Title: Jerónimo Martins International Strategic Expansion into the Colombian Market

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Abstract

Having existed for more than two decades in the Portuguese and Polish markets, Portuguese family-owned Jerónimo Martins group established operations in Colombia under the brand Ara in 2013. After a careful research and detailed analysis, the Company decided to begin its business in the Colombian zona cafetera. Three characteristics of the region's market motivated the location choice: (1) High population density and (2) market size and (3) low developed competitors, yet somewhat removed from the biggest Colombian clusters allowing greater experimentation freedom. After a successful launch and positive results, the company entered the caribbean coastal region. Capitalizing in its previous internationalization experiences, the company was able to successfully adapt to the particularities of the caribbean costal region market offering clients specific products according to their cultural preferences and well as an environment with which they feel identified. This strategy has allowed Ara to enjoy widespread popularity leading to the announcement by the Jerónimo Martins group about an ambitious Colombian national expansion plan on 2016.

This case presents the Jerónimo Martins background, as well as the considerations that led the company to enter Colombia. It discusses the characteristics of the coffee region, and the caribbean costal area and how Aras success in these regions relates to the lessons learned by the Jerónimo Martins Group in its previous internationalization experiences. In particular, this discussion focuses on how having experimented with strategies such as alliances, joint ventures and acquisitions in its internationalization strategy, Jerónimo Martins Group's constant search for long-term growth opportunities provided two valuable lessons (i) the know-how of how to develop business models specific for each market, and (ii) the awareness and flexibility to adapt to cultural differences in order to secure market position while maintaining long-term sustainability and maintenance of enterprise risk. These lessons have been capitalized and turned into landmarks of Jerónimo Martins expansion strategy. These strengths are expected to play an increasingly important role as the company expands to other areas of Colombia, a country known for its sharp regional cultural differences. Moreover, the Colombian national expansion plan is expected to pave the road for the Portuguese group to continue consolidating itself as a main player in the food retail sector in this Latin American destination.

The case was created using information from the group, national and international data sources and interviews with some of the group's employees. It has the information for the end of 2015, to allow students to understand the evolution of the group and of the entrance into the Colombian market.

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Case Study

Jerónimo Martins Expands in the Colombian Market

After three years of operations in two regions of Colombia, on 2016, The Jerónimo Martins group led by its CEO Pedro Soares dos Santos announced the group's expansion roadmap plan in Colombia for the coming years[1].

The first internationalization effort attempted by the Jerónimo Martins Group was back in 1995 when it decided to enter Poland. Since, its constant search for long-term growth opportunities has led the company to evolve and has provided valuable lessons. Two of the most important lessons being how to develop business models specific for each market, and how to adapt to cultural differences in order to secure market position. In this process, long-term sustainability and maintenance of enterprise risk level have become the main drivers of the company's growth and expansion strategies after having experimented with strategies such as: alliances, joint ventures and acquisitions in its internationalization strategy. Today, the company manages to have operations in three distant countries (Portugal, Poland and Colombia) with cultural, economical and language differences.

Colombia as the latest internationalization process, in 2012. After four years of market research and a very careful decision making process, operations began in 2013 in the coffee region with the brand Ara. Followed by the expansion into the Caribbean coast region 2 years after. Now the company is about to expand into the rest of the country.

At first the group's decision to enter Colombia seemed contrary to the expectations for Jerónimo Martins to expand into a destination with a more developed industry, greater visibility and a larger local market. The Colombian market, typically associated with coffee, did not seem to meet these criteria and thus did not seem very appealing commercially. Moreover, the idea of entering Colombia seemed to increase the already existing challenges the Group faced operating in countries with marked cultural, economical and language differences.

1Jerónimo Martins Presentation Colombia 2016. [online] available at: http://www.jeronimomartins.pt/media/664387/presentation_colombia_2016_site.pdf [accessed on Dec 2 2016]

However, the positive results the company has had in the Colombian market highlight the company's strengths as well as the appropriateness of the decision to enter, and strategy developed for the Colombian market. With its value proposition, Jerónimo Martins, under its brand Ara, has positioned itself in Colombia successfully reaching many Colombian customers every day. Now, with its upcoming Colombian national expansion plan, the road is paved for the group to continue consolidating itself as a main player in the food retail sector in this Latin American destination.

Jerónimo Martins Group History[2]

Jerónimo Martins is a Portuguese family-owned group that grew from a small store in Lisbon in 1792, to a multinational company (Exhibit 11). By 2015, the company operated in 3 different markets (Portugal, Poland and Colombia). From the beginning, Jerónimo Martins has been involved in the direct sale retail business, selling mainly food. After its foundation, and during the nineteenth century, Jerónimo Martins grew its fame and reputation in the Chiado area until 1920, when a group of five food business owners from Porto bought the store. From 1920 until 1948, the company was run by 2 of the buyers, Francisco Manuel dos Santos and Elysio Pereira do Valle. As a mean to diversify, the company incurred in the food oil business market during World War II, by opening of the production plant FIMA.

From 1949 until 1970, the company established a joint venture with Unilever, mainly focused on product development and distribution. During this venture the company developed further into the oil market and entered the ice cream, frozen food and soap markets, covering the whole of the value chain, from production to distribution. Towards the end of the period, with a new management, the Group switched its strategy focusing on distribution rather that in manufacturing of produced and bought products.

In 1978, the Jerónimo Martins Group decided to enter the Modern Food Distribution business with the creation and establishment of Pingo Doce supermarkets. In 1980 the first Pingo Doce supermarkets opened their doors. The following years represented the expansion of the Pingo Doce brand in partnership with Delhaize (Belgium food retailer worldwide; world retail ranking # 33 in 2010) in 1985 and Ahold (Dutch grocery food retailer; world retail ranking # 25 in 2010).[3] The entrance in the wholesale markets with the acquisition of the Recheio and Arminho brands (cash & carry) in 1988 and 1990 respectively and the partnership with Booker (English wholesale retailer) to develop the wholesale business; The entrance

2 Jerónimo Martins, 2015. History. Jerónimo Martins [online]; available at http://www.jeronimomartins.pt/o-grupo/historia.aspx?lang=en [accessed on October 10 2016].
3 Largest Retail Companies in Europe. 2010. [online]; available at https://www.thebalance.com/largest-retail-companies-in-europe-2892109 [accessed on November 25 2016].

to the services and marketing with JMD; and the entrance to the specialized retail with chocolate brand Hussel (in partnership with German company Douglas).

Between 1994 and 1997, the group began its internationalization processes entering the Polish market by acquiring three different formats: cash and carry with Eurocash, hypermarkets with Jumbo and discount supermarkets with Biedronka. By 1997, the group acquired the 241 stores that Biedronka had and at the same time entered the Brazilian market with the acquisition of the Sé supermercados in the São Paulo area. Furthermore, in 1996 the group bought the brand Lillywhites in the United Kingdom (sports apparel retailer).

From 1999 to 2004, previous expansion decisions and countries economical performances led the group to the most difficult financial situation of its history and had to restructure the entire company. It had to sell assets and operations that were not strategic for the group, in order to focus on the Food distribution industry in Portugal and Poland, as being the industries that the group believed it had the most advanced knowledge of. This meant leaving Brazil and the UK in order to focus on its Pingo Doce, Biedronka and Recheio brands. In Poland the group sold its Jumbo and Eurocash brands to focus in Biedronka. The next years represented consolidated growth despite the 2008 economic recession in Portugal where Biedronka managed to withhold its impact. Furthermore, Biedronka turned into the group's most important business and the Polish market leader.

By 2012, and after several years of market research, the Jerónimo Martins group entered in the Colombian market with the creation of the brand Ara in the zona cafetera region of the country.

Company Profile and Structure

Jerónimo Martins has come to be a group with assets and operations predominantly in distribution in the food retail market. It holds leadership positions in Poland and Portugal, besides a rapid growth in Colombia since 2013. In 2015, the group (Exhibit 1) accomplished sales of 13.73 billion euros (8.3% increase from 2014) and an EBITDA of 800 million euros. By the end of that year, the group had a total of 89,027[4] employees between the 3 markets where it has presence.

[4] *Jerónimo Martins Annual Report 2015*

In Portugal, the Jerónimo Martins Group holds the leading position in Food Distribution with 17.5% Market Share (Exhibit 5) with the Pingo Doce brand, and combined sales of 4.24 billion euros from Pingo Doce (Supermarkets) and Recheio (Cash & Carry).

In 2015, Pingo Doce sales (Exhibit 4) grew 5.3% compared with the previous year (3.41 billion euros by 2015). Furthermore, it generated an EBITDA of 188 million euros (23.5% of total group EBITDA) and ended the year with 399 stores over the entire Portuguese area and like-for-like (LFL) positive of 3.9%. On the other hand, Recheio had sales of 832 million euros (4.1% greater than 2014) and an EBITDA of 44 million euros (5.5% of total).

In Poland, the Biedronka brand (convenient discount stores), is the food retail leader with 18.9% market share (Exhibit 6), sales of 9.21 billion euros in 2015 (Exhibit 2) (9.2% increase from 2014), and EBITDA of 641 million euros (it represents 80.1% of the group's total EBITDA). Biedronka finished the year with 2,667 stores spread around the entire polish country and a LFL of 3.2%. The group has another brand in the country, Hebe (health and beauty drugstore) that finished the year with 100 million in sales (14.9% increase from 2014) and a total of 134 stores.

In Colombia the group has one brand, Ara (proximity food discount stores), which by the end of 2015 was located in the coffee region and caribbean coast with a distribution center in each region. By the end of the same year, the group had sales of 122.5 million euros (Exhibit 2) (85.6% increase from 2014) and ended the year with 142 stores (56 stores more than in 2014).

The group has other brands in the Portuguese market. Altogether, in 2015, represented 60 million euros in sales (Exhibit 2). Some of those brands have been investments to complement their operation for Recheio and Pingo Doce. To guarantee the supply of dairy products of its stores, the group created Jerónimo Martins Agro-alimentar. Gallo Worldwide[5] (oils, vinegar and olives) and Unilever Jerónimo Martins (fast consumer goods manufacturer) are other brands in which the company has participation but does not have full control. Moreover, it imports and distributes several foreign brands in Portugal through the brand JMDPC (Distributor and Importer of some fast consumer goods not produced internally).
In Portugal, the company also has some presence in the restaurant services sector (JM Restauração e Serviços) with small stores, coffee shops and ice cream sell points as well as in the specialized chocolate and confectionary retail business (Hussel).

