Arini Global: international expansion of a small olive oil producer

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Abstract: This case discusses the entrepreneurial activities that a small Greek olive oil producer employed to enter the growing US market. In recent years, the market for olive oil in the USA has increased in size and range of products. Market opportunities have lured a large number of companies to compete in different segments of the market. NIPELIA FAMILY, a small company, is attempting to establish a presence in the high-end quality segment of Greek and international markets. The major challenge that the company is facing is how to effectively reach US consumers willing to pay a premium price for a high-quality olive oil and create moderate economies of scale. The case also discusses the option of incorporating as a low-profit limited liability company ('L3C').

Keywords: international small firm entry; olive oil market; low-profit limited liability company; L3C.

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1 Introduction

Robert M. was born in Greece but now lives in the USA and teaches business courses in a Midwestern small liberal arts college. On many occasions, he and his students have interacted with the local business community by assisting in the development of international expansion strategies for local firms. On some occasions, the students have visited foreign countries to interact with potential international partners of local companies. For that purpose, they have organised business trips to Mexico and China.

Back in Greece, Robert's family has a few olive trees, which produce approximately 100–130 kilos of olive oil per year. The family farm is located in Western Greece near the famous site of Ancient Olympia, the location of the first Olympic Games in 776 BCE. Olive oil producers in the region are mainly small holders deriving most of their income from the cultivation of olive trees and harvesting olives. Due to limited financial resources, these farmers tend to sell their olive oil following production at the prevailing market price. As a result, they may not obtain the best pricing because at the time the olive oil supply tends to be very high.

Through the years, Robert M. had developed a deep connection to the olive farmers of the region and for a while he was wondering how he could help them obtain better prices for their olive oil. In 2013, Robert M. decided to be more involved with the process of harvesting and processing the olives. As a result, although he lives in the USA, he decided to use his professional leave and spend time in Greece to better understand the olive oil industry. While he was there, he participated in the process of harvesting and processing the olive oil. The harvesting process is critical in understanding olive oil as a product and its implications to the market, competition, and the varieties of quality of olive oil.

From February to October, the olive trees are monitored for general maintenance to minimise exposure to *Dacus* (a type of olive fruit fly, a serious pest in the cultivation of olives). In general, olive trees, comparatively with other agricultural products, require minimal attention. Harvest season starts during October, and harvesting methods vary across Greece and other olive oil producing countries. The key element of harvesting is to cause the least 'injury' to the olives. For example, some harvesting methods involve using rakes that gently shake the olives from the trees into a net that is unrolled under the trees. Another method is to cut off the branches that have the most olives and gently remove the olives (the prevailing thought being that this branch will not produce olives for three years and pruning is healthy for the tree). The olives are then piled and separated from leaves and twigs using small rakes or simply by hand. Bigger producers have a basic machine that separates the branches from the olives with the process being repeated under each tree. Finally, the olives are placed into cloth sacks and taken to a nearby processing plant or mills. The olives are placed in a conveyor belt, where they are thoroughly washed and further separated from any additional twigs before they enter the processing machine. The subsequent steps involve, crushing the olives into a paste, *malaxing* (mixing) the paste using colder or warmer water (hence, cold pressed olive oil – higher quality), then separating the oil from the rest of the olive components, and finally, the oil is then left in tanks or barrels where a final separation, if needed, happens through gravity. This is called *racking* the oil.

The reward is at the end of the production line, where you may want to dip freshly baked bread into your very own olive oil as it begins to trickle. Then, one can experience the sensation of freshness and the distinct taste of high-quality pure extra virgin olive oil (EVOO).

During Robert's stay in Greece, he worked side by side with local farmers to harvest the olives using nets and bare hands to separate the twigs. After he had taken the olives to the local processing plant, he started a conversation with the plant owner named Nikki. While Robert was waiting for the process to be complete, he inquired about the business and quality of the local olives. Nikki explained the situation of small producers and their anxiety to sell their harvest every year. She also indicated that Italian olive oil businesses were buying Greek olive oil every year from small farmers who were anxious not to be saddled with surplus product. Freshness and integrity of olive oil is good for about 12–18 months (Healthline, 2021), and then it begins to oxidise. Once it starts oxidising, its integrity for consuming it raw diminishes, although it still remains good for cooking (About Olive Oil, 2021).

