T7)	Inconsistent and ineffective social media presence (W7)	To heighten brand awareness and engagement, HL will implement targeted social media marketing campaigns on platforms such as Facebook and Instagram. This will cultivate a strong online community through compelling content that resonates with the target audience. Additionally, personalized advertising campaigns showcasing HL's unique product range and offers will be launched to attract new customers based on their preferences and purchase history.

Source: Own elaboration

## 2.5. Firm's growth – future proposal

Based on the strategic analysis conducted on the company's current situation, the following sections encompass a detailed outline of the future growth proposals for the firm, therefore aligning with SO4. This strategic roadmap is designed to address various facets critical for the company's evolution and sustained success.

### 2.5.1. Defining company strategic objectives

The firm's core mission focuses on enabling individuals on their holistic wellness journey by gathering a specialized selection of products and natural remedies while offering expert guidance. This personalized approach goes beyond simply selling products; it aims to nurture a healthier, more balanced life. By prioritizing customer-centricity at every step, the firm recognizes that satisfied customers are the true lifeline of any business<sup>52</sup>.

With the mission at the forefront and having completed the SWOT analysis, it is time to formulate and propose strategic objectives. To effectively guide this process, the Balanced Scorecard (BSC) framework will be utilized. This methodology, as defined by Kaplan and Norton (1996), segments objectives and indicators into four key perspectives: financial (F), customer (C), internal processes (IP), and development of people and learning (D&L).

Table 11: BSC

Objective	Objective perspective	Indicator	Goal	Initiatives	Date
<b>SP1:</b> Leverage government aid through the Kit Digital program and Eus-COMMERCE	F	Utilization of government program	Participate in Kit Digital and Eus-COMMERCE programs	Actively enroll in the Kit Digital and Eus-COMMERCE initiatives, engaging proactively in these programs.	31/12/2024
<b>SP 2:</b> Optimize financial resource utilization	F	Liquidity ratio and immediate liquidity ratio	Liquidity ratio and immediate liquidity ratio of 1	Effective resource management to achieve desired liquidity.	31/12/2024
<b>SP 3:</b> Launch of E-commerce platform	F, C	Number of sales, traffic on the website	Increase traffic on the website to attract new customer, start selling online and increase the sales by 10% each year	1) Abilitate the shopping option on the actual website. 2) Introduction of a complete functional e-commerce.	1) 31/01/2024 2) 31/12/2024
<b>SP 4:</b> Update website and improve functionality	C	Number of products updated	Upload 1.000 most sale products to the website	Revise the product offerings by eliminating outdated items. Enhance the imagery and descriptions of the current products.	Deletion: 15/03/2024 Update and upload: 31/12/2024

<sup>52</sup>Information collected during an informal, unstructured interview conducted with the owner on June 15th, 2023.



<b>SP 5:</b> Implement a structured customer loyalty program	C	Customer spending, customer retention	Increase customer loyalty (increase loyal customers by 5%) and spending per customer (10%)	Introduction of a effective loyalty program for all customers.	31/12/2024
<b>SP 6:</b> enhance brand presence and engagement on selected social media platforms	C	Growth in presence and engagement on chosen social media platforms	Boost brand awareness in the digital sphere	1) Select the most suitable social media platforms for business engagement. 2) Strategize content plans for social media platforms, aligning with business objectives.	1) 31/01/2024 2) Each year
<b>SP 7:</b> revitalize brand image and awareness	C	Surge in brand recognition	Enhance brand identity and awareness	1) Develop a new logo and business cards redesign. 2) Standardize the company's logo across platforms.	31/01/2024
<b>SP 8:</b> Ensure seamless digital inventory management across all three shops	IP	Families inventoried per shop	Efficient inventory management system	Implement seamless and accurate inventory organization by product families across all shops.	31/09/2014
<b>SP 9:</b> Upskilling workforce and enhancing digital technology integration, consider hiring ICT specialists	D&L	Proficiency in Visual Gest <sup>53</sup> and WordPress <sup>54</sup>	Train Employees on basic Visual Gest WordPress knowledge	1) Skill enhancement programs. 2) ICT specialist recruitment.	1) 31/06/2024 2) 31/12/2024
<b>SP 10:</b> Cultivate a robust framework for corporate social responsibility (CSR) by introducing sustainable initiatives aligned with SDG goals	D&L	Number of implemented initiatives annually	Implement a minimum of 3 sustainable initiatives annually aligned with SDG goals	Framework development for sustainable initiatives aligned with SDG goals.	Each year

Source: Own elaboration

### 2.5.2. Strategic growth projects development portfolio

Several initiatives have been proposed for development (outlined on Table 12), with prioritization placed on feasible projects that align with established strategic objectives. While digitalization remains a core focus, sustainability and customer centricity will also be addressed through dedicated efforts.

**Table 12: Portfolio of projects for development**

<b>PROJECT 1</b>	<b>CSR FRAMEWORK CULTIVATION</b> Introducing sustainable initiatives aligned with SDG goals
<b>PROJECT 2</b>	<b>BRAND REVITALIZATION</b> Enhancing identity and market presence

<sup>53</sup> The current software leveraging the HL commerce provided by Cove Norte S.A.

<sup>54</sup> The current software behind the website of HL.

<b>PROJECT 3</b>	<b>DIGITAL INVENTORY CREATION</b> Streamlining operational efficiency
<b>PROJECT 4</b>	<b>COMPREHENSIVE DIGITAL STOREFRONT ENHANCEMENT</b> Strengthen online presence through strategic social media engagement and improve the webpage, including the creation of an e-commerce platform
<b>PROJECT 5</b>	<b>CUSTOMER LOYALTY PROGRAM DEVELOPMENT</b> Fostering client relationships

*Source: Own elaboration*

This following section provides a detailed breakdown of the project’s objectives, achievements, and progress made. This comprehensive overview clarifies the project’s scope, identifies key milestones, and showcases the achievements to date, as of February 9th 2024, directly contributing to SO5’s objective of analyzing current outcomes and proposing future success strategies for HL.

#### 2.5.2.1. *Project 1: CSR framework cultivation*

Driven by its core values of sustainability and environmental responsibility, the company has undertaken various initiatives to align with the 2030 Agenda for Sustainable Development. This commitment extends beyond its current CSR framework, with planned future initiatives specifically targeting key SDGs. As highlighted in Table 13, these ongoing and planned endeavors directly contribute to several goals, showcasing the company’s approach to integrating sustainable business practices within its CSR strategy.

Table 13: Alignment of firm’s sustainable initiatives (SI) with SDGs

<b>INITIATIVE</b>	<b>LINKED SDG(S)</b>	<b>EXPLANATION</b>	<b>STATUS</b>
<b>Introduction of potato starch and cardboard bags (SI1)</b>	<ul style="list-style-type: none"> <li>● SDG 12: Responsible Consumption and Production</li> <li>● SDG 13: Climate Action.</li> </ul>	By reducing the usage of traditional plastic bags, this initiative helps mitigate the environmental impact on climate change, contributing to SDG 13. It indirectly promotes good health by reducing exposure to harmful chemicals associated with plastic pollution (SDG 12).	<b>Applied</b>
<b>Packaging shipments in recycled cardboard materials (SI2)</b>	<ul style="list-style-type: none"> <li>● SDG 12: Responsible Consumption and Production</li> <li>● SDG 13: Climate Action.</li> </ul>	The use of recycled cardboard mitigates carbon emissions and conserves natural resources, aligning with SDG 13. Additionally, it promotes good health by minimizing exposure to toxins from the recycling process compared to producing new materials (SDG 12).	<b>Applied</b>
<b>Establishment of a comprehensive waste recycling system (SI3)</b>	<ul style="list-style-type: none"> <li>● SDG 12: Responsible Consumption and Production</li> <li>● SDG 13: Climate Action</li> <li>● SDG 14: Life Below Water</li> <li>● SDG 15: Life on Land</li> </ul>	Rigorous waste management practices safeguard ecosystems and contribute to SDGs 14 and 15 by minimizing pollution and conserving natural resources. Additionally, efficient waste management practices mitigate greenhouse gas emissions and support climate action (SDG 13).	<b>Applied</b>