[5] *Jerónimo Martins 2015 Annual Report*

The Industry: Food Grocery Retailing

The main business of the Jerónimo Martins group is sales of food products in retail stores to be taken out and eaten elsewhere. Products can be fresh or processed, unpacked or packed. This industry has been growing steadily in most markets and is expected to continue its growth in most economies of the planet.[6] Additionally, it is composed by a traditional (local small convenience and proximity layouts) and modern channels (more evolved retail, normally multinational or very evolved local players).

The traditional model demand (dominant in emerging markets and developing economies) is characterized by food, drink and tobacco specialists; independent small grocers; and other grocery retailers (See Exhibit 9). Most of the time these are small businesses, locally owned and not as big or evolved.

Conversely, the considered modern channel (highly established in developed economies) is composed by convenience stores, discounters, forecourt retailers, chained forecourts, independent forecourts, hypermarkets and supermarkets (See Exhibit 9). This particular channel has been evolving very much in the past decades, as internationalization, joint ventures, mergers and acquisitions have allowed different models for companies to establish presence in various economies all over the globe.

The international food retail environment has led companies to take advantage of international trade, and to become aware of consumers' preferences allowing them to satisfy their needs as accurately as possible. As well as capitalize economies of scale, replicate and learn from past experiences in order to offer the best value proposition of the market.

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6 Planet Food Retail

Jerónimo Martins' Market Presence

The Jerónimo Martins group has been keen to have operations and expansions to other markets, so it is imperative to understand the places it currently operates and some of the main features that characterize each of the geographies.

Portugal's Characteristics of and the Portuguese Food Retail Market

As the western most country of continental Europe, Portugal has borders with Spain and the Atlantic Ocean. Joining the European Union and having adopted de euro, has given Portugal the ability to overcome some of the crisis it suffered in the past decades. By the end of 2015, it had a population of 10.3 million inhabitants, 0.5% less than 2014. Its population density is 113 thousand per km2 and 63.5% of the country lives in urban cities.[7] Economically, Portugal ended the year with a GDP of 199 Billion USD (31 Billion USD less than 2014). [8] Unemployment was at 11.9% by the end of the year.[9]

As for the Portuguese food retail market, Portugal is characterized by the dominance of the modern channels (85% of the market) with 5.6 thousand outlets (16% of total outlets). 2015 had a marginal improvement, to end the year at 20.4 billion Euros.[10] As the purchasing power for the families decreased during the year leading families to became more aware of their budgets. In response to the constant requests by customers, companies in the food retail business focused their efforts in marketing and promotions in order to increase their sales. Traditional retailers have been the most affected with the economic situation while the big players such as Jerónimo Martins and Sonae have been able to capitalize.

The Portuguese market is very competitive with two main players, Jerónimo Martins and Sonae (17.5% and 16.9% market share respectively), followed by three International groups (ITM Enterprises; 6.7%MS, Auchan Group 6.6% MS and Schwarz Beteiligungs 5.7 MS) (Exhibit 5).

7 World Bank Data
8 World Bank Data
9 INE. Portuguese National Institute of Statistics
10 Passport Euro monitor

Poland's characteristics and the Polish Food Retail Market

Located in the center of Europe, Poland has borders with seven other European countries and the official currency is the Zloty.[11] By the end of 2015, it had a population of 38.4 million inhabitants, 41 thousand less than in 2014. With a population density of 123 per km2 and 60.3% of the country living in urban centers.[12] Economically Poland ended the year with a GDP of 475 Billion USD,[13] which represents a growth of 3.5%.[14] Unemployment decreased 14.6% y/y to finish the year at 10.5%.

Driven by the economical results of the country and the increase in the Household Expenditure, the Polish food retail industry reached 195 billion zlotys and grew on a year to year basis by 2%.[15] Although the market has grown in sales, the number of outlets have decreased and many traditional retailers (500) have been forced to close their stores while the chains have increased their selling space by 2%[16]. The Discounters (Including Jerónimo Martins) were the business format that grew the most over the year (6%) because they have been able to lower selling prices while increasing quality becoming even more attractive to consumers.

The market leader in the Food Retail is Jerónimo Martins with the Biedronka chain (18.9% market share in sales) (Exhibit 6). Its rapport between locations, prices, quality and local brands have taken it to be the first purchase choice for consumers.[17] Other competitors are the German Schwarz Beteiligungs Group (11.1% MS) with the Kaufman and Lidl brands; Auchan Group (5.3% MS); and Eurocash (5.7%) in the Cash and Carry segment.

Colombia's characteristics

Colombia is a south American country located in the northern part of the continent between the pacific and caribbean oceans that limits with Panama, Venezuela, Ecuador and Brazil. Geographically, Colombia is a very diverse and complex country due to the existence of snow caped mountains, three mountain

11 Exchange rate by December 2015 1 euro = 4.1819 zloty
12 Poland Annual Macroeconomic Indicators. Taken from http://stat.gov.pl/en/poland-macroeconomic-indicators/ [accessed on October 22 2016].
13 World Bank Data
14 GUS. Polish Statistical Office
15 Passport Euro monitor
16 Passport Euro monitor
17 Jerónimo Martins 2015 Annual Report

ranges, two oceans, several deserts and various forests (including a large extension of the Amazon). This creates a diverse variety of climates and ecosystems within a relatively small area. However, it presents a challenge from the point of view of logistics and transportation. This situation is due to the fact that railroad and river transportation have not yet been developed, and the road system lacks tunnels and highways making movement by land from one point to another difficult.

Furthermore, the diversity of microsystems in this tropical country (it has no seasons as it is located on the Equatorial line) generates unique cultures, tastes, ingredients and habits in the regions. For this reason, it is challenging to create a unique value proposition nationally.

By 2015 the population was of 48.5 million habitants and the growth of the economy was 3% (the highest in the region). With a GDP of 292 billion dollars [18](ranked 38th in the world) and an unemployment rate of 7.3%[19]. The country still holds a very unequal wealth distribution with a part of its population in some regions, still living under the poverty line. By December 2015, 76.4% of the population was considered to be urban. [20]

The country is mainly Roman catholic and the official language is Spanish. Despite of being a democracy for almost 60 years it has also carried a history with left hand groups and guerrillas that has been present since then. This added with the geographical complexities have facilitated the creation of drug cartels and armed terrorist groups that have had the country in an internal conflict for several decades. Having overcome the bloodiest segment of its recent history in the 90's, Colombia has managed to become the 4th largest economy in Latin America and the violence, drug production and mass murderers have been substantially reduced.

Over the past decades, the government has been working towards eliminating violent groups. These efforts have led to a situation where although few regions are still affected by some terrorist groups, the main urban areas have mostly overcome the violence problem. This improvement in security has also led to a steady economic growth, and an increase in foreign investment. By the end of 2012 the Colombian government, began peace negotiation with the FARC guerilla in Cuba to finalize the conflict with the

18 World Data Bank
19 DANE (Colombian National Center of Statistics).
20 World Data Bank

oldest armed group in the country. Moreover, by 2015 the peace negotiations were advancing very positively.[21]

Colombian Food Retail Market

Considering its particularities, Colombia is a country with a different culture in each of the regions. In the food retail industry this situation has a big impact because the nature of the business requires local tastes and preferences have to be taken into account. This creates a very unique environment full of players of various sizes. By 2015, the total size of the market was 30.6 billion euros and grew 6.5% from 2014 to 2015[22]; around 488,892 outlets (Exhibit 9) existed in Colombia alone for grocery retailing (this is 3.5 times the amount of outlets in Poland by 2015 137,594, and 14 times the outlets in Portugal 33,799)[23].

Because of this situation, in Colombia the small convenience traditional markets or "tiendas de barrio" represent 65% of the grocery retail market with 0.6% of the total outlets and grew 7% from 2014 to 2015 (Exhibits 9 & 10). The reason why this format has been so successful is because this Tiendas de Barrio are located inside the neighborhoods, and are used as a meeting place for neighbors. Moreover, locals can usually make purchases with a delayed payment that can be settled in the middle or the end of the month depending on the agreement between the buyer and the seller. This practice is commonly known as "fiar". Furthermore, due to the informality of labor of the country a big part of the population gets payed daily, reason why grocery shopping is done daily in very small amounts. Thus, proximity and small retail quantities become a competitive advantage to the tiendas de barrio.

That being said, however, modern grocery retailers have been able to capture the mid and high income households over the past couple of decades to ensure with few players and not as many outlets, a very substantial share of the market; it represents 35% of the market with an increase of 5.7% YoY (Exhibit 10). The market main player is Grupo Exito (owned 60% by the Casino Guichard Perrachon) with a 13.6% market share (Exhibit 8). With its national brands, Exito and Carulla and the acquisitions of regional brands such as Super Inter and Surtimax, Grupo Exito has national presence and is one of the

21 Santos y 'Timochenko', en Cuba para acuerdo y dar fecha de pacto final. Taken from http://www.eltiempo.com/politica/proceso-de-paz/proceso-de-paz-acuerdo-final-y-refrendacion-condiciones-para-la-comision-especial-de-paz/16384166. [accessed on December 15 2016]

22 Grocery Market Size Euro monitor 87,988 billion Colombian Pesos converted to euro with rate at Dec 2015
23 Euro monitor

largest companies operating in Colombia. Other players like Olimpica, Alkosto, Cencosud (Chilean group that bought Carrefour in 2012) and La 14 have market shares between 1 and 5 percent.

Additionally, two companies were targeting the low income population at the time. D1 had a value proposition of hard discount with very low prices, they started in Medellin and had already entered the Bogota market with impressive increase in sales and outlet numbers. Super Inter was a supermarket chain located in the coffee and valle regions with over 50 outlets and 400 million euros in sales by 2012.

Jerónimo Martins Strategic Positioning[24]

The group has shaped the strategic wish within the past 15 years to have what is today's mission:
"Jerónimo Martins is an international Group with its head office in Portugal, operating in food distribution and food manufacturing, aiming to satisfy the needs and expectations of its Stakeholders and the legitimate interests of its Shareholders in the short, medium and long term, while simultaneously contributing towards the sustainable development of the regions in which it operates."[25]

The group's mission is accompanied by a strong corporate social responsibility policy that aims to improve the quality of life of the stakeholders in every community the group functions not only by offering high quality products, but also offering its employees beneficial labor conditions and guaranteeing sustainable growth and operation.