Since Robert has some business knowledge, he asked Nikki why the local producers are not forming an association to leverage economies of scale and dictate better prices domestically and begin to explore the international markets. In addition, Robert indicated that he has seen a tremendous growth in the olive oil market, not only in the USA but also in places such as China. Since Robert's family is from the area, Robert volunteered to explore the US markets and proposed that the local producers create an association, pool their sources together, and begin to develop their own brand. Robert continued by indicating that entering the market would require an investment in developing the product, marketing, and logistical costs. However, Nikki's understanding of business was focused on how the producers will be paid. Robert realised that they were not ready to engage in a meaningful entrepreneurial process that includes strategic development and some investment. In the next few years, Robert would drop by at least once a year and he would chat with Nikki. However, these discussions occurred without sensing a desire to proceed in a meaningful way.

In January of 2017, Nikki attended an exporting seminar and she realised a couple of things. First, the tremendous opportunities of the international market and secondly the necessity of investment to enter the markets. Moreover, she realised that government financial grants were available for companies planning to enter foreign markets. At this time, she reached out to Robert for more assistance. Robert was excited since he had a strong interest in helping the local producers.

Nikki, with her processing plant, entered into a partnership with an olive farmer called Petros to form NIPELIA FAMILY GP Company. This partnership brought together Nikki's expertise in the processing of olive oil and Petros' production capacity. Petros is a medium size producer who has around 1,000 of his own trees and manages a large array of trees for other olive tree owners. A common practice by many small olive tree owners is to outsource the maintenance and harvesting of their olives because they do not have enough trees to make a living and/or they have other professions. The agreement, then, is usually that Petros will keep 70% of the harvest. In most cases, the farm owners simply want enough olive oil for their personal consumption. Therefore, the partnership between Nikki and Petros made sense, as it brought together a mini-vertical integration. The goal was to enter the Greek market and expand internationally by offering a branded product to final consumers instead of selling olive oil in bulk to processing companies for lower prices. Nikki and Petros have no other business experience and while Robert teach business courses, his practical experience in this industry sector is minimal. However, he wanted to assist by utilising not only his understanding of international business, marketing, and branding, but also the connections that he had developed over the years by living in the USA.

2 Product development

In January 2017, Robert and Nikki – with the assistance of a Greek export consultant who had worked in the USA for years – began work developing a unique bottle that will stand out in the market. Then, they worked with graphic designers to finalise the bottle and a trademark lawyer to assist with registering the trademark in Europe. Robert returned to Greece during the summer of 2017 and worked closely with Nikki, the consultant, and the graphic designers to finalise the bottle. In most supermarkets, the olive oil bottles are some shade of green. The NIPELIA bottle was going to be completely white with light orange labelling and a unique trademark, the goal being to create a bottle that will stand out on the supermarket shelf, thus drawing attention.

Robert, Nikki, and the consultant also worked on the process of entering the US market. Robert was willing to help form a company to import and distribute the product, establish the US trademarking, and begin to scale the sales. However, he was only interested if he could use highly motivated students from the college where he was teaching so they can get hands-on experience in an international trade venture. Moreover, he wanted Nikki to invest the basic costs of starting a company, regulatory fees, professional accounting services, maintaining a website, trademarking, and most importantly, the liability insurance. Nikki and Petros agreed. Their investment was €2,000.00 to get Arini Global started. Considering that Robert would be working with students, he also suggested forming a *social enterprise* [instead of an LLC, it is low-profit limited liability company (L3C) – see below for extensive details]. Robert then proceeded to form Arini Global in the USA ('Arini' refers to the area where the olive oil is coming from). Robert also wanted to create the company so his students could learn, develop, and eventually take over and run it as their own business. The term *global* was used since the small group of students working with Robert wanted to use the olive oil as a learning platform to expand into importing other high-end products in the future. Forming a social enterprise was part of strategy to distinguish Arini Global from the vast array of olive oil companies and create a promotional niche. Robert also worked with a fellow professor to trademark the name.

Robert's aspiration was for students to take over the company after a three-year period. The business plan was to use the first year (2018) to form the company, create the web site, import samples, engage in awareness promotions and education but also travel to Greece for students to learn the process from harvesting to final product in order to become better salespeople. Students were excited to be part of a company and to learn the tribulations of its day-to-day activities. Students engaged in some fundraising to finance part of the trip and Professor Robert M. contributed as well. They were very eager to travel to Greece, raising some funds through a grant received from their college's student government association. Finally, they contacted some local film students to travel with them to Greece and create a series of promotional videos.