<b>Offering organic and seasonal fruits/vegetables from local farmers (SI4)</b>	<ul style="list-style-type: none"> <li>● SDG 3: Good Health and Well-being</li> <li>● SDG 13: Climate Action</li> <li>● SDG 14: Life Below Water</li> <li>● SDG 15: Life on Land</li> </ul>	Local sourcing reduces carbon emissions from transportation (SDG 13) and supports healthier eating habits, contributing to good health (SDG 3). Organic farming practices also support biodiversity and sustainable land use (SDGs 14 and 15).	<b>Applied</b>
<b>Introduction of an outlet section for near-expiration products (SI5)</b>	<ul style="list-style-type: none"> <li>● SDG 3: Good Health and Well-being</li> <li>● SDG 12: Responsible Consumption and Production</li> <li>● SDG 13: Climate Action</li> </ul>	Reducing food waste promotes well-being by enhancing access to affordable nutrition and promoting sustainable consumption patterns. This aligns with SDG 3 and indirectly contributes to climate action (SDG 13).	<b>Future initiative</b>
<b>Implementation of “Too Good To Go” app for food waste reduction (SI6)</b>	<ul style="list-style-type: none"> <li>● SDG 2: Zero Hunger</li> <li>● SDG 12: Responsible Consumption and Production</li> <li>● SDG 13: Climate Action</li> </ul>	The “Too Good To Go” app helps reduce food waste (SDG 2) by allowing customers to purchase surplus food from shops at a discounted price. Moreover, it aligns with SDG 12 by promoting efficient resource use and reducing the environmental impact of food production and disposal (SDG 13).	<b>Future initiative</b>
<b>Community engagement for holistic health (SI7)</b>	<ul style="list-style-type: none"> <li>● SDG 3: Good Health and Well-being,</li> <li>● SDG 17: Partnerships for the Goals</li> </ul>	Collaborating with local communities through workshops or seminars on holistic health promotes good health practices and fosters partnerships for sustainable development, aligning with SDGs 3 and 17. An upcoming initiative involves partnering with SEAE’s initiative “ <i>Comunica que Alimenta</i> ” to further amplify awareness about the significance of organic production in achieving the SDGs.	<b>Future initiative</b>
<b>Energy efficiency in-store (SI8)</b>	<ul style="list-style-type: none"> <li>● SDG 7: Affordable and Clean Energy</li> </ul>	Implementing energy-efficient practices such as LED lighting or renewable energy sources within the store contributes to reducing the carbon footprint and aligns with SDG 7.	<b>Future initiative</b>
<b>Educational campaigns on sustainable living (SI9)</b>	<ul style="list-style-type: none"> <li>● SDG 4: Quality Education</li> <li>● SDG 13: Climate Action</li> </ul>	Launching educational campaigns to raise awareness about sustainable living, holistic health, and environmental sustainability aligns with SDGs 4 and 13, promoting education and action towards climate mitigation.	<b>Future initiative</b>
<b>Implement a zero-paper policy (SI10)</b>	<ul style="list-style-type: none"> <li>● SDG 12: Responsible Consumption and Production</li> <li>● SDG 13: Climate Action</li> </ul>	Implementing a zero-paper policy by digitizing all documentation and investing in advanced technological equipment therefore, eliminating paper usage entirely. This strategic decision not only streamlines operations, significantly boosting efficiency but also substantially reduces environmental impact by minimizing paper waste, aligning with SDG 12 and 13.	<b>Future initiative</b>

Source: own elaboration

In the last several months, from June 2023 to January 2024, the company has made significant progress in implementing initiatives aligned with the 2030 Agenda (SP10). Out of six proposed future initiatives on Table 13, four have been selected for full implementation in 2024: SI5, SI6, SI7, and SI9, adhering to the set goal for SP10.

One notable achievement is the introduction of an outlet section (SI5) for near-expiration products in November 2023. This initiative has been remarkably successful, resulting in a substantial reduction of wasted products by 66,67%<sup>55</sup>.

Moreover, the company is also planning to implement three additional initiatives in the coming months. In April 2024, the “Too Good to Go” app will be introduced (SI6) to facilitate the sale of surplus fresh products (bread, fruits, fridge items, and vegetables). This app will help to further reduce food waste and provide customers with discounted food items.

Additionally, to address the growing demand for sustainable food production, two key initiatives are planned to be launched in September 2024, both designed to raise awareness and drive positive change. Firstly, educational campaigns (SI9) will advocate for sustainable food systems and encourage the consumption of eco-friendly and organic options. Aligning with the SDGs, these campaigns aim to raise crucial consumer awareness about sustainable production and consumption practices, highlighting the urgent need for a transformative shift in the food system<sup>56</sup>. In addition, community engagement initiatives (SI7) will foster collaboration and education. A key feature is the partnership with SEAS’s “Comunica que alimenta” campaign. This proactive and transformative program educates consumers about the benefits of organic production and how it contributes to achieving the SDGs.

Finally, even if it will not be fully implemented in 2024, significant progress has been made towards the zero paper policy (SI10), demonstrating a strong commitment to reducing paper usage. The company has already transitioned from fax to WhatsApp and email communication for order placements, minimizing paper consumption and improving internal processes. While there’s still room for improvement in eliminating paper-based order notes, HL is introducing a new labeling system that replaces individual price tags with shelf-mounted price labels, further reducing waste and enhancing customer convenience. In the near future, the goal is to transition to electronic shelf labels to achieve even greater efficiency and environmental savings.

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<sup>55</sup>The effectiveness of the outlet section in reducing food waste was evaluated by analyzing sales data from two Bilbao stores: Santutxu and other quarters, between November 6, 2023, when the outlet section was introduced, and December 31, 2023. The results demonstrate a significant reduction, with an average of 66,67% of products placed in the outlet sections of both stores being sold. Specifically, at the Santutxu store, 25 out of 38 products (65,79%) were sold, representing a reduction in food waste compared to close to end products not placed in the outlet section. Similarly, the other store saw 9 out of 13 products (69,23%) sold, reducing food waste.

<sup>56</sup>This idea has been drawn from the presentations at the ICEM 2023 conference, specifically inspired by the work of Magali Pino et. al.: “*Feeling Ready? The Interplay Between Digital Readiness and Sustainable Growth in the European Food Industry*”.

In conclusion, sustainability stands as a foundational principle deeply embedded within the company's core values. The company is making substantial progress in implementing sustainable initiatives, demonstrating a strong commitment. Together with existing initiatives, these efforts underscore the company's unwavering commitment to reducing its environmental impact and promoting sustainable practices.

#### 2.5.2.2. Project 2: Brand revitalization

Project 2 focuses on a comprehensive brand revitalization initiative to refresh HL's image, strengthen its market position, and establish a more impactful brand identity. The project focused on two key aspects.

First to revitalize its brand, HL embarked on a comprehensive logo redesign, replacing its outdated logo with two modern, versatile versions, black and white (see Figure 3).

Figure 3: Brand evolution: logo transformation



Source: Provided by the company, own elaboration

As Figure 3 illustrated, the before logo showcases a traditional single-color palette with an outdated aesthetic, failing to establish a strong brand identity. The horizontal layout poses challenges in scalability and flexibility, making reproduction difficult in smaller sizes or across diverse mediums without compromising clarity.

In contrast, drawing inspiration from the 2023 Mentoring program, the new logo embraces a modern and streamlined aesthetic. This modernity is achieved through simplified elements, a versatile color palette, and scalable typography, enhancing visibility and aligning with contemporary design trends, ultimately fostering a lasting and impactful impression. Moreover, the redesigned logo is optimized for scalability, ensuring its clarity and legibility even in the smallest formats. The new logo was included in Facebook, TikTok, Instagram, WhatsApp Business (with custom logos for each shop's profile), Google Business Profiles, the company's website, and the EUP marketplace. It was also incorporated into Instagram and

Facebook stories and across all social media posts. This contributes to improved brand consistency and recognizability across various platforms.