The main strategical vision of the group is to create value and sustainable growth. More explicitly, the company presents four strategic guidelines. (1) Continually encouraging Sustainable Growth; (2) Risk Management to maintain a risk profile and not affecting the financial indicators and overall performance; (3) To maximize the effect of economies of scale and synergies to be more cost competitive; (4) To develop competitive advantages within the organization by allowing and supporting for innovation and entrepreneurial initiatives.

Overall the group has three strategic objectives that guide the entire operation of the company:

- To reach and maintain a strong and leading position in the markets it enters.
- To create and cultivate solid and reliable brands and slogans.

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24 Jerónimo Martins 2015 Annual Report
25 Jerónimo Martins Mission. Taken form http://www.jeronimomartins.pt/o-grupo/missao-e-estrategia.aspx?lang=en [accessed on September 20 2015].

- To guarantee the increase in sales and profitability of its business units.

For Jerónimo Martins the value proposition is the key to sustain the position it has reached and the place it desires to go. Therefore, the group offers proximity, quality and appropriate food solutions (fresh food, strong exclusive brands, and appealing store atmosphere) at very competitive prices. The achievement of the Jerónimo Martins formats has given the company cost efficiencies and economies of scale to support its value proposition.

The Jerónimo Martins' Internationalization Efforts

The Jerónimo Martins group has been constantly looking for international opportunities. From joint ventures to market entrances, some have been successful and others quite brief lasting for only 3-5 Years. However, the group has been able to take strategic decisions rapidly to overcome potential losses and to refocus on long term sustainability. It has demonstrated the desire of expansion and the understanding of the limitations and capacities of the Portuguese market, where the group's operations began and their business model was defined.

The entrance to Poland in 1994 prepared the ground for what the group is today. At the time, the company entered buying 3 different brands and formats (hypermarkets, cash and carry and discount supermarkets). Time and experience led the group to stay with the Biedronka brand (discount supermarkets) and the 241 stores that the brand possessed nationally by the time it was acquired. The expansion in the Polish market has been defined by constant growth. The project that began 20 years ago, is today the 80% of the group's EBITDA. The number of stores grew dramatically in the past decade by 14% CAGR (700 to 2667). In the first 10 years, the company grew in outlets (11.8%) passing form 256 in 1995 to 700 outlets in 2004[26]. Moreover, between 2009 and 2013 net sales increased by 19% CAGR[27].
Furthermore, Biedronka had the biggest network with 15 Distribution centers by 2015 and over 2600 outlets. The Jerónimo Martins group understood the consumers' behaviors and preferences in a country separated geographically and with many cultural differences and created and developed a successful business model to suit these particularities.

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26 2004 Jerónimo Martins Annual Report
27 Biedronka Day 2014 [online]; available at
http://www.jeronimomartins.pt/media/601036/biedronka_day_2014_pt.pdf [accessed on November 20 2016]

In 2011 The Jerónimo Martins Group decided to ensure Biedronka potential in Poland and to secure long term growth as its strategic priority.[28] As the ability of the company to generate cash flows had been stable over the past years, it allowed for the financial need to enter a new market to continue the company's growth without affecting the groups financial risk. At this time there were three principles that defined the internationalization process. (1) One single format to reach large scale markets; (2) Focus on the group's strengths in food retail with value added to the consumer; (3) Not to affect the Risk profile of the organization.[29] These guiding principles and exhaustive research, led the Group to opt for Colombia as its next internationalization destination with the modern discount supermarket model.

Colombian Route to Market

The decision of entering Colombia was just part of the beginning of a journey that the Jerónimo Martins Group was going to become a part of. In order to better determine the business model and strategy it was necessary to define three key elements: (1) The entrance strategy into the market, (2) The action plan (brand, location entrance, market proposition), and (3) Select, train and manage an executive team to carry on the plan. With an investment of 150 million euros for the initial 3 years, the project received a green light to proceed.

By 2012 the market had few modern retail players (See Exhibit 8) with Super Inter (located in the coffee and Valle regions) (Exhibit 13) that supermarket with more than 50 outlets and sales of around 400 million euros[30]

Colombian Market Entrance Strategy

Beside the economic opportunity, the Colombian macroeconomic indicators were attractive, the country had incentives for foreign investment into the country and the very low barriers of entry for foreign firms to be able to operate freely into the market as local companies. In addition, the history and experience of the Group led it to decide to have a wholly owned subsidiary for this expansion experience in Colombia. Furthermore, the Group believed that their knowledge of the industry, and the business models present in

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28 2011 Dia do Investidor Jeronimo Martins [online] available at http://www.jeronimomartins.pt/media/310237/jeronimomartinsdiadoinvestidor2011.pdf [accessed on November 21 2016]
29 Idem.
30 Super Inter Articule [online] available at http://www.ccc.org.co/articulos-revista-accion/en-primer-plano/9494/uno-no-se-quiebra-vendiendo-barato-sino-vendiendo-poquito.html

Portugal and Poland gave them tools to capitalize in the market opportunities. In order to maintain the Risk profile, it went for the alternative to create their own model from scratch.[31]

On November 2nd of 2011 a group of directors (Five Portuguese and one Pole) arrived in Colombia, and so the internationalization process begun. This team of highly experienced, multifunctional and with various backgrounds shaped the road for the steps to come. By the beginning of 2012 the executive team was completed with the inclusion of three Colombians in the Marketing, Human Resources and IT departments, to input the Colombian factor and know-how of the behaviors inside the market. The recruiting process was very extensive as the group wanted the managerial level to fully understand the culture and origins of the organization.

While the Colombian team was being trained in Portugal, the group hired a marketing agency to support them in the brand creation process. This is how the brand Ara came about: the color, logo and slogan allude to Colombians' happiness and outgoing way of being. Furthermore, the logo is a bird (Exhibit 13), intended to represent the national biodiversity and bird species that live in Colombia (over 1900).[32]

In order to maintain the company's culture and methodologies, the technical know-how, basic rules and corporate behavior, were introduced directly in Lisbon by the company's HQ. The rest of procedures were being managed and handled locally in order to allow for response and adaptation of the local branch. Organizational culture was also encouraged with the constant support and visit of the Jerónimo Martins group CEO Pedro Soares dos Santos.

Colombia´s Geographical Particularities: Opportunities and Challenges

With the entrance strategy being defined, the geographical location of the operations was going to have a big impact on the entire business model that the brand wanted to build. With urbanization levels over 70%, Colombia can be divided into regions with shared behaviors common to various states or "Departamentos" (Exhibit 12). This allows to compare the different regions with the economic indicators in order to understand the opportunities and challenges of each one.

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31 Inteviews with Colombian Executives from the group
32 Ara la apuesta de Jeronimo martins en Colombia [online] available at http://www.revistapym.com.co/noticias/retail/ara-apuesta-marca-jeronimo-martins-colombia [accessed on December 5 2016]

Bogotá, the capital city, represents 25% of the country's GDP, and is the densest area, with a population of 8.6 million inhabitants. Bogotá is the location for the company headquarters. Some regions are vast and unproductive while others capitalize on their location to generate income and have a share in the country's GDP.

The Jerónimo Martins strategic group decided to begin the store operations in the zona cafetera (including a part of the north of valle) with 4 million inhabitants, (8^{th} region in population) a GDP share of 3.67%, and the third population density after Bogotá. Since their opening in 2013 and the creation of one distribution center, Ara has in two years reached over 100 stores, more than 1000 employees and around 120 million euros in sales predominantly in the coffee region.

As their business model was regionalized, in 2015 the company expanded their operation into the Caribbean Region with 50 stores in their first year and a distribution center near Barranquilla.

Value Proposition for the Colombian Market

Throughout their operation in the Colombian market, Ara has been able to create a unique value proposition that is being adapted to each region within Colombia with 80% kept constant and 20% adapted to each region's habits and traits. It is based in (1) Price leadership with self-ready solutions for in store display, increase in store productivity and efficiency in the logistics infrastructure. (2) Proximity and convenience solutions with medium and small size stores, located in the neighborhoods with high traffic locations. (3) Quality alternatives by focusing in private label brands of high quality and affordable prices. (4) Established in the Barrios by preserving the Colombian essence in image and environment, allowing for local promotions and activities, giving flexibility to store managers to develop joy among its customers and to become even more adaptable to each of the neighborhoods and clients it serves.

The value proposition has been able to adjust, to experiment and its apparently working. The expansion plan is gaining momentum and is expected to continue growing continuously. However, the market seems to be turning into a very competitive one, can the Jerónimo Martins group maintain the rate of growth? What could they have done differently in order to have a different approach into the Colombian market?

