

Jerónimo Martins Group International Opportunities

A multinational group market selection decision process

Guilherme Albergaria e Sousa

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Abstract

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Author: Guilherme Albergaria e Sousa

This case study has been designed based on the Jerónimo Martins Group situation between 2007 and 2011 with the objective of acting as a teaching supplement in the study of companies' international opportunities, market selection and the internationalization decision process utilized to reach an optimal decision for a company.

Jerónimo Martins was the main Portuguese group in the food retail and wholesale industry, present in supermarkets, cash & carries and discount stores, and operating in Poland and Portugal.

In 2011 Portugal was suffering the consequences of an economic recession, while the Polish food retail market was starting to consolidate, with the Group's Polish operations representing more than half of Jerónimo Martins Group's revenue. This situation led the Group CEO, together with the Board of Directors, to decide to explore new market and business opportunities to ensure the Group's long-term growth. The Group's decision process took into account the Jerónimo Martins characteristics, objectives, strengths and competences in order to define and compare new opportunities. According to the Group's strategy specialists, Brazil, Colombia and Turkey were the final three countries chosen as the most promising markets: one of them would fulfil the Group's needs and hopefully ensure its balanced long-term future.

The Jerónimo Martins case was developed using information provided by the Group and also by international economic institutions so as to provide students with the most accurate information enabling them to solve the case.

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Table of Contents

ABSTRACT	1
1-CASE STUDY	6
1.1-INTRODUCTION	6
1.2-THE COMPANY: JERÓNIMO MARTINS SGPS	7
1.3.1-PORTUGAL	8
1.3.2-POLAND	8
1.5-THE INDUSTRY: FOOD RETAIL	8
1.6-GROUP STRATEGIC OBJECTIVES AND VALUE CREATION	10
1.7-INTERNATIONALIZATION:	11
1.7.1-PREMISES FOR INTERNATIONALIZATION	11
1.7.2-DECISION CRITERIA: IDENTIFYING MARKET OPPORTUNITIES	12
1.7.3-GROUP STRENGTHS AND COMPETENCES: IDENTIFYING A BUSINESS OPPORTUNITY	12
1.7.4-GROUP RISK PROFILE	14
1.8-NEW MARKET SELECTION	14
1.8.1-BRAZIL	14
1.8.2-TURKEY	17
1.8.3-COLOMBIA	20
1.9-CONCLUSION	21
EXHIBITS	26
TABLES	32
TEACHING NOTES	38
2.1-INTRODUCTION	38
2.2-SYNOPSIS	38
2.3-SUGGESTED ASSIGNMENT QUESTIONS	39
2.4- TEACHING OBJECTIVES	39
2.5-USE OF THE CASE	40
2.6-RELEVANT THEORY	40
2.7-ANALYSIS AND DISCUSSION	41
2.8- OUTCOME	62

Exhibits

1-The Jerónimo Martins Group:

Exhibit 1.1-Jerónimo Martins companies share of consolidated sales

Exhibit 1.2-Jeronimo Martins number of employees

2.1-Country Comparisons:

Exhibit 2.1.1- GDP growth (annual %)

Exhibit 2.1.2-GDP (current US\$)

Exhibit 2.1.3- GDP per capita, PPP (current international \$)

Exhibit 2.1.5- Private consumption: household final consumption expenditure
etc...(annual % growth)

Exhibit 2.1.6-Foreign direct investment, net inflows (BoP, current US\$)

Exhibit 2.1.7-Unemployment, total (% of total labour force) (estimative starts in 2010)

Exhibit 2.1.8-Inflation, consumer prices (annual growth %) (estimative starts in 2011)

Exhibit 2.1.9-Wall Street Journal Economic Freedom Index: overall score

Exhibit 2.1.10-USA and Euro Area foreign direct investment, net outflows (% of GDP)

Exhibit 2.1.11-Total population

Exhibit 2.1.12- The Euro Area and USA GDP growth rate (%)

2.2-Population

Exhibit 2.2.1-Brazilian population by age ranges (%)

Exhibit 2.2.2-Turkish population by age ranges (%)

Exhibit 2.2.3-Colombian population by age ranges (%)