The modernized brand identity, consistently applied across all platforms, strengthened HL's presence in the dynamic market landscape, aligning with its evolving brand positioning (SP7). The logo transformation, completed in June 2023, marked the first step in HL's comprehensive brand revitalization initiative.

Secondly, to further enhance brand consistency, individual business cards were designed for each store and service, in total eight unique versions for each service and location, featuring the new logo prominently. Introduced in January 2024, these cards replaced older versions to ensure consistent brand messaging. The slight delay in implementation allowed for responsible use of remaining stock before transitioning to the new design.

**Figure 4: Brand evolution: presentation cards transformation**



*Source:* Provided by the company, own elaboration

Figure 4 presents a comprehensive comparison between the former and current versions of the company's business cards. The previous design reflected a traditional aesthetic that lacked appeal, failed to personalize the information for the distinct offerings across the three shop locations, and exhibited inaccuracies in social media details. In contrast, the current representation reflects a contemporary and tailored appearance that caters specifically to each shop and its unique services. Moreover, the updated card rectifies typos present in the previous version, ensuring accuracy in all displayed information. Additionally, the new business card

features a QR code directly linking to the company's WhatsApp account, facilitating seamless communication and customer engagement.

Overall, this transformation reflects the company's strategic focus on modernization, personalization, and coherence across its branding strategies. This brand revitalization effort has resulted in a more modern, cohesive, and impactful visual identity, aligning with the company's commitment to a customer-oriented approach. Consequently, since Project 2 was fully implemented on January 19th 2024, it successfully met the deadline established for SP7.

#### 2.5.2.3. *Project 3: Digital inventory creation*

HL's expansive retail operations, encompassing three storefronts and over 5.000 products, need a robust inventory management system. The current manual approach is fraught with many inefficiencies and errors, hindering the company's ability to maintain accurate stock levels and optimize product availability. To address these challenges and comply with the impending TicketBAI regulations, HL is implementing a state-of-the-art digital inventory solution (SP8). This comprehensive solution will streamline inventory management, enhance accuracy, and digitalize product transfers between locations.

The company approached the digital inventory implementation by categorizing products into families, amounting to 762<sup>57</sup>, to streamline tracking. Nevertheless, with over 5.000 products distributed across three stores, maintaining an accurate inventory was complex. Managing product logistics and transfers between shops posed another challenge. As most products arrive at the primary Santutxu location, transfers to other quarters of Bilbao and Mungia shops occur daily and twice-daily, respectively. This was further complicated, as not all products reach the primary shop, necessitating their addition to the inventory. The centralization of inventory management in Santutxu also led to difficulties due to limited space and high product movement. With an average of 140 daily customers and 35 incoming packages, inventory tracking presented challenges.

As of today, February 9th, HL has made substantial progress in its inventory management efforts, achieving a strong completion rate of 65,59% (537 out of 762 families). The implementation of a digital inventory management system has significantly enhanced organizational efficiency, despite the ongoing challenges posed by daily operational demands. While the inventory is being primarily completed during lunch breaks to minimize disruption

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<sup>57</sup>Information obtained from the software VisualGest.

to regular operations, a full completion necessitates at least a four-day shop closure, an option currently unavailable. Nevertheless, based on the current pace, it can be anticipated that the inventory will be completed within four months, between May and June 2024<sup>58</sup>, thus successfully meeting the deadline established for SP8.

In parallel, due to a delay in the implementation of TicketBAI until 2025, the shop is actively seeking (as of February 9th) a supplier for the TicketBAI software, to ensure compliance with the revised implementation schedule.

While the shop was already familiar with some features of the Visual Gest program, the introduction of a digital inventory has further enhanced its capabilities and revealed previously undetected features.

Firstly, the digital inventory process has revealed the program's extensive inventory management tools. These include real-time stock levels, detailed sales reports, and the ability to track inventory levels by product, family, or store.

Secondly, the digital inventory has facilitated the organization and management of supplier invoices. Previously, invoices were managed manually, leading to time-consuming organization and the risk of errors. Now, all invoices can be digitized and stored within the Visual Gest system, providing a centralized and error-free record of purchases.

Thirdly, the digital inventory has enabled the creation of customized reports and analytics, providing valuable insights into sales trends, product performance, and overall business operations. These insights can be used to identify areas for improvement and optimize business strategies.

In summary, the introduction of a digital inventory has not only improved organizational capabilities but also uncovered previously underutilized features of the program Visual Gest, further benefiting the business. To fully leverage the potential of Visual Gest, HL has engaged in several phone calls with the program's provider, Covenorte. These interactions have enabled HL to enhance employee training (SP9) and optimize the program's implementation, resulting in increased efficiency and productivity. This proactive approach to utilizing Visual Gest has demonstrated HL's commitment to maximizing the benefits of its digital tools.

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<sup>58</sup>Between July 2023 and January 2024, 537 families have been inventoried. Maintaining this pace, it would take an additional 4,16 months to inventory all three stores.



#### 2.5.2.4. *Project 4: Comprehensive digital storefront enhancement*

Project 4 consists of three key components: strengthening online presence through strategic social media engagement (SP6), optimizing the company's webpage (SP4), and establishing a robust e-commerce platform (SP3). To facilitate the development of these initiatives, HL will leverage government funded and supported digitalization programs such as Kit Digital and Eus-COMMERCE (SP1).

##### 2.5.2.4.1. *Levering State Aid for digitalization*

In the pursuit for digital advancement without significant investment, strategic use of State resources is crucial (SP1). In this context, the SME Digitalization Plan 2021-2025, the EU's Kit Digital program, managed by Red.es under the Ministry of Economic Affairs and Digital Transformation, plays a significant role in fostering digitalization among small businesses.

The program boasts a substantial budget of over 4 billion euros, providing tailored support packages to empower SMEs in embracing digitalization. It aims to eliminate obstacles to digital readiness, triggering a shift towards comprehensive digitalization. This collaborative effort will strengthen digital initiatives within the SME landscape, aligning with the project's essence.

A distinguishing feature of the program lies in its well-structured support framework, compartmentalized into three segments. Segment I specifically addresses small businesses with 10 to 50 employees, offering a comprehensive 12.000€ package. Segment II focuses on micro-enterprises with 3 to less than 10 employees, providing a 6.000€ digital voucher. Segment III extends its reach to smaller firms and self-employed individuals, empowering them with a 2.000€ allocation. In this case, HL falls within Segment II, which entitles them to a grant of 6.000 euros<sup>59</sup>. However, it is important to note that the program establishes specific purposes and maximum utilization limits for these funds. The initial allocation of funds, based on consultations with various Kit Digital solution agents, is outlined in Table 14.

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<sup>59</sup>Digital voucher code: 2023/C015/01021072

Table 14: Initial strategic allocation of the budget for the digital solution categories