Robert and the highly motivated students took a trip to Greece during the harvest season in November 2019, to observe and participate in the harvesting, understand the idiosyncrasies of the product, observe the process to convert olives to olive oil, and in general, have a better understanding of the product they were about to start selling. Moreover, the videos they were creating were intended not only as advertising tools but also to educate the customers. Upon return to the USA, they ordered their first shipment to begin to sell in the area stores. The shipment arrived in April of 2020 when COVID-19 had already affected the market of small vendors. In May, Arini Global revised its strategy and began selling only online. In May 2020, the main challenges facing Arini Global were still sales capability and professional redevelopment of their web page. With e-commerce, there was a need for redeployment.

In 2019, they began to scale the sales, exploring sales approaches and potential buyers. Entering the supermarkets seemed to be a challenging proposition since they could not scale the process to meet the supermarket demand. Moreover, they lacked experienced sales techniques. In contrast, they found a more accepting small vendor market. One of the limitations they were experiencing was the availability of only a 500 ml bottle. Students were interested in creating a small 100–200 ml bottle for restaurant tables as a form of advertising. Of course, they would provide the restaurant owner a bulk quantity to refill the bottles. The producers in Greece were not eager to invest in providing a range of product sizes. The general marketing strategy was grassroots and slow organic growth with minimal marketing cost. At this state, NIPELIA produces, bottles, and ships the olive oil while Arini Global, L3C will import and distribute NIPELIA products. Arini Global will take all business-related decisions in the USA. Furthermore, Arini Global maintains exclusivity for distributing all NIPELIA products in the USA. Arini Global is owned by Robert M. (but it is being developed and operated with the students) with the intend to pass it on to qualified future graduates. At this stage, Robert M. assumed all liability issues since students are somewhat reluctant to take this step yet.

3 The olive oil market

The cultivation of the olive tree and the production of olive oil have been associated for at least the last 4,000 with the Mediterranean basin. The Greek and Roman civilisations relied on the cultivation and processing of the olive fruit. Olive oil and wine were the two major commodities of the ancient Mediterranean civilisations and merchants travelled far and away to trade them with grain, timber, and other goods from distant places (Kostelenos and Kiritsakis, 2017).

While small quantities of olive oil were exported from the Mediterranean countries to other parts of the world, until recently the production and consumption of olive oil was concentrated in that region of the world. However, since the 1990s, consumption of olive oil has spread widely in non-traditional markets and consumers in many countries are buying increasing quantities. The newfound allure of olive oil for global consumers may originate in medical studies that have discovered the health benefits of the product in comparison to other oils or fats that may have negative impact on a person's health. In addition, countries such as Italy, Spain, and Greece that traditionally have been major olive oil producers and consumers, have emerged as major tourist destinations and their cuisines have become popular around the world. This global familiarity and attractiveness of Mediterranean cuisine coupled with the health benefits of the Mediterranean diet centred in the consumption of olive oil, have contributed to its popularity.

As a result of this newfound popularity of olive oil, consumption of the product increasingly occurs in non-traditional markets. For example, the USA has emerged as a major consumer of olive oil in recent years. It accounts for approximately 10% of global olive oil consumption and has emerged as the third largest national market. Only Italy and Spain are larger consuming markets (United States International Trade Commission, 2014). While consumption in traditional olive oil markets has been stagnating or even declining, the rapid growth of the US market has made it very attractive for exporting countries. Consumption in the USA has increased approximately 70% since 2000, with an average annual increase of 4%–5%. The main factor in this rapid growth is the targeting by olive oil companies of health conscious, high income consumers. The health benefits associated with the consumption of olive oil are especially effective in this segment of the market. Similar growth of olive oil consumption has been observed in other nations. Canada, Australia and even China and Japan, have experienced rapid increase in imports (United States International Trade Commission, 2014).

The health benefits of olive oil consumption originate in the abundant presence of natural plant polyphenols in its chemical composition. Multiple scientific studies have shown that polyphenols, which are natural compounds of various chemical structures may reduce human morbidity and reduce the occurrence of cardiovascular, cancer, and neurodegenerative diseases. The beneficial impact of olive oil is attributed to its high antioxidant properties. The presence of antioxidants tends to decrease reactive oxygen species and eliminate harmful carcinogenic metabolites (Gorzynik-Debicka et al., 2018). Not all olive oils possess high levels of polyphenols. If olive oil production does not follow high standard processing, it tends to lose a large portion of its beneficial properties. As a result, new techniques have been developed to measure the phenolic content of olive oil and table olives (Melliou et al., 2017). The overall presence of phenolic components in olive oil, may provide certain olive producers with a competitive advantage and an ability to command higher prices. Of course, a major caveat is the ability of these niche companies to educate consumers that consumption of olive oils rich in phenolic components has substantial health benefits.