Exhibits

Exhibit 1- Jerónimo Martins performance 2011 to 2015

(million euros)	2015	2014	2013	2012	2011
Balance sheet					
Net Goodwill	640	640	648	655	627
Net Fixed Assets	3,060	2,940	2,810	2,557	2,227
Total Working capital	(2,001)	(1,778)	(1,686)	(1,615)	(1,495)
Others	82	111	112	99	135
Invested Capital	**1,781**	**1,913**	**1,884**	**1,696**	**1,494**
Net Debt	187	273	346	321	204
Total Borrowings	658	714	688	660	676
Leasings	-	1	6	18	38
Accrued Interest	-	4	20	15	14
Marketable Securities and Bank Deposits	(471)	(446)	(368)	(372)	(524)
Non-controlling Interests	187	243	236	251	260
Equity	1,342	1,396	1,304	1,122	1,030
Income Statement					
Net Sales & Services	**13,728**	**12,680**	**11,829**	**10,683**	**9,646**
EBITDA	**800**	**733**	**777**	**740**	**693**
EBITDA margin	5.8%	5.8%	6.6%	6.9%	7.2%
Depreciation	(294)	(277)	(249)	(221)	(206)
EBIT	**506**	**456**	**528**	**519**	**487**
EBIT margin	3.7%	3.6%	4.5%	4.9%	5.0%
Financial Results	(26)	(34)	(39)	(30)	(30)
Profit in Associated Companies	17	15	19	13	17
Non Recurrent Items	(20)	(9)	(4)	(19)	(11)
EBT	**477**	**428**	**504**	**483**	**463**
Taxes	(117)	(104)	(11)	(116)	(106)
Net Income	**360**	**324**	**493**	**367**	**357**
Non-Controlling Interests	(25)	(23)	(10)	(6)	(17)
Net Income attributable to JM	**335**	**301**	**483**	**361**	**340**

Source: Jerónimo Martins 2015 Annual Report

Exhibit 2. Jerónimo Martins Business Structure and Individual Performance

(million euros)			Ownership	EBITDA				Sales				# Stores		LFL
				% of total	2015	2014	Δ %	% of Sales	2015	2014	Δ %	2015	2014	2015
Distribution	Portugal	Pingo Doce (Supermarkets)	51%	23.5%	188	187	0.5%	24.8%	3,407	3,234	5.3%	399	380	3.9%
		Recheio (Cash & Carry)	100%	5.5%	44	42	4.8%	6.1%	832	799	4.1%	41	37	3.5%
	Poland	Biedronka (Convenient Discount Stores)	100%	80.1%	641	573	11.9%	67.1%	9,206	8,432	9.2%	2,667	2,587	3.2%
		Hebe (Drugstore)	100%	-6.9%	-55.5	-58	4.5%	0.7%	100	87	14.9%	134	119	n.a
	Colombia	Ara (Proximity food Store)	100%					0.9%	123	66	85.6%	142	86	
Manufacturing, Services, Agro Business	Portugal	Unilever Jeronimo Martins	45%	n.a								n.a		
		Gallo Worldwide	45%											
		JMDPC	100%	-2.2%	-17.5	-11	-37.1%	0.4%	59.5	62	-4.0%			
		JM Restauração e Serviços	100%											
		Hussel	51%											
		Jerónimo Martins Agro-Alimentar	100%											
TOTAL				**100%**	**800**	**733**			**13,727**	**12,680**	**8.3%**	**3,383**	**3,209**	

Source: Jerónimo Martins 2015 & 2012 Annual Reports

Exhibit 3. Jerónimo Martins Indicators from 2008 to 2015

	2008	2009	2010	2011	2012	2013	2014	2015
Sales	6894	7317	8691	9646	10683	11829	12680	13728
EBITDA Margin	**6.7%**	**6.9%**	**7.2%**	**7.2%**	**6.9%**	**6.6%**	**5.8%**	**5.8%**
Employees	**53,375**	**53,797**	**61,061**	**65,418**	**68,554**	**76,810**	**86,563**	**89,027**
Net Debt	846	692	578	204	321	346	273	187

Source: Jerónimo Martins 2015 & 2012 Annual Reports

Exhibit 4. Jerónimo Martins Food Grocery Retail Brands Indicators 2008 – 2015

	(million euros)	2008	2009	2010	2011	2012	2013	2014	2015
Stores	Biedronka	1,359	1,466	1,649	1,873	2,125	2,393	2,587	2,667
	Pingo Doce	356	356	362	369	372	376	380	399
	Ara	-	-	-	-	-	36	86	142
Sales	Biedronka	3,521	3,725	4,807	5,787	6,731	7,703	8,432	9,206
	Pingo Doce	2,404	2,598	2,856	2,990	3,063	3,181	3,224	3,407
	Ara	-	-	-	-	-	31	66	123

Source: Jerónimo Martins 2015 & 2012 Annual Reports

Exhibit 5. Portuguese Food Grocery Retailers Market Share 2011 - 2015

	2011	2012	2013	2014	2015
Jerónimo Martins SGPS SA	**14.8**	**15.5**	**15.7**	**16.3**	**17.5**
Sonae SGPS SA	15.3	15.2	16.1	16.7	16.9
ITM Entreprises SA	7.7	7	6.7	6.6	6.7
Auchan Group SA	7.4	7.2	6.8	6.6	6.6
Schwarz Beteiligungs GmbH	5.3	5.5	5.5	5.7	5.7
Distribuidora Internacional de Alimentación (Dia) SA	4	4	3.9	3.6	3.4
E Leclerc	2.6	2.5	2.3	2.3	2.3
Covirán SCA	0.2	0.4	0.6	0.8	1.1
Aldi Group	0.4	0.5	0.5	0.5	0.7
Galp Energia SGPS SA	0.5	0.5	0.5	0.5	0.5
El Corte Inglés SA	0.4	0.4	0.4	0.5	0.5
The British Petroleum Co Plc	0.4	0.4	0.4	0.4	0.4
Repsol SA	0.4	0.4	0.4	0.4	0.4
Internationale Spar Centrale BV	0.2	0.2	0.3	0.3	0.3
Cepsa Estaciones de Servicio	0.2	0.2	0.1	0.2	0.2
Apolonia Supermercados SA	0.1	0.1	0.1	0.1	0.2
Grupo GCT	1.3	-	-	-	-
Others	38.8	40.2	39.6	38.5	36.6
	100	100	100	100	100

Source: Euro Monitor International

Exhibit 6. Polish Food Grocery Retailers Market Share 2011 - 2015

	2011	2012	2013	2014	2015
Jerónimo Martins SGPS SA	**14.2**	**15.3**	**17**	**18.2**	**18.9**
Schwarz Beteiligungs GmbH	8.7	9.4	10.3	10.7	11.1
Eurocash SA	4.3	4.5	5.1	5.6	5.7
Tesco Plc	6	6.1	5.9	5.7	5.5
Auchan Group SA	3.5	3.4	3.4	5.6	5.3
Lewiatan Holding SA	4.1	4	4	4.1	4.2
Carrefour SA	4.3	4.1	3.8	3.6	3.6
PPHU Specjal Sp zoo	1.5	1.9	2.8	2.9	3
ITM Entreprises SA	1.9	2.1	2.2	2.3	2.7
Zabka Polska Sp zoo	1.5	1.6	1.8	2.2	2.6
Dansk Supermarked A/S	1.3	1.5	1.7	1.7	1.8
Eko Holding SA	1.4	1.5	1.6	1.6	1.6
E Leclerc	1.5	1.5	1.4	1.4	1.3
Dino Polska SA	0.4	0.7	0.9	1	1.2
Polomarket Sp zoo	1.8	1.9	2	2	1.2
Piotr i Pawel SA	1	1	1.1	1	1.1
Metro AG	3.4	3.5	3.3	1	1
Emperia Holding SA	0.8	0.9	0.9	0.8	0.9
MarketDetal Sp zoo Sp j	-	-	-	-	0.9
PKN Orlen SA	0.5	0.5	0.5	0.5	0.5
Bomi SA	1.1	1	-	-	-
Others	36.7	33.7	30.6	27.9	26
TOTAL	100	100	100	100	100

Source: Euro Monitor International

Exhibit 7. Colombia Grocery Retailers Market: 2010 - 2015

	2010	2011	2012	2013	2014	2015
Value sales COP billion	66,099.9	69,400.2	73,587.0	76,475.5	82,598.0	87,988.0
Outlets	457,508.0	463,781.0	470,126.0	476,478.0	482,757.0	488,892.0

Source: Euro Monitor International

Exhibit 8. Colombian Modern Grocery Retailers Market Share % 2011 - 2015

	2011	2012	2013	2014	2015
Casino Guichard Perrachon SA	11.9	13.0	13.1	14.0	13.6
Supertiendas & Droguerías Olímpica	4.4	4.6	4.8	5.0	5.1
Cencosud SA	SA	4.7	4.4	4.3	
Colombiana de Comercio SA	2.0	2.0	2.1	2.2	2.3
Almacenes La 14 SA	1.7	1.7	1.7	1.6	1.6
Koba LLC	0.1	0.2	0.4	0.7	1.1
Caja de Compensación Familiar (CAFAM)	0.5	0.6	0.7	0.7	0.7
Jerónimo Martins SGPSSA			0.1	0.2	0.4
Avidesa Mac Pollo SA	0.4	0.3	0.4	0.4	0.4
Surtifruver de la Sabana Ltda	0.1	0.1	0.1	0.1	0.1
Carrefour SA	5.4	5.3			
Others	73.5	72.1	72.0	70.6	70.3
Total	100.0	100.0	100.0	100.0	100.0

Source: Euro Monitor International

Exhibit 9. Colombian Grocery Retailers Outlets by Channel: Units 2010 - 2015

	2010	2011	2012	2013	2014	2015
Modern Grocery Retailers	1,959.0	2,105.0	2,327.0	2,531.0	2,724.0	2,875.0
Convenience Stores	38.0	97.0	129.0	149.0	164.0	182.0
Discounters	83.0	131.0	286.0	436.0	604.0	711.0
Forecourt Retailers	125.0	130.0	134.0	138.0	142.0	146.0
Independent Forecourts	125.0	130.0	134.0	138.0	142.0	146.0
Hypermarkets	208.0	213.0	220.0	225.0	228.0	230.0
Supermarkets	1,505.0	1,534.0	1,558.0	1,583.0	1,586.0	1,606.0
Traditional Grocery Retailers	455,549.0	461,676.0	467,799.0	473,947.0	480,033.0	486,017.0
Food/Drink/Tobacco Specialists	66,665.0	66,791.0	66,926.0	67,072.0	67,160.0	67,258.0
Independent Small Grocers	385,614.0	391,705.0	397,798.0	403,905.0	410,000.0	415,988.0
Other Grocery Retailers	3,270.0	3,180.0	3,075.0	2,970.0	2,873.0	2,771.0
Grocery Retailers	457,508.0	463,781.0	470,126.0	476,478.0	482,757.0	488,892.0

Source: Euro Monitor International

Exhibit 10. Sales in Grocery Retailers by Channel Colombia

COP billion	2010	2011	2012	2013	2014	2015
Modern Grocery Retailers	22,732.1	24,375.2	26,389.3	26,546.8	29,212.0	30,874.6
Convenience Stores	65.1	160.8	215.7	248.9	258.8	294.8
Discounters	320.5	464.7	1,028.8	1,464.4	3,013.3	3,656.5
Forecourt Retailers	64.3	67.9	69.9	71.6	74.2	77.8
Independent Forecourts	64.3	67.9	69.9	71.6	74.2	77.8
Hypermarkets	11,737.4	12,466.9	13,943.3	14,019.8	14,849.8	15,355.8
Supermarkets	10,544.9	11,214.9	11,131.7	10,742.1	11,016.0	11,489.8
Traditional Grocery Retailers	43,367.8	45,025.0	47,197.7	49,928.7	53,386.0	57,113.4
Food/Drink/Tobacco Specialists	16,430.8	16,590.3	16,861.5	17,482.6	18,484.3	19,730.1
Independent Small Grocers	26,515.0	28,014.7	29,918.7	32,030.8	34,487.8	36,970.5
Other Grocery Retailers	422.0	420.0	417.6	415.3	413.9	412.9
Grocery Retailers	66,099.9	69,400.2	73,587.0	76,475.5	82,598.0	87,988.0