Digital solution category	Chosen company	Maximum assistance	Amount use	Contract execution date	Functionalities and services of the support	Starting date	Implementation status
<b>SOCIAL MEDIA MANAGEMENT</b>	Serinfo Website: <a href="https://www.serinfo.net/">https://www.serinfo.net/</a>	2.500€	2.500€	13/11/23 (Agreement code: KD/0000380554)	<ul style="list-style-type: none"> <li>• <b>Strategic planning:</b> develop a mission-aligned social media strategy to engage potential customers and enhance user loyalty.</li> <li>• <b>Monitoring and analysis:</b> regularly monitor Instagram impacts to assess performance and strategy effectiveness.</li> <li>• <b>Network optimization:</b> conduct a thorough assessment to optimize performance.</li> <li>• <b>Profile management.</b></li> <li>• <b>Weekly posting:</b> minimum of 4-8 engaging posts per month.</li> </ul>	Within 3 months after signing the contract	Implementation started on February 2024
<b>WEBSITE AND BASIC ONLINE PRESENCE</b>	Ekhi studio Website: <a href="https://ekhi.net/">https://ekhi.net/</a>	2.000€	1.500€	Budgeted; however, no formal agreements have been finalized at this stage	<ul style="list-style-type: none"> <li>• <b>Catalog with 100+ products.</b></li> <li>• <b>Payment methods integration.</b></li> <li>• <b>Responsive design and accessibility:</b> usable across all devices.</li> <li>• <b>Basic online presence:</b> on-page.</li> <li>• <b>Self-management.</b></li> <li>• <b>Shipping methods:</b> digital and physical product shipping.</li> </ul>	Not yet started	Not yet implemented
<b>E - COMMERCE</b>	Ekhi studio Website: <a href="https://ekhi.net/">https://ekhi.net/</a>	2.000€	2.000€	Budgeted; however, no formal agreements have been finalized at this stage	<ul style="list-style-type: none"> <li>• <b>Domain:</b> a 12-month web domain. Full ownership included.</li> <li>• <b>Hosting:</b> access for 12 months.</li> <li>• <b>Web design:</b> a 3-section website structure.</li> <li>• <b>Responsive and accessibility:</b> comply with WCAG-2.1 AA.</li> <li>• <b>Basic online presence:</b> indexable by top search engines.</li> <li>• <b>Self-management.</b></li> <li>• <b>Basic SEO:</b> Keyword analysis, On-Page SEO for 2 sections.</li> <li>• <b>Multilingual.</b></li> </ul>	Not yet started	Not yet implemented

Source: own elaboration based on the signed contract and provided budgets

As Table 14 illustrates, HL engaged a social media management agency. However, the agency's significant delay prompted a meeting on January 17, 2024, to address these concerns. While they agreed to begin posting once a week starting in February 2024, requiring consistent input from HL, the results obtained so far remain below expectations.

In addition to the social media management initiative, HL also allocated funds for the development of a website and e-commerce platform. However, the total cost of this project, amounting to nearly 6.500€, exceeded the grant funding of 3.500€ by 3.000€. This excess cost includes a 350€ monthly maintenance fee, a 500€ justification memo, software licenses, professional design services, the cost of uploading products due to the extensive inventory of HL, and other project expenses<sup>60</sup>.

Despite its outward promise, the Digital Kit program presents considerable complexities that overshadow its perceived benefits. From the additional cost payments to complex documentation demands, the program poses significant challenges. Moreover, a common issue emerges as many companies find themselves requiring additional funding beyond the subsidy to cover bureaucratic expenses and execute the intended projects. These challenges, combined with rigorous budget limits, reveal a considerable discrepancy between the program's marketing campaign and the practical realities faced by participants. This insight underscores the imperative of a more transparent, supportive, and navigable system that aligns with the initial promises of fostering digital transformation among SMEs.

As a result, alternative solutions were considered, as the "Kit Digital" was found inadequate in delivering the anticipated solutions.

#### *2.5.2.4.2. Social media engagement strategies*

Recognizing the importance of a strong digital presence the shop actively attended seminars and courses between June and December 2023, to gain insights for developing a robust social media strategy for effective brand awareness and engagement with its target audience. These educational initiatives aimed to formulate a tailored strategy aligned with contemporary trends and consumer behaviors. Table 15 provides a concise summary of the key insights and learning outcomes derived from the main courses and seminars, shedding light on the shop's commitment to refining its social media engagement strategies.

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<sup>60</sup>The information provided is based on the budget presented by Ekhi Studio on November 28, 2023.

Table 15: Social media strategy development: insights from educational courses  
(June–December 2023)

COURSE	HOLDING INSTITUTION	DATE AND FORMAT	INSIGHTS SUMMARY
<b>Mentoring program 2023</b>	Bizkaidendak	6 hours divided into three in-person sessions held on June 1, 8 and 15th	<ul style="list-style-type: none"> <li>● Recovery and consolidation of passwords and usernames for the existing social media accounts that the store possesses (Facebook, Instagram, and Google Business Profile) and establishment of a connection within them.</li> <li>● Insights to create a suitable logo for social media platforms.</li> <li>● Creation and setup of WhatsApp Business.</li> <li>● Segregation of the single store listing on Google Business Profile into 3, corresponding to each store location, along with basic configuration (description, photos, products, updates, reviews, posts, etc.) and insights about SEO.</li> <li>● Basic configuration of Instagram: logo, biography update, account type adjustment, information about editing tools (CapCut, Snapseed), and scheduling posts tools (Metricool).</li> </ul>
<b>Roadmap for digital transformation</b>	Escuela Vasca de Retail	10 hours of in-person sessions conducted between July and December	<ul style="list-style-type: none"> <li>● Explanation of the Kit Digital program.</li> <li>● Explanation of ChatGPT and other AI tools to enhance the strategy, including defining suitable prompts and using AI to generate a content plan.</li> <li>● Basic insights about how to create templates on CANVA.</li> <li>● Basic explanation of Google Ads.</li> <li>● Improvement of Instagram posts: style guide.</li> <li>● How to create better photos using a mobile phone.</li> </ul>
<b>AI to customize your social media content, Metricool and Predis.ia</b>	Escuela Vasca de Retail	1 hour webinar held on September 7th	<ul style="list-style-type: none"> <li>● Explanation of AI tools that assist with social media: Metricool and Predis.ai (features, basic functions, how they can help, and how to use them).</li> </ul>
<b>How to attract new customers and build customer loyalty in local commerce</b>	Escuela Vasca de Retail	1 hour webinar held on September 21st	<ul style="list-style-type: none"> <li>● Understanding the purchasing process and identifying friction points along the customer journey.</li> <li>● How to strengthen commercial resources, and communication.</li> </ul>
<b>Content creation and artificial intelligence</b>	Markétika Business School	4 hour webinar held on October 20	<ul style="list-style-type: none"> <li>● The importance of creating strategic content focused on economic conversions.</li> <li>● Highlighting the significance of strategy and engagement over virality.</li> <li>● Exploring how to develop strategic content and the use of AI tools for content creation.</li> </ul>
<b>How to set up, manage and sell through your online shop</b>	Bizkaidendak	A 4-hour in-person session held on November 6 and 8	<ul style="list-style-type: none"> <li>● How social media can boost sales through the store.</li> <li>● The importance of SEO.</li> <li>● Image uploading techniques.</li> <li>● The significance of differentiation to compete with major competitors.</li> <li>● Insights about the opportunities an online store holds for generating profits in small businesses.</li> </ul>

<b>Work Café Bizkaia 2023</b>	Escuela Vasca de Retail	3 hours in person session held on December 12	<ul style="list-style-type: none"> <li>• Significance of digital presence on social media through photography.</li> <li>• The importance of incorporating naturalness into content, as followers connect not only with the business but also with the person.</li> <li>• Basic insight about how to take photos: framing, angle, format, and composition.</li> <li>• Insights about the importance of showcasing proximity and the day-to-day aspects of the business in social media posts.</li> </ul>
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*Source:* own elaboration based on the courses insights

Leveraging the knowledge acquired in these courses, a comprehensive social media strategy was developed to enhance HL’s online presence and customer engagement. This strategy encompassed three crucial phases:

### **Stage 1: Platform selection**

Based on an in-depth analysis of HL’s target audience and business objectives suitable platforms were identified. On this way the following platforms were selected:

Table 16: Selected platforms for the social media strategy

<b>PLATFORM</b>	<b>TARGET AUDIENCE</b>	<b>KEY FEATURES</b>	<b>BENEFITS</b>
<b>WhatsApp Business</b>	Wide range of demographics, including businesses, individuals, and customers	<ul style="list-style-type: none"> <li>• Seamless customer communication and order processing.</li> <li>• Efficient exchange of messages, photos, and documents.</li> <li>• Business profiles to provide essential information.</li> <li>• Business tools for managing conversations and campaigns.</li> </ul>	Enhanced customer engagement, improved customer service, streamlined order processing
<b>Instagram</b>	Younger demographics, particularly those aged 18-34 <sup>61</sup>	<ul style="list-style-type: none"> <li>• Visually appealing platform for showcasing products, services, and brand identity.</li> <li>• Engaged audience with high levels of participation.</li> <li>• Diverse content formats.</li> <li>• Powerful targeting options to reach specific demographics.</li> </ul>	Increased brand awareness, improved customer engagement, increased social media following, boosted sales
<b>Facebook</b>	Diverse audience worldwide, including businesses, individuals, and customers <sup>62</sup>	<ul style="list-style-type: none"> <li>• Versatile platform for targeting local markets and reconnecting with existing customers.</li> <li>• Diverse content formats.</li> <li>• Powerful targeting options to reach specific demographics.</li> </ul>	Increased brand awareness, improved customer engagement, increased social media following, boosted sales

<sup>61</sup>A recent study by Hootsuite (McLachlan S., November 2023) indicated that Instagram’s global audience is significantly more prevalent among younger demographics, with nearly 85% of users aged under 45. Notably, 30,3% of Instagram users fall within the 18-24 age group, establishing the platform as the preferred social media choice for this demographic.