4 Characteristics of the US and global olive oil market

International quality standards for olive oil have been established to ascertain the quality, safety, and authenticity of the product. These standards originated with the International Olive Oil Council (IOC) and are supposed to be followed by producers around the world. Although, these standards exist, not everybody is following them and considerable disagreements have arisen in the designation of the extra virgin classification. Establishment of global standards tends to be a challenging undertaking because standards need to be restrictive to protect consumers from deceptive companies mixing low quality oils and trying to pass it as high quality, but extensive enough to accommodate producers around the world (Koulouris, 2017). As a result, even the standard designation of 'extra virgin' that denotes high quality is often abused and producers describe with that label oils of inferior quality.

Some foreign countries have tried to enforce quality standards but the USA does not test imported olive oils. This practice has made it easier for unscrupulous companies to engage in fraud by mislabelling olive oils sold in the US market. This flawed regulatory framework has restricted the ability of producers to differentiate their products by utilising the 'extra virgin' olive oil designation. This luck of standards accompanied with US consumers' low awareness of other quality factors of olive oil, including grades and flavour attributes makes objective quality differentiation in the US market very difficult.

In the US market, olive oil producers compete with a wide variety of fats and oils (butter, spreads, shortening and other vegetable oils). It appears that consumers tend to make oil selections based on health and taste considerations. This gives a great advantage to olive oil producers because many consumers perceive their product as healthier and tastier. However, the average consumer cannot distinguish of the variance of extra virgin olive, hence, price becomes a purchasing factor.

The three main segments for olive oil in the USA are retail outlets, food service and the food processing industry. Retail outlets, such as grocery stores, sell olive oil products to the final consumer while food service outlets include a wide variety of restaurants, hotels and institutions that utilise olive oil in the preparation of their food. The food processing industry uses olive oil in preparation of a wide variety of processed foods. Retail outlets sell approximately 40% of the olive oil consumed in the USA, with an additional 40% used by the food service industry and the remaining 20% utilised in the food processing sector. As can be expected, olive oil users in the food service and food processing industry are extremely price conscious. In most cases, they purchase olive oil in bulk or large containers and many of them mix it with other less expensive vegetable oils (United States International Trade Commission, 2014).

The US retail market is probably the only olive oil segment that provides a company the possibility of charging higher prices by selling a superior product. In general, US consumers tend to select olive oils labelled as extra virgin (70% of the year), with the remaining of the market dominated by cheaper refined olive oils. Milder olive oils tend to be preferred by US consumers because these are the flavours that many consumers have been exposed. However, more niche flavourful and bitter olive oils are becoming more popular among small segments of US consumers. Consumers familiar with these flavourful more exotic olive oils are willing to pay higher prices for products perceived as high quality. It is estimated that while the typical olive oil retails for approximately an average price of $7 a litter, a small market exists for olive oils retailing for more than $25 per litre. These expensive olive oils are usually sold at gourmet stores and stand-alone oil and vinegar stores. The same outlets also sell organic olive oil, a segment of the market that has experienced high growth among health-conscious consumer. Despite the growth of demanding consumers, only 2% of the US olive oil market is made by expensive olive oils with an additional 2% sold under the organic olive oil label (United States International Trade Commission, 2014).

China, Japan, and Australia are three other non-traditional markets for olive oil that have increased imports in recent years. Chinese consumers in the past were not exposed to olive oil. However, recent trends of healthier eating and attractiveness of foreign cuisines has made olive oil desirable for younger Chinese consumers. Overall, olive oil consumption in China has increased by 50% in the last six years and 60,000 tons were sold in the Chinese market in 2020. Despite the increasing popularity of olive oil, it represents less than 1% of total cooking oil consumption. A large number of Chinese consumers purchase olive oil as a gift for friends. As a result, package and perceived quality play an important role for a company's sales (Daxue Consulting, 2021).