Source: Euro Monitor International

Exhibit 11. Colombian Grocery Retailers Outlets by Brand

sites/outlets	Company(NBO)	2012	2013	2014	2015
D1 (Koba LLC)	Koba Colombia SAS	167	254	319	374
Olímpica	Supertiendas & Droguerías Olímpica SA	180	198	208	218
MacPollo	Avidesa MacPollo SA	171	171	171	171
Surtimax (Casino Guichard Perrachon SA)	Almacenes Éxito SA	119	146	153	149
Ara (Jerónimo Martins SGPSSA)	Jerónimo Martins Colombia SAS		36	86	136
Éxito Express (Casino Guichard Perrachon SA)	AlmacenesÉxitoSA	65	73	83	92
Éxito (Casino Guichard Perrachon SA)	Almacenes Éxito SA	69	77	82	92
Almacenes Éxito (Casino Guichard Perrachon SA)	Almacenes Éxito SA	87	84	82	81
Carulla (Casino Guichard Perrachon SA)	Almacenes Éxito SA	65	68	71	81
Colsubsidio	Caja de Compensación Familiar (CAFAM)	49	65	70	75
SuperInter (Casino Guichard Perrachon SA)	Almacenes Éxito SA			46	52
Metro (Cencosud SA)	Cencosud Colombia SA		43	44	45
Jumbo (Cencosud SA)	Cencosud Colombia SA		34	35	36
Sao	Supertiendas & Droguerías Olímpica SA	25	27	28	29
La 14	Almacenes La 14 SA	24	25	27	27
Surtifruver	Surtifruver de la Sabana Ltda	15	15	17	17
AlKosto	Colombiana de Comercio SA	12	12	12	12
Carrefour (Carrefour SA)	Grandes Superficies de Colombia SA	72			
Others	Others	469,006	475,150	481,223	487,205
Total	Total	470,126	476,478	482,757	488,892

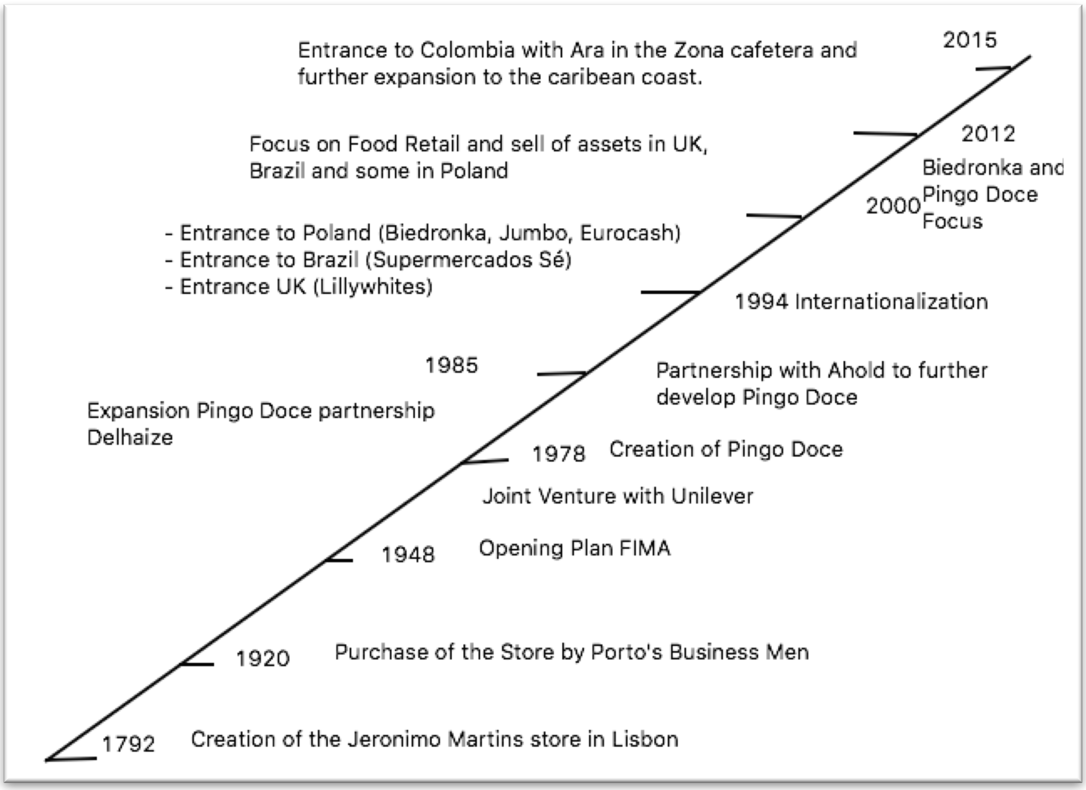
Source: Euro Monitor International

Exhibit 10. Economic Data Colombian Regions 2015

Region	Departamentos	Population	GDP %	Land Extension sq. km	Main Cities
Amazon	Amazonas, Putumayo, Caquetá, Guaviare, Guainía, Vaupes	1,413,298	2.83%	403,348	Leticia
Andes	Cundinamarca, Boyacá, Tolima	5,453,385	10.19%	69,384	Ibague
Antioquia	Antioquia	6,485,725	13.66%	63,612	Medellín
Bogotá	Bogota	8,602,815	25.19%	1,587	Bogotá
Region Caribe	Atlántico, Bolivar, Sucre, Magdalena, Cordoba, Cesar, La Guajira	11,689,835	13.91%	132,244	Barranquilla, Santa Marta, Cartagena
Region Cafetera	Quindío, Risaralda, Caldas	3,159,561	3.67%	13,873	Armenia, Pereira, Manizales
San Andres	San Andres	100,299	0.15%	52	San Andres
Oriental Desert	Meta, Arauca, Casanare, Vichada	1,802,346	6.46%	222,668	Villavicencio
Santander	Santander, Norte de Santander	4,058,891	9.75%	52,195	Bucaramanga
Pacific	Choco	437,475	0.40%	46,530	Quibdo
South	Nariño, Huila, Cauca	4,779,028	4.29%	82,466	Pasto, Neiva
Valle del Cauca	Valle del Cauca	5,211,996	9.50%	22,140	Cali
Total		53,194,654		1,110,099	

Source: Built form information of Colombian National Department of Statistics (DANE)

Exhibit 11: Chronology Jerónimo Martins history.



Source: Created from Jerónimo Martins history information.

Exhibit 12. Jerónimo Martins food retail businesses logos

Source: Jerónimo Martins national websites. [online]. available at: http://www.aratiendas.com; http://www.biedronka.pl/pl; www.pingodoce.pt.

Exhibit 13: Political Map of Colombia by "Departamentos"

Source: Mapas de Colombia. Digital Image. Available at: http://mapa-de-colombia.blogspot.com.co/2013/04/el-mapa-de-colombia.html [accessed on December 15 2016]

Teaching Note

Synopsis

Food retail industry is understood as the selling of products in retail shops mainly to be taken out and eaten elsewhere outside the store. Products can be fresh, unpacked or packed. It is divided as the traditional model and the modern channels. The Traditional model (dominant in emerging markets and developing economies) is characterized by Food, Drink and Tobacco Specialists and Independent Small Grocers. On the other hand, the considered Modern channel (Highly advanced in developed economies) is composed mainly by Convenience Stores, Discounters, Hypermarkets and Supermarkets.

With a history of over 200 years in the food industry, the Jerónimo Martins Group is recognized as one of the biggest International Portuguese companies in the Retail Direct Food Sale business. Jerónimo Martins is a Portuguese family owned group that began as a small store in Lisbon on 1792, to become a multinational company that operated in three different Markets by 2015 (Pingo Doce and Recheio in Portugal, Biedronka in Poland and Ara in Colombia). As of December 2015 the company had sales of about €13,728 Million, net income of €333 Million (Exhibit 1) and EBITDA of 800 million euros.

Jerónimo Martins history postulates the main elements for the stimulation of discussion into **strategical internationalization processes.** This mainly driven by the historic phases that the company has lived, the strategic decisions it has been forced to make, this has taken the group to todays privileged position in some markets and potential in others.

This case study intends to present the entire story of Jerónimo Martins Group internationalization strategic leadership. Specifically, it intends to present the motivations and situations in each of the countries, in which the company has decided to expand. Moreover, it presents the information for each of the segments and markets that the company has presence, to better understand the company's sources of profitability and to the possible capabilities and strengths that the company has built throughout its history. The case finalizes with a description of the route to market taken by the Jerónimo Martins group in their last process in Colombia It is meant as a case study as the desire is to present the challenges, capabilities and results of a multinational group originated in Portugal. As the most recent internationalization process, Colombia (Ara) is used vastly to present some questions regarding the strategic decisions taken and to evaluate if the alternatives could have been different. Additionally, it provides information and insights to motivate students (preferably under and post graduates) to discuss and address topics as product focusing, internationalization, routes of entrance to new markets, customer identification.

The company's history has gone five main phases (See Exhibit below) that have taken the company to what it is today. The company was created and has lived several stages of its evolution, it appeared to be a successful store when first acquired but it had to be restructured a mentally innovated. Incursion into the industrial product production and Joint ventures led the company to learn more about the production processing of food while learning about the distribution business. The strategical complete switch to distribution was one of the milestones of the company's main businesses today and the main operations that the company has (Pingo Doce and Recheio). The internationalization processes were a learning experience for the group since it entered many markets simultaneously and it was not able to sustain the cash flow requirements and the logistical needs of entering and operating in 3 markets and around 5 different formats. This led to the refocus of the firm's strategy in what today represent 100% of the corporation's EBITDA to keep their business in Portugal and selling most of the assets besides Biedronka in Poland gave the company the ability to increase their learning of the business and to understand, grow and develop each of the business models to a very mature state with growing opportunity (Poland). The previous phase allowed for the company to withhold a constant revenue generation, to become increasingly profitable and to open the opportunity to the las phase of the company with the entrance to the Colombian Market with the creation of the brand Ara.