<sup>62</sup>According to Statista, Facebook had 3.049 billion monthly active users in Q3 2023 (Dixon 2023). Its demographics are relatively evenly distributed across age groups, with 4,8% of users aged 13-17; 21,5% aged 18-24; 29,9% aged 25-34; 19,4% aged 35-44; 11,6% aged 45-54; 7,3% aged 55-64; and 5,6% aged 65 and above (Dixon 2023).

<b>Google Business Profile (GBP)</b>	Local community	<ul style="list-style-type: none"> <li>• Enhances visibility and fosters customer interactions at the storefront.</li> <li>• Updated information and customer testimonials for connecting with potential customers nearby.</li> <li>• Google Maps integration for easy location discovery.</li> <li>• Business profiles to provide essential information.</li> <li>• Business tools for managing reviews and responding to customer inquiries.</li> </ul>	Increased local visibility, improved customer engagement, enhanced reputation management, increased customers traffic
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*Souce: own elaboration*

## **Stage 2: Platform-specific strategies**

### *1) WhatsApp Business strategy*

To elevate HL's customer engagement and communication efficiency on WhatsApp Business, a multifaceted strategy was implemented, taking insight from the course Mentoring Program 2023, encompassing five key steps: establishing a comprehensive business profile, implementing order status labels, developing quick replies for frequently asked questions, crafting personalized welcome messages, and integrating chatbots for 24/7 customer support.

Firstly, the establishment of a comprehensive business profile, featuring readily accessible information such as address, phone number, and opening hours, strengthened HL's brand presence and enabled customers to easily reach out with inquiries. Moreover, the logo was personalized for each shop profile, ensuring that customers contacted the correct location.

Secondly, the introduction of order status labels streamlined the order tracking process and improved order organization. This enhanced visibility for employees empowered them to provide customers with clear and up-to-date information about their orders, leading to greater transparency and trust. The improved efficiency and streamlined communication resulted in fewer customer inquiries and enhanced customer satisfaction.

Thirdly, developing quick replies for frequently asked questions enabled HL to address common inquiries promptly and efficiently, saving time and resources. This enhanced customer satisfaction by minimizing backlogs of unanswered questions and providing a more responsive customer service experience.

Moreover, personalized welcome messages served as HL's commitment to building strong customer relationships, fostering loyalty and repeat purchases by creating a positive first impression that resonated with new customers.

Finally, integrating chatbots for 24/7 customer support ensured that customers could always reach out for assistance, regardless of the time of day. This support improved customer satisfaction.

By July 2023, HL had successfully implemented a comprehensive WhatsApp Business strategy across all shop profiles. This strategic approach has yielded remarkable results, significantly boosting customer engagement, streamlining communication, and solidifying its reputation as a customer-centric brand.

## 2) *Instagram strategy*

HL's revitalized Instagram was meticulously crafted, incorporating insights gained from comprehensive training courses (outlined at Table 15). This strategic approach aims to elevate HL's visual identity, captivate audiences with engaging content, and foster meaningful connections, increasing brand recognition and business expansion. This strategy encompasses three distinct stages: refining the foundational Instagram outlook (e.g., new logo, compelling description, accurate highlights, deleting outdated posts), content creation, and automation.

First, regarding the outlook, in July 2023 the new logo was introduced, capturing attention and immediately conveying HL's unique value proposition. The profile description was meticulously crafted to concisely and persuasively communicate HL's brand essence and attract potential customers. Furthermore, streamlined highlights were introduced, organized by topic or campaign, enhancing the visual appeal and user experience of the feed. The HL logo was prominently featured throughout the highlights, further reinforcing the brand image. Additionally, outdated or irrelevant posts were removed, maintaining a fresh and current aesthetic that aligns with HL's current brand messaging.

Launched in September 2023, the second stage, a meticulously crafted content creation strategy, prioritized delivering high-quality and valuable content to HL's audience. Focused on consistency and variety, the Instagram strategy adheres to a structured format featuring three distinct post styles: style 1, recipe reels, and style 3. This seasonal approach ensures content remains relevant throughout the year. To cater to the diverse preferences of HL's audience and maximize reach, a diverse range of content formats are being employed, including stories, reels, posts, and carousels<sup>63</sup>.

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<sup>63</sup>For an overview of HL's Instagram strategy, including the current outlook, the structured seasonal content format and the diverse range of content, please visit their official Instagram profile: <https://www.instagram.com/herboristerialeizuri/?hl=es>

Firstly, real-time storytelling through stories has proven to be an effective tool for fostering immediate engagement with followers. By providing behind-the-scenes glimpses, HL has created an interactive platform for engaging with customers on a more personal level. Additionally, tailored content generated through Q&A sessions and suggestions has resonated with specific audience segments, leading to deeper connections and enhanced brand loyalty.

Secondly, the content creation strategy for posts and carousels is consistently prioritizing meaningful engagement and driving conversions, moving away from the pursuit of virality and embracing sustainable, impactful content. Evergreen content<sup>64</sup>, remains a cornerstone, ensuring long-term relevance and success. Moreover, the company prioritizes quality over quantity, meticulously crafting each piece of content to ensure it aligns with their goals and delivers maximum impact. The content encompasses a diverse range of topics: overall informative content, product promotions, showcasing new arrivals, highlighting the shop's services, engaging campaigns, and giveaways. Leveraging their content strategy, the company successfully executed Black Friday and Christmas campaigns. A comprehensive gift guide, tailored to the festive season and target audience, was meticulously developed. Additionally, gift cards offered convenient and flexible gifting options.

To maintain a sustainable content creation process without compromising on time and resources, user-friendly and free artificial intelligence (AI) tools are being integrated<sup>65</sup>. For editing and creating post images, the company leverages Canva, Predis.ai, and Revobe.bg. For writing content, ChatGPT and Gemini offer valuable assistance. Furthermore, a meticulously planned and scheduled roadmap, utilizing Notion and GoogleCalendar, guarantees strategic alignment with overall marketing objectives, fostering a seamless and cohesive content strategy.

Thirdly, to captivate and educate its target audience, HL embraced the engaging and shareable format of reels, showcasing its products and services in a captivating manner. At the heart of these reels are recipes, crafted using dedicated video editing tool CapCut and photo editing

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<sup>64</sup>According to insights gained in the Marketika course "Content Creation and AI," evergreen content is high-quality, informative, and engaging content that remains relevant and valuable to readers over time, regardless of trends or changes in technology. This type of content is typically characterized by its focus on timeless topics, universal themes, and actionable insights. Evergreen content is often seen as a cornerstone of effective content marketing strategies, as it can help businesses attract and retain a loyal audience, drive organic traffic to their websites, and establish themselves as thought leaders in their respective industries.