Japan has emerged as an importer of olive oil in recent years as well. Japanese imports have increase more than 12-fold from approximately 5,000 tons in 1992/1993 to 62,000 tons in 2015. High quality olive oils are increasingly popular by Japanese affluent consumers. The main drivers of this increase are the perceived health benefits, its taste, and cultural and historical associations of olive oil with ancient civilisations. Japanese consumers tend to possess high disposable income and are willing to spend money of imported products. The consumption of olive is associated with the increasing popularity of the Mediterranean diet in Japan (Capogna and Gómez, 2016).

The Australian market has similarly increased in recent years, with imports doubling in volume. The Australian consumers have increased their consumption of olive oil for the same reasons as consumers in other markets, the perceived health benefits of the product and the popularity of the Mediterranean diet (National Olive Conference Industry Statistics, 2021).

5 Assessing the business entity choice

Arini Global, like any other mission-driven social entrepreneurship business start-up, had to decide how to legally structure its business for maximum effectiveness (Luppino, 2020). Given the array of business entity choices from which entrepreneurs may choose, deciding which entity is best suited to any particular business is very complicated (Franklin, 2016). The business entity choice made has tax, intellectual property, marketing, regulatory reporting, and operational implications, among others (Hilton, 2012). In addition, while it is possible to convert a business from one entity type to another, doing so is neither easy nor inexpensive, so making the best initial selection is immensely important.

Social entrepreneurs have been the beneficiaries of several relatively recent hybrid – intended to merge the benefits of the for-profit and not-for-profit worlds (Sertial, 2012) – business entities designed specifically for social enterprise, including the benefit corporation, the social purpose corporation and the L3C (Marcum and Blair, 2012). These are in addition to, not instead of more traditional business entities (e.g., the general partnership, limited liability company or corporation) all of which are also available to social entrepreneurs, so the choice for the social entrepreneur is even more complicated and presents a wider array of considerations. Furthermore, social entrepreneurs may also opt to conduct business as not-for-profit companies adding a further layer of analysis to the entity decision, or through franchise models that may produce greater impact (Burand et al., 2020).

Finally, social enterprises can seek B-Corp certification irrespective of which entity choice they make (assuming it is a for-profit model). B-Corp certification is a prestigious designation made by the private *B Lab Company* (B Company, 2021) that attests to a company's sustained excellence in the mission driven space. Almost 4,000 companies across at least 150 industries have achieved B-Corp status (B Company, 2021). Because the B-Corp is based on rigorous evaluation (B Company Impact, 2021) of an ongoing business concern, it is not a choice that can be made until the business has developed a track record. However, it is worth considering early in the start-up process because the entrepreneur who chooses a not-for-profit business model precludes B-Corp status in the future. Because of all of these interesting options, from a case study perspective, social enterprises offer a rich teaching and learning opportunity relative to business entity selection.

The *Arini Global* team decided to structure their business as a L3C' under Illinois law. The L3C is social enterprise specific, mission driven type of LLC currently available in a several states including Illinois, Kansas, Louisiana, Maine, Michigan, North Dakota, Puerto Rico, Rhode Island, Utah, Vermont (the first state to formally authorise use of the L3C form), and Wyoming as well as the federal jurisdictions of the Crow Indian Nation of Montana and the Oglala Sioux Tribe.

The L3C is formed by filing articles of organisation very much like those filed by LLCs. The L3C articles are different in two respects: they must use the words 'L3C' and they must state an overt social impact mission as the primary purpose of the business. L3Cs are required to maintain registered agents and must comply with any other obligations imposed on LLCs in the state in which they are established.

Because it is a sub-type of the LLC, the L3C provides essentially the same liability protections as are afforded by the traditional LLC. It also allows pass-through income tax treatment so operators can avoid the double taxation bind created by corporation status (Marcum and Blair, 2012). Finally, it is important to note that profit-making is still permitted for the L3C, but only a as secondary purpose (Sertial, 2012).

In all of the states in which the L3C is available, it must satisfy some version of the following three statutory requirements which correspond to the provisions imposed by the internal revenue service on the type of businesses in which a charitable foundation can make a 'program-related investment (PRI)' (Marcum and Blair, 2012):

1 It significantly furthers the accomplishment of one or more charitable or educational purposes within the meaning of Sec. 170(c)(2)(b) of the Internal Revenue Code.