3- Teaching Notes

Exhibit 3.1- Jerónimo Martins Companies Life Cycle

Exhibit 3.2- Portugal and Poland Industry Life Cycle

Exhibit 3.3- Jerónimo Martins Key Premises

Exhibit 3.4- Jerónimo Martins Strategic Decision Blocks

Tables

1-Jerónimo Martins Group

Table 1.1- Jerónimo Martins SGPS shares description

Table 1.2-Business areas performance

Table 1.4- Jerónimo Martins performance 2006 to 2010

2-Country Data

Table 2.1-GDP growth (annual %)

Table 2.2-GDP (current \$) (Billion \$)

Table 2.3-GDP per capita PPP (current International \$)

Table 2.5- Unemployment, total (% of total labour force) (estimative starts in 2011)

Table 2.6-Inflation, consumer prices (annual growth %) (estimative starts in 2011)

Table 2.7- Foreign Direct Investment net inflows (BoP, current US\$) (Million \$)

Table 2.8- South American Countries GDP (Current US\$)

Table 2.9- Total Population (million people) (estimative starts in 2011)

Table 2.10- Private consumption: household final consumption expenditure, etc...
(constant 2000 US\$) (Billion \$)

Table 2.11- The Wall Street Journal Economic Freedom Index

1-Case Study

1.1-Introduction

In 2011, Mr Pedro Soares dos Santos, CEO of Jerónimo Martins SGPS, was facing a decision of extreme importance that could shape the future of the Portuguese food retail and wholesale Group for the next decade. The final decision regarding the forthcoming international expansion of Jerónimo Martins needed to be made.

In 2007, Europe was going through a difficult macroeconomic situationⁱ that not only had a direct impact on the food retail industry but also on the economic setting of both Portugal and Poland, countries in which the company was operating at the time. Portugal was heading towards an economic recession and the industry had reached a high level of consolidation. On the other hand, Poland was still a prospering and emerging country, demonstrating relevant economic growth, with almost 4% increase in its GDPⁱⁱ, and its industry was still growing, with 38.5% of the market being held by the three main formats in food retail formatsⁱⁱⁱ

The Group^{iv} was fully aware of the high level of competition in this industry and that operational dimension was essential in the food retail and wholesale industry. Mr Nuno Abrantes, head of Strategy and Planning, explained:

“We live in a global world, regarding retail, where dimension is essential to maintain competitiveness.”^v

In 2007, in order to avoid the loss of competitiveness and to keep increasing the company's *Like for Like* sales^{vi} (LFL), and although the Group conducted market and country analyses on a regular basis, Mr Pedro Soares dos Santos decided to expand the study and analysis of new markets for forthcoming international expansion. The process took four years and in 2011 a final set of market opportunities was defined.

To this effect, Jerónimo Martins established three strategic critical assumptions^{vii}: (i) use a mass market approach, (ii) focus mainly on the Group's food distribution (food retail and wholesale) competences and (iii) keep the Group's investment portfolio risk.

1.2-The Company: Jerónimo Martins SGPS

Jerónimo Martins was founded in 1792^{viii}, and since then the company has undergone several stages. In the beginning, Jerónimo Martins was a small shop in the heart of Lisbon that sold almost everything, from household supplies to drinks and so on. Shortly afterwards, the shop became one of the most prestigious stores in the city. In 1938,^{ix} the new generation of managers began to invest in new areas of business, specifically in the manufacturing of margarines and cooking products. A few years later, in 1949, the company strengthened this investment by developing a Joint Venture with the English-Dutch company *Unilever* and started to distribute and produce a vaster range of products and brands^x.

In 1978^{xi} the company completely changed its strategy and invested in the food distribution industry (food retail and wholesale industries) with the establishment of the *Pingo Doce* supermarket chain, followed by the acquisition of *Recheio cash & carry* (food wholesale chain) in 1988 and the acquisition of the *Feira Nova* hypermarket chain in 1993.

The first international venture of the company was launched in 1995 with the acquisition of a Polish food wholesale company, *Eurocash*, followed in 1997^{xii} by the purchase of Jerónimo Martins' current main source of income, the *Biedronka* discount retail chain. In the same year, Jerónimo Martins also expanded into Brazil with the acquisition of *Sé supermercados*, a supermarket chain. However, due to several problems, in 2001 the group decided to sell the Brazilian supermarket chain.