<sup>65</sup>In order to select the most appropriate AI tools for HL's needs, AIFINDY, the world's most comprehensive free database of AI tools was leveraged. For more information on AIFINDY, please visit the following link: <https://aifindy.com/>



app Snapseed. These recipe videos effectively highlighted the shop's food products offerings, leaving a lasting impression on viewers. Considering factors such as music selection, HL meticulously scheduled and uploaded these Reels, ensuring a visually appealing and cohesive experience for viewers. The success of the recipe Reels was evident in the positive customer feedback and significant brand awareness boost, especially among new audiences. This popularity surge led HL to strategically expand its reach by establishing a dedicated TikTok account. By leveraging the platform's unique features, HL engaged with a broader demographic, strengthening its brand presence and attracting new customers.

Using this approach, between September 15th 2023 and February 9th 2024, 40 autumn posts, 43 reels (including 32 recipes), 25 winter posts, and 229 stories were shared on Instagram. These content efforts, along with the strategic use of reels, were instrumental in redefining the store's online presence on Instagram.

Finally, to streamline its social media efforts and maximize efficiency, HL implemented automated scheduling solutions through Metricool, a platform chosen based on valuable insights gained from training courses. By scheduling content in advance, HL was able to streamline its posting process and ensure that its content was simultaneously published across its primary platforms (Instagram, Facebook, and GBP). This automation not only saved time but also ensured consistency and guaranteed adherence to HL's content calendar.

### *3) Facebook strategy*

HL's Facebook strategy is meticulously aligned with its Instagram approach, replicating key elements while adapting to the platform's unique features. This strategic alignment ensures a consistent brand image and messaging across both platforms, maximizing reach and engagement for HL's target audience. Since October 2023, the content posted on Instagram is automatically synchronized with Facebook through the aforementioned automation tools, Metricool. This seamless integration creates a cohesive brand experience for users on both platforms, fostering a sense of consistency and familiarization with HL's brand identity.

### *4) Google Business Profile strategy*

Recognizing the power of GBP for local businesses, HL, with its three distinct shops, took a tailored approach to optimization. Each shop received its own dedicated GBP profile to enhance online visibility and customer engagement.

To establish a strong foundation for each shop's GBP, HL meticulously crafted compelling and precise descriptions that seamlessly align with the company's identity and core values. This consistent representation strengthens brand recognition across all platforms, ensuring customers associate the individual shops with the overarching brand image.

Moreover, accuracy and accessibility were prioritized for each GBP profile. Meticulous attention ensured precise shop names and up-to-date operating hours, streamlining customer search efforts and guaranteeing a seamless experience. This commitment to accuracy fosters trust and loyalty, as customers can confidently locate and visit shops based on readily available information.

Furthermore, as an integral part of HL's social media strategy, the GBP platform serves as an extension, reinforcing the brand's presence across multiple channels. Selected posts from Instagram and Facebook are also incorporated into the "News" section on each GBP, achieving consistent messaging across platforms and fostering a unified brand experience for customers. By leveraging the combined reach of these platforms, HL strengthens its visibility on Google search results, making it easier for potential customers to discover the brand.

To further bolster the company's online reputation and foster a sense of community, the strategy actively encourages satisfied customers to share their positive experiences by leaving reviews on Google. This proactive approach leverages customer feedback to enhance brand credibility and attract new customers seeking authentic testimonials.

In summary, the digital growth strategy for HL's business involves leveraging the full potential of the GBP platform. This comprehensive approach aims to fortify the company's online presence, enhance customer engagement, and ultimately contribute to the sustained growth of the business.

### **Stage 3: Evaluating effectiveness and proactive strategy development**

HL's social media strategies have been remarkably effective in achieving the company's objectives of enhancing communication, boosting brand awareness, and delivering value to its customers. The customer-centric approach that forms the foundation of each strategy has resonated with customers, driving increased engagement, strengthening brand loyalty, and fueling sustainable business growth. The following paragraphs aim to examine the effectiveness achieved on each platform, providing a comprehensive analysis of the results.

*1) WhatsApp Business Strategy: streamlining communication and order management*

By implementing WhatsApp Business, HL has cultivated a more efficient and effective communication channel with its customers, suppliers, and even among its three physical locations. The platform's direct messaging feature has streamlined customer inquiries, enabling quicker resolutions. This has translated into a seamless and personalized customer experience, fostering trust and satisfaction. Moreover, the shift to WhatsApp for order management has minimized order errors. In this way customers can provide clear and detailed instructions directly, reducing misunderstandings and ensuring accurate order fulfillment.

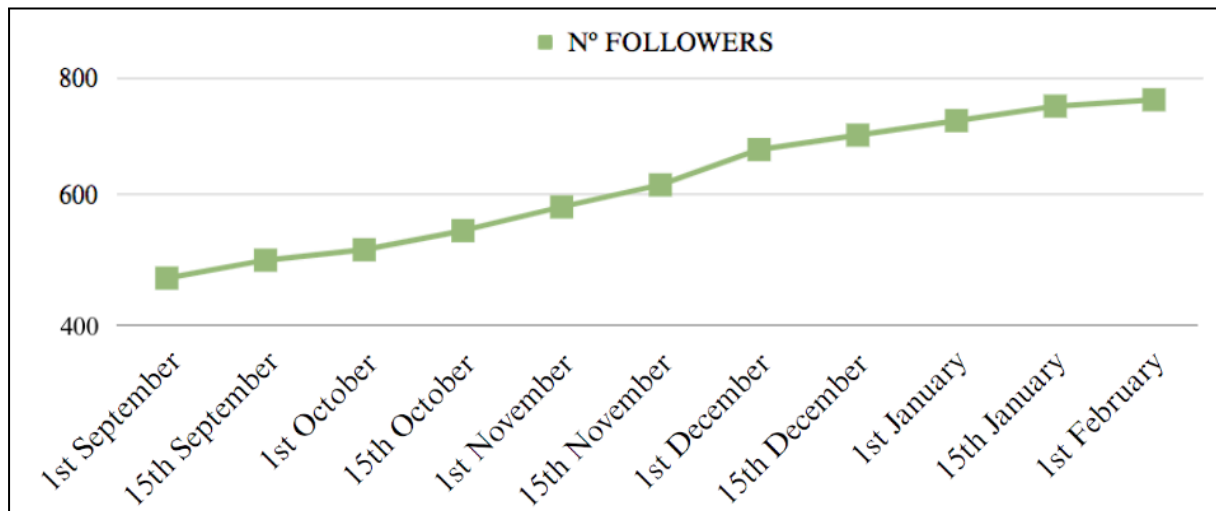
Furthermore, HL's use of WhatsApp has led to a significant decrease in phone calls to the physical store, freeing up resources for more urgent matters and facilitating faster communication between the company's locations. Additionally, it has streamlined internal communication among employees, ensuring information exchange and alignment, leading to improved team coordination, efficiency, and ultimately, contributing to the business's overall success.

*2) Instagram and Facebook Strategy: fostering engagement and brand awareness*

HL's active presence on Instagram and Facebook has significantly boosted brand awareness and visibility. Engaging posts, interactive polls, and Q&A sessions have encouraged followers to interact with the brand, creating a community of engaged customers. HL's social media content consistently demonstrates value, providing educational information, recipes, product recommendations, and exclusive offers, solidifying its position as a trusted resource. This customer-centric approach, reflected in their engaging social media strategy, has garnered positive feedback, strengthening brand loyalty and driving satisfaction.

Graph 1 clearly demonstrates the positive impact of the implemented social media growth strategy on Instagram. The steady growth of follower count from September 15th to February 1st indicates that the strategy was effective in attracting new followers and engaging existing ones.

Graphic 1: Instagram follower growth: implemented social media strategy (September 1st - February 1st)



*Source:* Personalized graphic created using data analytics from Metricool

The devised social media growth strategy demonstrably boosted the shop's Instagram presence. From only 455 followers on September 1st, it reached 777 by February 9th, marking a significant 70,77% increase. This steady growth stemmed from the strategy's structured approach, which was continuously optimized for better results. Notably, the average growth rate of 5,68% per interval highlights its effectiveness in engaging the audience and building an online community. This sustained upward trend solidifies the success of the tailored plan in strengthening the shop's digital footprint on Instagram.