2 It does not have as a significant or main purpose the production of income or the appreciation of property.

3 It does not have as a significant purpose the accomplishment of one or more political or legislative purposes.

A PRI is one approach taken by tax-exempt foundations to meet the IRS obligation that they devote a minimum percentage of funds on hand to a charitable effort or entity each fiscal year.

The *Arini Global* team started with the assumption that some formal business entity, as opposed to a simple partnership or proprietorship, was essential to them so they could shield themselves from liability. Among those options they saw several perceived advantages in the L3C choice. First, and perhaps to them most importantly, they regarded the L3C as an entity that would advance their brand identity and marketing efforts. It was their belief that a formal commitment to a social impact goal reflected in the business name – Arini Global, L3C – might command attention and serve as an effective marketing tool for attracting non-profit and socially conscious for-profit investors. It was also their hope that consumers would gravitate toward a business with a mission-driven primary purpose; if consumers were going to olive oil anyway, why not from an entity doing good, rather than simply making a profit? Beyond donors and consumers, the *Arini Global* team was mindful that there might also be positive employee recruiting impact from the L3C designation – they might attract talent based on their commitment to mission over profit because potential employees would be proud to work for such a company.

A second and related strength of the L3C is the capacity it has for leveraging the recent urgent social justice environment – companies formed to do good might, they believed, find better traction in a wider social setting that is increasingly focused on social impact and change. Third, the *Arini Global* team hoped the L3C might allow them to raise start-up and ongoing operating capital to expand or enhance the venture from donors, including foundations making PRIs. In short, the *Arini Global* team thought they could position the enterprise as an attractive option for committed private foundation investors whose charitable purpose is consistent with the L3C's social objectives.

L3Cs have a number of weaknesses that are worth noting. First, they are not an option in some states, so while they may operate across state lines once created, their status is less clear than entities that are more universally available, e.g., the traditional LLC. Second, they present a complicated, and sometimes ambiguous range of state-specific reporting obligations. Of course, all formal legal entities burden owners with reporting obligations, but the L3C requires disclosures that confirm the pursuit of the social impact mission as a primary purpose, and describing that approach accurately is not always a straight-forward endeavour. Third, many social enterprises seek to impact public policy, but L3Cs may not be organised for or pursue in any way political or legislative outcomes; a conventional LLC would have considerably more latitude to engage in lobbying or advocacy should it choose to do so. Fourth, it is not always even clear that the intended beneficiaries of the social impact dimensions of a for-profit business ultimately benefit from that company's efforts. Finally, and perhaps because of some of these shortcomings, some states have retreated from the L3C form altogether; North Carolina, for example, eliminated the L3C from its business entity options on the grounds that it added nothing to the LLC and was 'deadwood' (Marcum and Blair, 2020).

The tax status of the L3C is less clear than any stakeholder in the enterprise would hope as well (Hopkins, 2014). Indeed, the tax advantages of donation to L3Cs by a private foundation may produce the risk that the investment will be considered a jeopardy investment and subject the foundation to federal penalties. State laws authorising L3Cs do not bind the IRS as to PRI contributions, so arguably there is no federal tax benefit to forming an L3C as opposed to an LLC. Moreover, to be eligible to receive PRIs, an L3C must further each investing foundation's specific charitable goals – and that match must be clear and overt – so the number of potential private foundation investors for any L3C is limited. Furthermore, private not-for-profit foundation investors may seek formal management rights in the L3C to be absolutely sure that their charitable ends are being pursued, because if the foundation's funds are used inappropriately the foundation may lose its tax exemption which is a catastrophe for such an entity.

Not surprisingly, there is little evidence of foundation donation through PRIs (Brewer, 2012) because it is difficult to determine which investments qualify, and the IRS may fine a foundation for deviating from donation regulations. So, securing that sort of funding may be difficult because most foundations can simply take the easy, risk-free route of donating to an established not-for-profit. Some work is being done to produce clearer and more attractive PRI guidelines, but the pace of the work is slow enough that it is harder and harder to make the case for L3Cs on the basis of their eligibility to receive PRIs (Xia, 2013).

The future of the L3C is in no way certain or stable. At least one commentator argues that the L3C has only one real advantage over the traditional LLC: marketing, and that the value of that advantage is modest or non-existent (Brewer, 2012). Other scholars are even less generous than that, arguing that the L3C is essentially an entity that lacks any plausible reason for existing because it is essentially just an LLC with an ambiguous 'feel-good' mission (Kleinberger, 2010). Still, another set of commentators suggest that significant regulatory changes must be made to make the entity a viable choice, but they acknowledge the difficulty of motivating state legislators to make those changes (Pearce and Hopkins, 2013). There are, however, some researchers who see specific market segments in which the L3C might thrive and achieve meaningful social impact outcomes (Nissim, 2013; Schmidt, 2019).