The first part of the case, begins with the introduction to the case and the history of the group with the key milestones for each one of the phases that the company has passed by, it reflects each of the key moments of the organization that shows the entire path and some of the decisions that the group has made. This part lets students understand the steps that lead the Jerónimo Martins group until today's position and situation. Following, the case presents the data and exhibits of the company's current operation (numbers at Dec 2015) with the specific data for each market and the entire brand distribution and participation of each of the brands in each sector that the company is involved with. This allows for students to understand the current situation of the group in order to better understand how the company cash flows are generated and the share of each one of their businesses as well as the overall performance.

Phase	Main Characteristics
1. Company and brand establishment, and experimentation. (1792 – 1970s)	- Creation of Jerónimo Martins Brand in Lisbon - Acquisition of the brand by 2 Portuguese families. - Entrance to the industrial business with oil, margarines and detergents. - Joint Venture with Unilever to develop and distribute existing and new categories.
2. Focus in food distribution (1970s – 1995)	- Strategical switch to food distribution. - Creation and establishment of Pingo Doce - Entrance to the Cash & Carry market
3. Internationalization (1995 – 2001)	- Internationalization to Poland in discount supermarkets Biedronka (acquisition), cash and carry and hypermarkets. - Entrance to Brazil with supermarket Se (acquisition) - Entrance to the UK sports apparel retail (acquisitions)
4. Food retail Distribution focus (2001 – 2012)	- Exit Brazil, UK and sell of many assets in Poland. - Focus in Portugal with Pingo Doce and in Poland with Biedronka.
5. Long Term Growth market entrance and consolidation (2012 – 2015)	- Internationalization to Colombia with the creation of the brand Ara

The case continues by presenting and describing the industry in which it takes place and goes into the markets in which the company has current operations. For Portugal and Poland general macroeconomic statistics are given, as well as the industry in those markets to understand the state, opportunities and weaknesses of each of the market. For Colombia, a more detailed and thorough analysis is given, as premises for the second part of the case. This sections aims to give students enough data and information to analyze and compare each of the 3 markets with a deeper insight into the Colombian one. Furthermore, it should be used as a tool to link the previous section about the history with the capitalization of the opportunities presented in each market for the organization and to use the competition environment and macroeconomic state for further exploration.

The case continues with the second part of the case and what should be the main focus for the students. This part begins with the description of the enterprise strategic positioning and some of the main strategic drivers and objectives for the company in this moment of their history. By presenting this, the students will be able to understand the drivers and objectives of the entire organization as well as its mission as a corporation and the strategic guidelines to lead the company. The following section, the presentation of the Jerónimo Martins group internationalization strategy (Presented in 2012 for investors before entering the Colombian market). With this information, students have the premises and drivers for the organization and the main elements to introduce them to the actual road to market taken by the group into the Colombian market.

The last section of the case portrays the route to market into the Colombian Market. It displays the entrance strategy used by the company. Not only from the strategical company composition but also to the human resources, marketing and value proposition. It includes a description of the Geographical entrance decision into a secondary region of the country supported by the region economic indicators and the entrance to the second region in the country. Lastly, it presents the entire value proposition defined by the company for the Brand Ara into the Colombian market. This presents to the students with information of a retail entrance strategy and allows for discussion into the methodology, format and entrance strategy into the Latin American Market.

Objectives

Students should analyze analytically the history and evolution of the Jerónimo Martins group. They should be able to identify the key decisions and inconveniences it has faced. How the company was able to react to this challenges and opportunities presented.

As a first main objective, is to analyze and discuss from a strategic perspective the group's historical choices as well as the milestones that had taken the company to what it is today. To understand the situation, benefits and opportunities it brings to the strategic drivers and objectives of the group. Moreover, the case intends to give students information and data of one of the main Portuguese groups by 2015 and understand through the case and in class discussion, the strategical decisions faced by corporation of the since of Jerónimo Martins and the possible outcomes that they could have.

The second objective of the case is to provide an incentive discussion over the internationalization processes that international companies face in the globalization world where entering new markets is a strategical idea that is not as easily implemented. By using the Jerónimo case it presents with data on the current markets to better understand them and it gives the route to market taken by the organization in different period of its history with strategic and managerial differences. Furthermore, it intends to provide for a tool on a market entry strategy that has been successful in their first 3 years of operations with stable growth and a very good market acceptance by Colombians in 3 different regions of the country.

Teaching objectives is manly focused from a Strategy and value creation perspectives and should be used as a tool for mainly strategy courses, however retail and international management courses can be objective courses of the case. The principal target learning groups are Undergraduates and postgraduates alike, as the case is intended for easy reading and discussion promotion from a multinational group with presence in 3 different geographies.

Learning Objectives

1. <u>Analyzing the strategic evolution of the Jerónimo Martins Group</u> – This case lets students analyze the strategical decisions faced by organizations today. In particular, it allows for the use of a group of the size of Jerónimo Martins to understand the impact of strategic decisions and how they shape the organization at different levels. Likewise, by understanding motivations, strengths and capabilities the case enables a contextual understanding of the environment that was involved at the decision making moment and the impact it had.

2. <u>Strategic Internationalization decisions</u> – Through this case students will be able to understand how Internationalization processes are shaped from the research up to the route to market. As well as some of the drivers and elements necessary for an organization in order to select the most appropriate alternative among the various practices available. Moreover, the case contributes to the understating the risks associated and possible implications strategical choices can have. Similarly, it shows some of the features that a successful process has and some of the experiences that led to some of this to be prosperous.

3. <u>Market Entrance</u> – By the description and analysis of the Internationalization into Colombia, the case allows students to understand the elements that need to be considered when entering a country, as well as the limitations of macroeconomic considerations and the other factors that need to be taken into account to counter these limitations. Finally, it highlights the importance of local considerations and company capabilities in a foreign market entrance plan.

Sources for Case Discussion

Analyzing the strategic evolution of the Jerónimo Martins Group

The Jerónimo Martins Group has gone several phases over its history to shape what the company represents nowadays, some of those have been strategic choices that have allowed for the growth and establishment of this group.

Form the beginning of the initial restructuring of the company and after World War II, the Jerónimo Martins group wanted to expand to into other segments to further develop the offer and the market of the company. In this sense the idea to create a joint venture with Unilever to enter the food industry worked because they acknowledge that the other company had just as much to contribute and it was based on respect and an open mind[33]. Furthermore, it had in mind the capabilities of the other company to create a mutually beneficial partnership.

The following phase of the company reflected a growth desire but since the company did not have enough size and knowledge of the retail market. It took the decision to create partnerships with international retailers (Delhaize 1985 and Ahold 1992) in order to guarantee the success of the company. Partnerships represent an alternative for the nature of being shorter term that joint ventures since it is mainly aimed for a specific activity, event and goals and outcomes can be shared but it is more flexible than joint ventures[34].

The following phase was the internationalization phase and it will be developed further in the next section. But from this following phase it is important to discuss the return after the process and to focus in its core competences. Core competences are defined according to Prahalad and Hamel (1990) as the managerial and operational competences that an organization can capitalize in order to become more competitive. This was precisely what the Jerónimo Martins Group did when in the company decided to refocus its strategy and to focus on its core competences. It took the steps to create competitive advantages by (1)Rethink the organization, (2)Identification and focus in the core competences (3)exploitation of core competences[35].

33 Beamish (2008)
34 Porter (1989)
35 Prahalad et al (1990)

Strategic Internationalization decisions

The Jerónimo Martins group presents an example of a company that operates in various markets. An Transnational organization[36] is one that exploits parent company capabilities and Knowledge to apply and adapt to local markets with a flexible managerial leadership. In this sense, the Jerónimo Martins Groups can be referred as a transnational because it has managed to create an organization with the main features of international and multinational firms.

However, what are some of the drivers that led organization to become international or to enter foreign markets. One main feature is the ability to grow in the market it is currently involved with, how competitive is the market, how is the market growing as a whole. Subsequently, organizations should take into account the opportunities and challenges that it might bring to the company, some of this desires are to acquire price leadership, to benefit from economies of scale, to increase sales. Overall, internationalization is the accountability of internal and external factors that present an opportunity for growth in a foreign market [37].

It is imperative for a firm that has decided to internationalize to understand how the market in which is entering present itself with barriers of entry that can be either structural or strategic[38]. Firms should be able to obtain data in order to understand the market in which it is planning on entering. One common approach is to evaluate the market with the Porter five force analysis and be able to picture how is the market in terms of barriers of entry.

Internationalization has become more and more common over the past decades as the need to diversify, has led organizations to seek overseas for the opportunities. The Jerónimo Martins groups is a clear example of this desire, a company in a relatively small and saturated market looks for opportunities in foreign markets and takes decisions based in opportunities and strengths that it believes possesses.

Market Entrance

The internationalization process has several stages and one of the most important is the entry to the market strategy. For Gielens et al[39] to define de market entry strategy, five decisions should be made:

36 Bartlett et al (2002)
37 Peng et al (2008)
38 Besanko et al (2013)
39 Gielens et al (2001)

scale, mode, order, adaptation to local market and familiarity of format to parent company. And the impact of this decisions will be in the long term sustainability of the organization in that market.
Retail companies typically use three types of modes to enter a new foreign market, Joint Ventures and partnerships, acquisitions or the creation of a wholly owned subsidiary (WOS). The best decision for the market is a mixture of the strategic desire added to the internationalization knowledge obtained before entering. Moreover, considerations of cost, control relate to the risk of the market entry mode decided[40]. Furthermore, market entry decision is a way to minimize risk as this is the beginning of the value proposition and bases for further future expansion[41]. Joint ventures have been a very common entry strategy in the food retail industry, since a local partner can help the development of a proposition that is easily adaptable.

This particular case shows an organization that had generally used acquisitions as an entry mode. Acquisitions are decided when companies want to enter the market fast and by acquiring a local player sales begin immediately and market knowledge is thought to be transferred from the acquired corporation. This however proves to be sometimes a common misunderstanding since the cultural shock of the 2 organizations make this flow of knowledge sometimes even more difficult[42].