Regarding the future, HL remains committed to leveraging social media as a powerful tool to enhance customer engagement, strengthen brand awareness, and deliver tangible value. To further expand its reach and inclusivity, HL will continue to print select information from Instagram and share it on the physical store walls. This initiative ensures that all customers, regardless of their digital literacy, have access to HL's valuable content. Additionally, to foster a sense of community and encourage in-store purchases, starting in February 2024 HL will print small cards with recipe photos and ingredients lists, similar to its weekly recipe feature. These cards will be readily available at the store, encouraging customers to recreate the recipes at home using HL's diverse product offerings. By implementing these proactive strategies, HL aims to maintain its strong presence in the digital landscape while also catering to customers who prefer traditional communication channels. This multifaceted approach will

solidify HL's position as a customer-centric brand that seamlessly bridges the gap between online and offline interactions.

3) *GBP Strategy: consolidating HL's presence and enhancing trust*

HL's optimized GBPs have played a pivotal role in elevating its online presence. By providing accurate and up-to-date information, including detailed descriptions, consistent messaging, and positive customer reviews, HL has ensured its prominence in local search results. Furthermore, the integration of content from Instagram and Facebook into GBPs has created a cohesive brand experience across platforms, reinforcing HL's identity and message to potential customers.

In conclusion, HL's social media strategies have been remarkably successful in achieving a digital presence, driven by a deep commitment to customer-centricity. By effectively leveraging WhatsApp, Instagram, Facebook and GBPs the company has enhanced communication, boosted brand awareness, and delivered tangible value to its customers.

2.5.2.4.3. *Web page update and e-commerce implementation*

Before introducing an e-commerce platform, several approaches were taken. The initial stage involved facilitating home deliveries through Shipius<sup>66</sup>, a specialized transportation and logistics platform customized for e-commerce purposes. Despite this, direct communication via phone call or WhatsApp remained necessary to coordinate these shipments. This approach was particularly advantageous for clients who lived at a distance who regularly visited the shop monthly for their specialized services. This temporary solution allowed HL to retain customers even before the complete implementation of the online store.

The second stage focused on establishing a presence into the EUP! marketplace platform<sup>6768</sup>, serving as the online storefront. Through this platform, a total of 37 products were showcased<sup>69</sup> as of February 9, 2024, representing a crucial step in expanding outreach to new

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<sup>66</sup>The Shipius website can be accessed through the following link: <https://www.shipius.com/>

<sup>67</sup>Launched in June 2022, EUP! empowers local Bizkaia businesses to sell online within its marketplace. Over 20.000 products from diverse sectors such as food and electronics are available, with convenient features such as free shipping and multi-store orders. Tailored for small businesses with less than 49 employees and under 10 million euros in revenue, EUP! simplifies digitization. Establishments can easily join and benefit from free logistics, streamlined catalog upload, and expert training. This support helps businesses leverage EUP!'s platform to boost online presence and reach new customers (Cámara de Bilbao, 2023).

<sup>68</sup>The company was introduced to the EUP platform at an informational campaign held in Mungia in June 2023. The shop signed up for the platform and the contract was finalized in October 2023.

<sup>69</sup>To locate the shop on the EUP marketplace, please follow this link:

<https://www.eup.eus/es/v/herboristeria-leizuri>

audiences, particularly in the absence of an online platform. The first sale on this platform occurred on November 9, 2023, only 10 days after the shop joined, with only 10 products listed. To date (February 9th, 2024), the shop has completed 17 sales through this platform.

The final stage focuses on developing the e-commerce functionality for HL’s website. However, faced with cost constraints that prevented participation in the Kit Digital program, HL explored alternative solutions, ultimately deciding to create their own e-commerce platform. To explore cost-effective options, budgets from various service providers were solicited. Table 17 summarizes the details of the most suitable received budgets proposals:

Table 17: Received budget proposals for HL’s e-commerce platform

COMPANY NAME	BUDGET AMOUNT	PROPOSED DETAIL
<b>PIXEL FACTORY</b>  Website: <a href="https://pixelfactory.es/">https://pixelfactory.es/</a>	<b>2.363,80€</b> (Budget number: 20022/01088, date: 01/09/2023)	<ol style="list-style-type: none"> <li>1. <b>Web development and design.</b></li> <li>2. <b>Creation of web pages:</b> static pages and legal pages creation.</li> <li>3. <b>Online store implementation:</b> setup of a sample of 5 real products, installation and configuration of product import-export plugin, payment method installation, setup of shipping plugin.</li> <li>4. <b>Blog creation and aesthetic formatting.</b></li> <li>5. <b>Hosting and domain configurations.</b></li> <li>6. <b>Web content optimization.</b></li> </ol>
<b>BILBOLINK</b>  Website: <a href="https://bilbolink.com">https://bilbolink.com</a>	<b>2.980€</b> (Based on the information provided in the meeting held in 04/09/23)	<ol style="list-style-type: none"> <li>1. <b>Web development and design.</b></li> <li>2. <b>Creation of web pages:</b> static pages and legal pages creation.</li> <li>3. <b>Online store implementation:</b> setup of a sample of 20 real products, payment method installation, setup of shipping plugin.</li> <li>4. <b>Hosting and domain configurations.</b></li> <li>5. <b>Web content optimization.</b></li> </ol>
<b>COCOSOLUTIONS</b>  Website: <a href="https://cocosolution.com/">https://cocosolution.com/</a>	<b>1.820€</b> (Based on the budget presented by email on 26/09/23)	<ol style="list-style-type: none"> <li>1. <b>Web development and design.</b></li> <li>2. <b>Creation of Web Pages:</b> static pages and legal pages creation.</li> <li>3. <b>Online store implementation:</b> setup of a sample of 15 real products, installation and configuration of product import-export plugin, payment method installation, setup of shipping plugin.</li> <li>4. <b>Blog/news creation.</b></li> <li>5. <b>Hosting and domain configurations.</b></li> <li>6. <b>Service inclusions:</b> maintenance and technical support included for the first 6 months, content manager training.</li> </ol>

Source: own elaboration based on the provided budgets

However, before finalizing any agreement and aiming to optimize costs, the shop has made use of the Eus-COMMERCE program. This initiative, supported by the Basque Country government through La Camara de Comercio, aids in the implementation of digital solutions for businesses, enhancing digitalization processes or improving existing ones.

One of the aids provided involved the establishment of a WooCommerce plugin on the existing website by the firm Merkatu. Despite an initial agreement on June 7th, 2023, the project began on November 27th due to summer holidays and personnel changes. While the program covered setting up the e-commerce platform, website maintenance and domain fees were excluded. It also included a 12-hour training session upon completion.

The project followed a defined roadmap with key milestones: an initial contact in week 0, a roadmap proposal in week 1 finalized with an agreement on November 28th, 2023<sup>70</sup>, material submission in week 3, and finally, training and project closure in week 4 on December 29th, 2023<sup>71</sup>. Technical personnel from Merkatu, specifically Nicole Cortes, oversaw the project for the shop and implemented changes in December 2023.

A Woocommerce plugin<sup>72</sup> was installed on the existing website, transforming it into an e-commerce platform on December 28th, meeting the SP3 part 1 deadline. Additionally, payment options via bank transfer and credit card (Redsys gateway) were set up, along with shipping configurations, terms and conditions, and free and local shipping options.

On December 28th, a final training session via Google Meetings equipped staff with skills for managing the online store effectively (SP9), covering product uploads, image optimization, descriptions, and accurate pricing. While store launch was ready by December 28th, product descriptions and pricing updates remain ongoing, as they require the involvement of the shop's personnel, making the online store implementation an ongoing process as of February 9th, 2024.

Despite remaining areas for improvement, notable progress has been made. Outdated products have been removed (SP4), and pricing and descriptions have been updated with SEO-friendly keywords. The complete e-commerce webpage is planned to be completed by September 2024. In this manner, the established deadlines for SP3 and SP4 will be achieved. In addition, to further expand its marketplace reach and visibility, the shop is contemplating simultaneous product uploads to its website and EUP marketplace. Moreover, the second phase of the aid encompasses 12 hours of training, scheduled to be conducted during March 2024. These hours aim to skill the workforce on the program WordPress (SP9).

