

CASTILLO DE CANENA¹

One morning in October 2015, Rosa and Francisco Vañó, sister and brother and the founding partners of Castillo de Canena, received the news of their proclamation as “The Best Olive Oil Company in the world” in the 2016 Edition of the prestigious FLOS OLEI² guide.

This recognition, together with the numerous international prizes and awards received throughout their history, landed as a reward for all their years of efforts and was a reason for feeling justly proud. Castillo de Canena had doubled its sales since the beginning of the economic crisis in 2008. In the first semester of 2015, the company had grown its sales 43.6% over the same period in 2014, reaching €1.1 million. In spite of the important growth levels experienced in recent years, however, Rosa and Francisco agreed that they needed to achieve a stronger position in certain markets and improve their profitability.

On the other hand, new competitors were advancing massively into the markets in which their products were best consolidated. Some of these rivals, who competed with lower prices, were offering products with a quality, appearance and packaging that were quite on a par with the ones in the Premium segment, where Castillo de Canena was positioned.

What’s more, they were also facing another decision that would be crucial for the business. They had recently held several meetings with the management and financial representatives of an important international luxury goods group that was interested in acquiring a selection of premium olive oil brands. Castillo de Canena was one of their principal options.

After receiving news of the award and in the aftermath of the initial rush, Rosa and Francisco coincided in the same uneasiness: *“Paco, how can we make the most of this*

¹ Case from the Research Division of Instituto Internacional San Telmo, Spain. Prepared by Professors Antonio Villafuerte Martín and Mercedes González Dugo, of Instituto Internacional San Telmo, for use in class and not as a means for illustrating the adequate or inadequate management of determined situations.

Copyright © January 2016, Instituto Internacional San Telmo. Spain.

The total or partial reproduction of this document is strictly forbidden. It may not be stored and/or transmitted in any form or by any means, whether electronically, mechanically or by way of photocopying, registration or any other method, without express written authorization from Instituto Internacional San Telmo.

² FLOS OLEI, headed by expert Marco Oreggia, is recognized as the world’s most prestigious guide for extra virgin olive oil (see details on results 2016, in Annex 1).

recognition as “The Best Olive Oil Company in the world” to grow more quickly, more profitably and without losing the position we have achieved?”, asked Rosa. “Should we think about selling? Is this the right time to sell or should we continue to move ahead by ourselves and keep to our focus of the last few years?”

CASTILLO DE CANENA OLIVE JUICE

Castillo de Canena Olive Juice (or CCOJ³) is a family-owned company that produces and markets a premium quality extra virgin olive oil that is acknowledged as one of the world’s best⁴. They control the entire production process, from tending to the olive trees on the family’s agricultural property, the olive harvest and the milling process in their own press to the packaging and marketing of their oil. Their sales had grown continuously since their establishment in 2003, reaching €1.7 million in 2014 (see Annex 3).

History

Even though the origins of the Vañó family’s olive oil tradition went back to 1780, it was Luis Vañó (the father of Rosa and Francisco) who gave a decisive push to the family oil business in 1970, with the introduction of new varieties and modern production techniques. He thus created a thriving olive oil company that he combined with the world of banking⁵.

The family olive groves⁶, covering a territory of some 2.000 has., was located in the province of Jaen, nestled between the Cazorla and Magina Natural Parks, a region known as the world’s largest producer of virgin olive oil. In the 1980’s, together with other regional producers, he had spearheaded the construction of an *almazara* or mill for pressing the members’ olives and selling extra virgin olive oil in bulk format (like most of the oil produced at that time in Spain).

At the start of 2003, Rosa decided to leave a brilliant management career in multinational corporations⁷ in order to develop the idea of creating a brand in an olive oil industry that was so little differentiated in Spain at that time. As Rosa recalls, “I had just turned 40 and I felt I had the energy and enthusiasm to set this project into motion”.

³ Castillo de Canena Olive Juice (CCOJ) is part of a family-owned business group (see structure in Annex 2). The name was taken from the castle that rises in the town of Canena, in the province of Jaen, purchased by Luis Vañó in the 1980’s and painstakingly restored by the family.

⁴ Reference at www.origenoliva.com, an online shop catering for the best and most highly awarded olive oils.

⁵ Luis Vañó, President of Castillo de Canena, had recently been distinguished with the “Natural de Jaén” prize awarded by the University of Jaen, in recognition of his business itinerary and his commitment to the development of the province.

⁶ Established as Cortijo de Guadiana, SL., the company produced an average of 8000 tons of olives, with which up to 1.5 million liters of olive oil were produced per year.

⁷ Rosa had occupied positions such as the Director of Marketing at Warner and Universal Music, and at that moment was a Business Unit Manager at The Cola Cola Company.

Rosa began to search for information in order to better understand the industry. In the domestic market, she found a highly atomized structure that comprised tens of thousands of producers; over 2000 oil mills, the majority of which were small and half of which belonged to coops that marketed their oil in neighboring areas; and just a handful of industrial brands with countrywide presence, belonging to a small group of large companies dedicated to the refining and bottling of oil (virgin extra but also other types of olive and seed-based oils). Distributor or “white” brands had begun to develop in the 1990’s and at the beginning of 2000 already accounted for around 50% of virgin olive oil sales.

Some extra virgin olive oil denominations of origin were present in the Spanish market, although the majority was relatively unknown and operated at the local or regional levels⁸. Some companies were attempting to sell branded oil in the domestic and international markets, usually in PET containers of more than 1 liter (e.g. Borges, Arteoliva, the Olivar de Segura coop, Hojiblanca, Oligra or Núñez de Prado, amongst others). The greatest part of oil production was sold in bulk by the cooperative mills to bottlers and refiners in Spain and especially in Italy.

In the international scenario, Rosa discovered that Italian oil had a practically absolute domination of the market. They controlled the gourmet segment, with a sharp focus on quality, the diversity of flavors and packaging concepts (oil was generally presented in small glass bottles).

When Rosa had spoken with the top management of the industry’s leading companies, she learned that their generalized opinion was that the extra virgin olive oil segment was virtually commoditized. There was no brand value or consumer recognition or loyalty, with an absolute unfamiliarity on their behalf and even that of the sales channels. Rosa did not share this vision and believed that there was still room in Spain for developing a quality product, distancing itself from price as a primary criterion and focusing on a segment based on values, with a robust brand and a clear orientation towards the international market.

In June 2003, Rosa’s brother Francisco left a promising career in the banking sector⁹ and joined the project, encouraged to collaborate with Rosa in extracting greater value from the family’s assets. CCOJ was thus launched as an independent company within the family’ business group, for the purpose of developing this new project.

The first steps

The new company’s first oils were presented at Barcelona’s Alimentaria exhibition in March 2004. Although they had hired an expert to lead the oil production process, they soon came to the conclusion that their oil was good but it was not excellent. As Francisco recalled, “We decided to freeze the entire process. Our product had to be excellent and

⁸ Alicia Langreo (2010): “*La estrategia empresarial en el sector del aceite de oliva y su evolución desde la transición política.*” *Revista de Estudios Empresariales. Segunda época.* Nº 1.

⁹ Francisco had 20 years’ experience in international banking. At that moment in time, he held the position of Head of International Financial Institutions at Banco de Santander.