The latest process however was done differently as a WOS, as the company believed it had enough capabilities to have the adaptation, culture and knowledge transfer done more efficiently by the scale that the organization had. Additionally, the creation of a WOS allowed for the creation of a value proposition completely fitted for the market while ensuring a lower investment (therefore financial risk) while the consolidation of the proposal. While acquisitions and joint ventures portrayed a bigger risk since no local companies were developed enough for the Jerónimo Martins standards.

Roadmap for case analysis/discussion

The case plan analysis displayed in Exhibit 2 is considered for a 90-minute time slot and displays each of the phases for the discussion, the topics and/or questions that each phase should include as well as the suggested duration of each phase.

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40 Picot-Coupey et al (2014)
41 Burt et al (2008)
42 Fletcher et al (2013)

Phase	Topics / Questions Suggested	Duration
Introduction	• Food retail market	10 Mins
Phases in The Jerónimo Martins History	• *What best characterizes each phase that the Jerónimo Martins went through from a strategic point of view?*	15 Mins
Current Results, Operations and Capabilities of the group	• *What are the key indicators and numbers that the company has generated as a group and in each of the markets?* • *What are the limitations and opportunities for this bussiness in Portugal and Poland?* • *What are the main capabilities and streghts that the Jeronimo Martins group posseses?*	15 Mins
Internationalization	• *Does it makes sense for a Portugues company like Jeronimo Martins to become multinational? Why?* • *What do you think were the main drivers for the decision of international expansion of the group to Colombia?* • *Was it wise to refocus strategically, leave Brasil, leave the Uk and stay in Poland and Portugal?* • *What do you think were some of the learning experiences that the group acquired from the previous internationalization processes it went through?*	15 Mins
Route to Market	• *Why do you think Colombia was chosen as the country for their expansion in 2012?* • *Why did the group began the internationalization process in Colombia from scratch and with a mixed managerial team?* • *Why do you think they entered into the coffee region and later to the Caribean coast?* • *Can you think of any alternative Route to Market that the group could have used?*	20 Mins
Applicability to students reality	• *Has any of the students been involved in an Internationalization Process? Or worked in a multinational?* • *If so, what were some of the challenges they faced?* • *If not, what do they think are the most difficult factors to handle in a Internationalization Process?*	10 Mins
Conclusions	• Internationalization • Route to market	5 Mins

Exhibit 2: Case analysis / Discussion plan

The case analysis from Exhibit 2 is detailed below:

1. Introduction

The discussion among students can be started by asking them what do they know about retailing and more specifically about food retailing. The instructor might ask the students for some of the main characteristics of this type of industry. Since the retail industry exists in every country of the world and it is a commonly known industry with which most individuals have had some type of interaction either as clients or visitors this can be a good moment to introduce the concept of like-for-like used in the retail industry.

Students can be asked about the particularities of this industry in their country. For example, whether it has a modern or traditional format dominance, how mature students perceive this industry to be in their own countries, and whether the players are mostly local or International. To promote the interaction, engagement and active participation, the idea in this phase is to contextualize students with the industry and to link the case with their everyday life.

2. Phases in The Jerónimo Martins History

Students should now be guided through the actual case, followed by a discussion of the following questions:

- *From a strategic point of view, what best characterizes each phase Jerónimo Martins went through?*

1st phase – Company, brand establishment and experimentation (1792 – 1970s) – The first 130 years (until 1920) represented the creation of the company, the development of its positive reputation and the establishment of the link between the brand and the food industry. The purchase of the shop by the current owing family was followed by a learning phase for the group, in the distribution and industrial processes. Besides the continuation of the in-depth learning of the food in store retail business, this time also offered the opportunity to experiment with new categories and to experience a Joint venture with a Multinational Group (Unilever).

2nd phase – Focus in food distribution (1970s – 1995) – This was a decisive moment for the organization because it was the time when the strategy focused in the food retailing business with the creation of the Pingo Doce and Recheio Brands. It was the beginning of the company's current recognition. Furthermore, during this phase, the company increased its learning of the food retail business and its methodologies. As a result, the company established a strategic retail distribution focus and had the opportunity to learn about the managing of a network of shops within the Portuguese market.

3rd phase – Internationalization (1995 – 2001) – The industry's competitiveness, the Portuguese market size and relative good results thus far led to the decision to internationalize the company's operations by choosing 3 markets to enter. After 6 years of being in the 3 markets the group decided to back out from 2 of the markets and many assets. This phase gave the organization the opportunity to learn from international operations and to improve its corporate business handling practices. Moreover, it provided the experience, challenges and opportunities associated with internationalization into new markets via acquisition.

4th phase – Food retail distribution focus (2001 – 2012) – This phase gave the group the opportunity to perfect their business model and value proposition. The company improved its market share and positioned itself as a market leader. Moreover, the company acquired knowledge of the business and the management of 2 geographies simultaneously, contribution to shape the corporation's current strategical objectives and long-term vision.

4th phase – Long-term growth market entrance and consolidation (2012 - Today) – The most current phase has allowed the entrance to a new geography, in the Latin environment, with a more perfected value proposition and unique capabilities. It is giving the company the ability to understand a new market and route to market as well as using the economies of scale methodologies to enter into a new market.

3. Current results, operations and capabilities of the group

In order to contextualize and be able to dimension the size and potential of the company as a whole, and for each of the markets it operates in, having reviewed the group 's historical phases students should analyze of the groups KPI's through the following questions:

- *What are the key indicators and numbers that the company has generated as a group and in each of the markets?*

Jerónimo Martins is a group with assets and operations in the food retail market, predominantly in distribution, holding leadership positions in Poland and Portugal. Additionally, it has grown rapidly in Colombia since 2013. For 2015, the group (Case: Exhibit 1) accomplished sales of 13.73 billion euros (8.3% increase from 2014) and an EBITDA of 800 million euros. By the end of that year, the Group had a total of 89,027 employees. Food distribution represents close to 99% of the group's sales and 100% of the group's EBITDA. The JM share price behavior shows an increase in value after 2010 from 5 in 2009 to 12 in 2015. Investments have reduced the EBITDA margin over the last couple of years.

In Portugal, the Jerónimo Martins Group holds the leading position in food distribution with sales of 4.24 billion euros and a 17.5% market share (Exhibit 3). In 2015, Pingo Doce's sales (Exhibit 2) grew 5.3% compared with the previous year (3.41 billion euros by 2015). Furthermore, it generated an EBITDA of 188 million euros (23.5% of total group EBITDA) and ended the year with 399 stores nationwide in Portugal with a positive 3.9% like-for-like (LFL). On the other hand, the Recheio brand (Cash & Carry) had sales of 832 million euros (4.1% greater than 2014) and an EBITDA of 44 million euros (5.5% of total).

In Poland, it is the food retail leader with 18.9% market share, sales of 9.21 billion euros in 2015 (9.2% increase from 2014) and EBITDA of 641 million euros (it represents 80.1% of the group's total EBITDA). Biedronka finished the year with 2,667 stores nationwide in Poland and a LFL of 3.2%.

In Colombia, by the end of 2015, the group had sales of 123 million Euros (85.6% increase from 2014) and ended the year with 142 stores (56 stores more than in 2014).

- *What are the limitations and opportunities in Portugal and Poland?*

In Portugal the market is very competitive. There are two main players, Jerónimo Martins and Sonae (17.5% and 16.9% Market share) followed by three International groups. This competitiveness demands constant investment in marketing and client acquisition. It forces the company to become more efficient in order to guarantee competitive prices and quality. The market appears to be at a mature state and not with a lot of growth opportunities. Moreover, to increase market share and sales, would be costlier. This tendency is supported by the low new store openings ratio that compared with the other markets in which it operates. Moreover, the Portuguese population is not growing and its size is 25% of the Polish or Colombian Markets.

In Poland, the Jerónimo Martins Group is the market leader with 18.9% market share in sales) and through its locations, prices, quality and local brands it has become the first purchase choice for consumers. This gives the company the ability to be price setter in many categories, to have the opportunity to continue the increase in store openings and market share acquisition like it has done since the beginning of their operation in this country. Since Biedronka is the main source of capital for the firm, the situation allows for the company's increase in total sales. Moreover, the entire market in Poland is still growing and the modern channel is gaining more and more ground. As a way to capitalize the retail market growth, the company has made decisions such as entering into the beauty drugstore retail

Because Portugal and Poland are both in Europe, there is a danger that if the European market has a crisis it will affect both markets simultaneously.

- *What are the main capabilities and streghts that the Jeronimo Martins group posseses?*

The group has been able to capitalize its experience into 3 main capabilities.

1. <u>Creation of strong brands;</u> The group has been able to capture consumers in the markets it operates as the company's performance result show. Also, with the focus in private brands and customer service, it has been able to become the market leader by achieving top of mind into its clients
2. <u>Adaptation of their business model:</u> The company has been able to adapt its business model to the markets in which it operates by understanding consumer behaviors and preferences. Using its own brands, it has guaranteed the price and quality of the products and is constantly experiencing and creating new innovational projects.
3. <u>Cost optimization:</u> The size of the group has enables it to take advantage of the economies of scale to become more cost efficient and productive, while capitalizing synergies resulting from experience.

4. Internationalization

After understanding the company, its strengths, capabilities and surrounding environments, students should now be guided to the internationalization part of the case with the following questions.

- *Does it make sense for a Portugues company like Jéronimo Martins to become multinational? Why?*

Most of the arguments to this question should have been addressed in the study of the limitations of the Portuguese market. This question is also intended to lead to the discussion of why and when firms should become international or multinational. The answer should be positive because the Jerónimo Martins Group was mature in Portugal and their growing desires and expectations were not going to be met in a saturated market.

In this particular case, students should be able to identify that the Jerónimo Martins Group was operating in a market that is relatively small with not so much growth opportunities. By going international, the Group minimized the risk by diversifying and by minimizing the economic impact of one single economy. Furthermore, this offered the opportunity for the group to have their wholly-owned subsidiary in appealing markets with projected growth. Also, the fact that the markets have different currencies than euro, gives more room for maneuver.