6 Conclusions

Arini Global is faced with several decisions relating to the formation of an L3C as a branding tool and several strategic business decisions relating to procuring, operations, marketing, and distributing the product. As indicated early, Arini Global has complete control over all business decisions in the USA. Robert M. and the students have several decisions to take.

The rather novel origin of Arini Global (to help local farmers, partnership with professor and students, L3C formation, minimal investment, etc.) generated unusual business decision challenges. The grass roots marketing approach, limited investment, formation, and composition of the company coupled with the COVID presents Arini Global with critical decisions to take. Increasingly, it seems that competing in the low-end price range is a disservice to the Arini olive oil product quality; in addition, the low-end price range is a highly crowded and competitive landscape. Customers interested in low-cost olive oil are not aware of the quality ranges of olive oil. In most cases, low-cost customers seem to feel that they overspend buying olive oil. Secondly, an option is to choose to compete in high-end olive oil market segment when, again, considering the olive oil is of exceptional quality ($30.00 for a 500 ml bottle). The assumption here is that as consumers may spend $5–10.00 for a bottle of wine vs. a consumer who spends $30–40.00 per bottle of wine. Similarly, Arini Global will carve a niche in the market. Such a step would require additional marketing to educate and reach the high-end customers, although some of them are already well versed in high quality olive oil (just like wine connoisseurs). A third option is for Arini Global to become an intermediary and identify a distributor in the USA to manage the sales and distribution. Distributors want to ensure a high volume to fill orders and cutthroat prices. Moreover, distributors are interested in contracting products that have demonstrate some market success already to minimise marketing cost for themselves. The *NIPELIA* FAMILY is not ready to scale yet. A fourth option is to reach out to large supermarkets and ship directly to them. Such option requires an existing sales force and steady sales of large shipments. However, considering the small production capability of the Greek supplier, this may not be a realistic option. Operationally, some of the students have graduated and some have not been able to invest more time (class work, pandemic). At this stage, Arini Global is considering the second strategic option to becoming strictly an online seller, develop time on social media and digital marketing, become a high-end olive oil seller, and procure small orders of high-quality olive oil of award-winning producers only. Other options are to place the product with Amazon, Etsy, etc. while Arini Global continues to import and distribute. Arini Global plans to develop a range of high-quality award-winning olive oils only.

In addition, the *Arini Global* team must confront several difficult strategic trade-off questions as it continues to assess operations as an L3C entity and further expansion in the US market, three are particularly interesting from a case study perspective. First, can the shrewd marketing use of a relatively uncommon but socially attractive business form generate sufficient consumer spending and other income to make the tax and other risks worth bearing? Regrettably, there does not appear to be any real evidence of consumer choice making based on the L3C designation (Marcum and Blair, 2012). However, considering the recent popular interest in social justice issues in the USA and trends among consumers to make ethical purchases, a product sold by small producers may generate a marketing appeal. Second, if the hope is to favourably distinguish the enterprise from standard for-profit vehicles, would formation as the safe and well-recognised LLC, and the subsequent pursuit of B-Corp certification be a better approach? Third, can they identify and woo one or more not-for-profit foundations to provide PRI funding to expand and enhance the business? Naturally, actually obtaining PRI funding would make several of the objections to the L3C far less compelling. Fourth, can they identify a market segment to compete (high end, low end). There appears to be a need to rethink the business model (online shop, online and physical sales, large supermarket chains, smaller specialty shops, not for profit cooperatives selling products by small producers, etc.). Finally, the big question is whether the company could continue relying on students or develop to an entity with full time employees. Although students tend to be full of enthusiasm for undertaking social projects, they lose interest when they graduate. The hiring of full time employees may enable the enterprise to further grow and develop.

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Appendix

Questions

1. Perform a SWOT analysis (strengths, weaknesses, opportunities and threats) of Arini Global.
2. Do you think Arini Global should continue to establish itself in the US market? Why or why not?
3. Do you think the social enterprise classification is an advantage for Arini Global?
4. What the steps forward for Arini Global at this stage?
5. What is your overall strategic recommendation for Arini Global to pursue?