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<sup>70</sup>Information based on the signed proposed roadmap agreement on November 28th, 2023.

<sup>71</sup>Information based on the project closure agreement on December 29th, 2023.

<sup>72</sup>An e-commerce plugin that enables the seamless selling of products and services from a WordPress website.

Upon completion of the e-commerce website, the focus will shift to crafting captivating blog posts and newsletters, further enhancing the site's appeal and attracting new customers. This effort will be complemented by strategic SEO keyword implementation, ensuring the site's visibility in online searches. While immediate profit generation is not the primary objective of the online store, given the competitive pricing landscape, the focus will be on increasing brand awareness, providing a convenient platform for existing customers, and expanding its reach to a wider audience. However, if the online store demonstrates substantial sales traction, the possibility of acquiring an ICT specialist (SP9) using available resources (SP2) will be explored to further bolster the website's functionality and ensure its long-term success.

#### 2.5.2.5. *Project 5: Implementation of a customer loyalty program*

Before exploring customer loyalty programs, the shop leveraged the “Bizkaia Bono Dendak” initiative in November 2023 to attract customers. This program, run by the Provincial Council of Bizkaia, offers consumers a minimum 15€ discount on purchases at local businesses. While some additional documentation is necessary for the shop to claim the State-allocated funds associated with the program, the initiative delivers significant financial benefits to customers. These savings contribute to a sense of satisfaction, which can potentially translate into increased spending, ultimately benefiting both the shop and the local economy. The program was a huge success, with all vouchers used within 3 hours at the main shop and within a day in the other two.

However, to attract new customers in the long term, the shop focused on implementing a loyalty program (SP5). This was a crucial step, but challenging due to the diverse customer base ranging from 16 to 98 years old. Since a portion of their customer base does not possess a digital mobile phone, a fully digital program on individual phones was not a viable option.

Recognizing budgetary constraints and aiming for practicality, the establishment opted for a traditional Stamp Card program to attract and reward loyal customers. This initiative incentivizes repeat purchases by offering discounts in exchange for accumulated stamps. The card design seamlessly integrates with the brand's aesthetic, featuring a sophisticated layout and prominently displaying the establishment's logo. Additionally, the stamps incorporate the logo, creating a cohesive visual identity. Customers accumulate one stamp for every 25€ spent, with a maximum of three per purchase. Upon accumulating 10 stamps, customers receive a 5€ discount on their next purchase exceeding 25€. Recognizing the importance of brand consistency, the establishment utilized the free version of Canva to design the cards.



Figure 5: Designed loyalty cards for the Loyalty Card program



*Source: own elaboration*

Originally they were intended to be launched in December 2023 as a Christmas gift, nevertheless it faced a temporary delay due to internal discussions about the most effective implementation strategy.

Despite initial challenges, a dedicated customer loyalty management feature within the Visual Gest program offered a promising solution. This feature seamlessly integrates physical and digital customer cards, allowing points to be accumulated based on various criteria. This “hybrid” approach caters to the diverse preferences of HL’s clientele. To further enhance customer engagement and retention, CRM software will be integrated, enabling effective management of customer interactions and data analysis.

Leveraging this opportunity, HL integrated customer data collected during the Christmas giveaway, where participants voluntarily submitted their information. This data will be seamlessly integrated into the Visual Gest customer program. Simultaneously, physical loyalty cards will be distributed for those who prefer an offline approach. Additionally, the Mungia store’s loyalty program will maintain an exclusive offline presence, aligning with the store’s owner and employee current digital skills and the preference of the older clientele.

HL plans to launch this hybrid customer loyalty program between March and April 2024, meeting the established deadline for SP5. The program aims to strengthen its relationships with existing customers, engaging them more deeply and cultivating their loyalty. In addition, the program aims to attract new customers and boost sales.

### **3. CONCLUSION**

Digitalization is a transformative force revolutionizing the business landscape, particularly for small enterprises seeking to thrive in today’s dynamic environment. As it has been observed in the external environment, online stores have become increasingly prevalent, particularly in

the wake of the COVID-19 pandemic, while social media presence is crucial for reaching a wider audience. Businesses must embrace digitalization to not only drive economic growth for themselves but also for the nation as a whole, aligning with the growing demand for eco-conscious practices.

Digitalization and sustainability, far from being opposing forces, are interconnected concepts that can work synergistically to foster a more sustainable future. Digital tools empower businesses to optimize processes, enhance resource efficiency, and reduce emissions, while sustainable initiatives drive the development of innovative eco-friendly technologies. The European Union, recognizing the transformative potential of the twin transition<sup>73</sup>, is committed to balancing technological advancements with environmental protection.

In today's digital age, traditional small businesses that fail to adapt are at risk of losing ground to competitors with stronger online presences. Many small businesses still rely on outdated or nonexistent digital platforms, making them invisible to a vast pool of potential customers. This lack of visibility is contributing to the decline of customer bases for many traditional businesses. To address this challenge, Spain and the EU, through initiatives such as Next Generation, have introduced a range of programs that provide financial support and guidance to help small businesses digitalize without significant burdens. These programs offer a unique opportunity for traditional businesses to embrace digitalization and thrive in the evolving business landscape.

The case study presented serves as a compelling demonstration to this, as the implemented initiatives required no monetary resources. The chosen shop, HL, enjoys unique differentiation points such as exceptional customer service, extensive inventory, knowledge and a well-established brand. Nevertheless, the case study highlights the growing competition that HL faces from businesses with robust digital presences. The implemented strategies, though in their early stages, have already generated remarkable results, including increased brand awareness, improved customer satisfaction, a strengthened customer-centric approach, along with making the shop more visible to potential customers, streamlining business

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<sup>73</sup>The twin transition is a concept promoted by the European Union (EU) to address the intertwined challenges of digitalization and sustainability. It emphasizes the need for a cohesive approach that balances technological advancements with environmental protection to achieve a sustainable and prosperous future. This concept was introduced from the presentations at the ICEM 2023 conference, specifically inspired by the work of Leandro Martins and Marisa R. Ferreira: *"The relationship between Digital Transition and Sustainable Transition in the European Union"*.

operations, and fostering a more environmentally conscious commitment. All of this has contributed to the growth of sustainability and digitalization levels within the organization.

This case study highlights the transformative power of digitalization, demonstrating that it is not solely restricted to businesses with extensive resources or sophisticated online presences. Even with a modest digital footprint, a well-crafted social media strategy can bring remarkable results. Hence, the strategic growth plan that is proposed serves as a compelling example of how digitalization can empower small businesses to not only survive but also thrive in the digital business landscape. Furthermore, the case study effectively showcases the significance of a customer-centric approach and provides valuable insights into how to enhance it, while simultaneously highlighting innovative methods for minimizing the company's environmental footprint.

To conclude, it is crucial to emphasize that the proposed strategies are grounded in a profound understanding of the company, gained through active involvement in its operations. This first hand exposure has allowed us to apprehend the multifaceted nature of the business and develop strategies that are both realistic and valuable. Additionally, the insights gained from actively participating on all the facets of this strategic growth plan have provided valuable perspectives on the current landscape for small businesses. This combination of in-depth knowledge and market understanding has been instrumental in crafting a strategic growth plan that is not only tailored to HL's specific needs but also transferable to other small businesses facing similar challenges.

#### **4. LIMITATIONS AND FUTURE LINES OF RESEARCH**

Despite its valuable insights, the project is subject to certain limitations that should be acknowledged. First, the narrow focus on a single company may restrict the generalizability of the findings to other firms in the industry.

Second, the incomplete assessment of ongoing policies' impacts and the scarcity of sector and competitor data may have constrained the depth of the analysis. To address these limitations and further enhance the knowledge base, future research should explore the adaptability of strategies across various company sizes and industries. Consequently, examining the applicability of strategies in different corporate scales and sectors, a more comprehensive understanding can be achieved, offering broader applicability and valuable insights for a diverse range of businesses.

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