- *What do you think were the main drivers for the decision of international expansion of the group to Colombia?*

As stated in 2011 with the Jerónimo Martins Group strategic priorities: "to ensure current market position and to secure long-term growth". The Group also considered the following factors: when making the decision:

  - Current generation of positive cash flows.
  - Several years with positive results and continuous growth.
  - Established and secure position in Poland and Portugal.
  - Business Knowledge.
  - Organizational capabilities.
  - Need to guarantee long term growth by entering a market with growth potential.
  - Consumer behaviors understanding

- *Was it wise to refocus strategically, leave Brasil, leave the UK and stay in Poland and Portugal?*

The answer to this question should be that this was a very wise decision because the group was able to recognize the negative impact that having presence in various markets had generated, and the risk that the company was entering. Strategically refocusing gave the company the opportunity to understand their strategic decision and to go back to their basics capabilities and strengths. Additionally, refocusing strategically was the only way that the company was going to succeed for the coming years because the negative impact of the starting of operations simultaneously in three different geographies would have probably taken the company to bankruptcy.

For the company it was the opportunity to perfect their business model in Portugal and Poland and to reach the level of refinement that has reached today. Specifically, in Poland the sale of Jumbo and Eurocash was the opportunity to stay in a more reduced and focused operation, also in a specific market (Discount convenience stores). This experiences led them to shape their strategy and to be able to refocus not only operationally but mentally.

- *What do you think were some of the learnings the group acquired from the previous internationalization processes it went through?*

Among others, previous experiences taught the group the following:

To be more careful in the decision of international expansion
To start one process at a time
To guarantee that the operation would not be affected
To make thorough market research to choose the right opportunities
To make sure the organization is able to sustain the decision financially, operatively and managerial.
To choose a market in which knowledge can be transferred
To provide a well-structured and adapted business model
To minimize the risk for the Group

4. Route to Market

Having analyzed the internationalization motivations, learnings and past experiences are now ready to enter the last phase of the case analysis and study the details of the latest internationalization process with some of the following questions.

- *Why do you think Colombia was chosen as the country for their expansion in 2012?*

As stated by the company, Colombia was chosen for the following reasons:

- Colombia has been growing continuously in the past years and is expected to continue growing steadly.
- The country has a population of more than 40 million inhabitants
- It is considered a stable democracy
- To gurantee a stronger balance sheet.
- 4th biggest economy of Latin America
- Decreasing unemployment is at a one-digit percentage and is Lower than Portugal and Poland.
- It is a highly urbanized location
- Relatively young population (30 vs 40 in developed countries)
- Big family sizes (4 per household in average)
- Increasing size of middle class
- Low penetration of modern retail channel (20% of total market)
- Mostly local actors in the industry

- Market growing by 6.3 CAGR over the last 10 years
- Few discount food retailers
- Low barriers to entry

Peace negotiations between guerillas and Government have improved the peace and security situation in the county.

The previous are alternative guidelines that students can address together with other reasons that might arise from the discussion and realities of each of the students.

- *Why did the group began the internationalization process in Colombia from scratch and with a mixed managerial team?*

The answer to this question is mainly to reduce risk by accomplishing the following:

1. To create a value proposition that the company believed was not being offered in the market. The company also had the capabilities to create a very appealing and strong value proposition.
2. To take advantage of the know-how possessed by the company in the customer acquisition and retention it had developed. As well as to use the synergies and capabilities the company considered it had established.
3. By creating their own company, the investment required was much less than what it would have costed to acquire any of the players that were operating at the time (21 million euros initially). Additionally, the company believed that none of the players in the market was developed enough for the Jerónimo Martins standards.
4. It was an opportunity to develop the processes that had previously proven and perfected in the Polish experience without committing some of the mistakes, as well as to create a business using the best methodologies the company could possibly implement.
5. Having a mixed team gave the Group the opportunity to capitalize their knowledge transference while being able to create and manage a local brand. Allowing simultaneously experience and flexibility. It was also a technique to guarantee that the cultural values and methodologies of the Group would remain guiding the company from the beginning, avoiding one of the main inconveniences with acquisitions.

- *Why do you think the company entered into the Coffee Region and later to the Caribean coast?*

The Group chose the Coffee Region and later the Caribbean coast for the following reasons:

1. This choice allowed the Group to begin in a region with potential but with enough room to exit if the project results did not meet the expectations. A region with a very high population density and a relatively large market size. Possessing a high-middle-class that could be captured with a discount proposition.

Since it is not in one of the 5 main cities (Bogotá, Medellín, Cali, Barranquilla, Cartagena) the company was able to avoiding the media attention and visibility of the main cities, in order to move freely while testing their business model and adapting it to the Colombian reality.
2. Because it is not in one of the main urban areas, the retail food industry was less developed and there was even more room for growth.
3. By entering a secondary region after 2 years of operations proved that the business model worked and that it was time to consolidate into a safe and secure secondary location.
4. The caribbean coast was chosen because it represents a big part of the country that shares a common culture (also known as costeños). It was the opportunity to enter a bigger market but still to keep the low profile the group wanted. This region has three main cities other than the largest Colombian metropolis, including the 4th and 5th cities (Barranquilla, Cartagena and Santa Marta). However, this region has around 10 million inhabitants and 15% of the country GDP.

- *Can you think of any alternative Route to Market the Group could have used?*

This internationalization was aimed for the long term survival of the company, and therefore the alternatives of Franchising and a Joint Venture were discarded. The first, due to the long term fees associated with it, the brand impact and the lack of flexibility it generates. Second, because the country's low barriers of entry such as promotion of foreign investment and no necessity of a local partner, allowed for the organization to take advantage of the benefits of having a wholly owned subsidiary.

Therefore, there can be 2 approaches to this question.
First, it can be said that another way to have entered this market was via acquisition of an existing brand. For this option there were not many alternatives to choose from because of the following reasons.

Even if it might seem that culturally Colombian and Portuguese have some Latin similarities, they still differ greatly. Thus, it would have been a difficult adaptation process to a stablished and structured way of thinking for which Colombians are not familiar or motivated for.
Grupo Exito, one of the main competitors had several of the brands in the market (Exito, Carulla, Pomona, Sutimax and Ley) and with 13% of the market it was very unlikely that they would have sold any of the brands to an entering competitor.
D1 was growing rapidly and as a hard discount alternative. As with the Exito Group, this would have led to a negative response.

Super inter was located in the same region the group entered and was growing rapidly. On 2012 it had sales of 450 million euros, which could have represented an obligation to increase the group's net debt due to the price it would have had to pay in order to acquire this brand.
Olimpica was located on the entire country and the learning curve would have been longer to generate. Furthermore, without market knowledge it was a risk to enter into one of the market leaders from day 1 (lesson learned from Biedronka in Poland). Moreover, the investment would have had to be big.
Colsubsidio was mainly a drugstore chain and the food grocery retail shops it had were located in the central region of the country (mainly Bogotá) and it would not have been as low profile as the group wanted.
The other alternatives were local and regional brands that did not have the necessary size for the operation (none have more than 10 stores altogether).

Secondly, it can be said that the group could have entered into another region with higher potential. The following could have been some of the considerations for this alternative:

Bogotá could be the first option to consider. However, the city has almost the same population than Portugal. Therefore, the risk of beginning with Bogotá was too big and the market was much more developed than in other regions. Additionally, the cost per square meter is the highest of the country.
Antioquia (Medellín) could have been another option but regionalism and the sense of local belonging makes it very difficult for outside competitors to enter this particular region (even for Colombian companies of other regions). Additionally, it had the same risk factor of size than Bogotá.
The Caribbean coast was a less risky alternative. However, the population density required was too low for testing of the business model.
Valle (Cali) and Orientals (Santander) were other alternative regions but big part of the Valle state was captured with the entrance to the coffee region and it made no sense to enter either due to the market size and growth potential. Besides the Coffee region the other regions do not possess the necessary incentives to have been chosen for the entrance.

The final outcome of this story was that the group presented their strategy to enter regions in this order for the coming years, intending to enter one each year: 1 Coffee Region, 2 Caribbean Coast, 3 Central (Bogotá + Andes), 4 Antioquia, 5 Valle, 6 Santander y 7 South or Nariño.[43]

[43] *Jerónimo Martins Presentation Colombia 2016. [online] available at: http://www.jeronimomartins.pt/media/664387/presentation_colombia_2016_site.pdf [accessed on Dec 2 2016]*

Before ending the Colombian alternatives route to market it can be said that in 2016 Bogota was taken by the hard discount chains. Ara entered Bogotá with 40 stores [44], D1 opened its 500 store in the country[45] with Bogotá as its main source of income and a new chain called Justo y Bueno (Previous D1 owners also hard discount) will end with around 100 stores in the country's capital[46].

5. Applicability to students' reality

After discussing the case and before reaching the conclusions, takeaways and closure, it is important to relate the case analysis to the students' reality. Some proposed questions could be:

- *Has any of the students been involved in an Internationalization Process? Or have worked in a Multinational?*
- *If so, what were some of the challenges they faced?*
- *If not, what do they think are the most difficult factors to handle and consider in a internationalization process?*

6. Conclusions

The discussion can be wrapped up summarizing the main learning objectives and linking them to the case. In case the strategic factors faced by a Group of the size of Jerónimo Martins, the organization's motivation, the timing for international expansion, the internationalization alternatives or the route to market were not raised during the discussion, they should be addressed at this time.

It is important to express the applicability of this case and the reality that organizations of different sizes have to consider before entering a new market. In this topic it is highly probable for students to have some type of interaction during their professional careers. Thus, it is key to understand the right and wrong strategic decisions behind the desire to expand internationally.

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[44] *Tiendas Ara abre sus puertas en Bogotá y anuncia su nuevo CEO [online] available at: http://www.dinero.com/empresas/articulo/tiendas-ara-abre-sus-puertas-en-bogota-y-anuncia-su-nuevo-ceo/232251 [accessed on Dec 14 2016].*

[45] *Sigue la buena racha de D1: Esta es su fórmula de éxito. [Online] available at: http://www.dinero.com/edicion-impresa/negocios/articulo/como-es-la-estrategia-de-d1-para-alcanzar-el-exito/232372 [accessed on Dec 14 2016]*

[46] *Imparable: Justo y Bueno va por su primer billon. [online] available at: http://www.dinero.com/edicion-impresa/negocios/articulo/justo--bueno-y-su-estrategia-de-exito-en-colombia/234865 [accessed on Dec 15 2016]*

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