On the 31st of December 2010, the Group's market value was 7.174 billion Euros (see Table 1.1) in the NYSE Euronext Lisbon^{xiii} and on the PSI-20 Index, which lists the top twenty companies in the Lisbon stock exchange.

At the end of 2010, Jerónimo Martins was a stable company, with low levels of debt (see Table 1.4), a total of 8691 million Euros in sales (see Table 1.2), with 2051 stores (see Table 1.3) and employing 61061 employees (see Exhibit 1.2) in all areas of business. In 2010, the consolidated sales grew^{xiv} 18.8% (see Table 1.2), the LFL sales was positive in almost every business area, except for Feira Nova Hypermarkets, and the company continued to denote consistent growth.

1.3-Main Operations.

In 2010, Jerónimo Martins SGPS was not only present in two different countries, Portugal and Poland, but also in three different areas of business: food distribution^{xv}, industry of FMCG^{xvi} and services.

Although it may seem a very diverse portfolio, 96.9%^{xvii} of the Group's total consolidated sales (see Table 1.2) came from the food distribution sector. This area of business was the main focus of Jerónimo Martins Group and also responsible for the Group's main acquired

competences and experience. The Group worked in four major formats: supermarkets, hypermarkets and cash & carries in Portugal, and in discount stores in Poland.

1.3.1-Portugal

Pingo Doce was a supermarket chain founded in 1978^{xviii} and the Portuguese leader in the supermarket business in 2010. *Feira Nova* hypermarkets, on the other hand, was a more recent company acquired by the Jerónimo Martins Group in 1993, and which in 2010 was the only company in the Group registering negative LFL sales and on the verge of being integrated in the *Pingo Doce* supermarket chain, which took place in 2011. *Pingo Doce* represented the main source of income in the Portuguese market with 28.3% (see Table 1.2) of the company's total sales, amounting to 2455.8 million Euros (see Table 1.2) in sales and a LFL sales increase of 8.4% (see Table 1.2). It was a nation wide company with 340 supermarkets spread over the country.

Still in the Portuguese market, Jerónimo Martins was the owner of *Recheio Cash & Carry*, the leader in the food wholesale market. In 2010, the wholesale chain accounted for 8.3% (see Exhibit 1.1) of the Group's total sales with sales up to 720.5 million Euros (see Table 1.2), and the Group owned 38 cash & carries (see Table 1.3).

1.3.2-Poland

Poland was a key strategic market for the Jerónimo Martins Group. In 2010, the Group's main source of income was the Biedronka discount chain with 55.3% of Jerónimo Martins' total consolidated sales (see Exhibit 1.1) coming from Poland, an equivalent of 4.807 million Euros (see Table 1.2).

Biedronka was a discount chain acquired by the Group in 1997 as a result of the strategic objective to enter the Polish market. Since then, *Biedronka* has consistently had double-digit sales growth (see Table 1.2). In 2010, the company grew 29.1% in sales, and had an increase in their LFL sales of 11.6% (see Table 1.2). Given these results, the group expected it to continue to grow at this pace in the short to medium term. The company's fast development led *Biedronka* to spread all over Poland with a total number of 1649 stores (see Table 1.3).

1.5-The Industry: Food Retail

The food retail market is defined as the sale of food products on the off-trade segment and consumed off-premise. It includes all packed and unpacked products and beverages sold in retail stores. The most common establishments selling these products are hypermarkets, supermarkets, discount stores, grocery stores, convenience stores, and gas stations.

In most western countries, the food retail industry was either at, or reaching a mature state. The result of this evolution was the increase in the acquisition of small retail companies by bigger companies^{xx}, mergers between competitors, and the development of new forms of business and innovations in existing forms of business. On the other hand, developing countries had a more fragmented market with a strong presence of traditional retail stores.

The new European economic environment was changing the industry. With consumption turning into a more rational and objective activity, consumers were becoming increasingly sensitive to price and more rational and selective in their purchases^{xx}.

Therefore, retailers felt the need to develop new strategies in order to adapt to the evolution of consumption. Cutting costs and better rationalization of stocks were perceived to be the main actions to take as a means to safeguard and increase profits^{xxi}. All these factors were becoming essential for growing companies within the industry.

Portugal and Poland both were European Union members, facilitating the exchange of products, workforce and capital transaction. This enabled Jerónimo Martins to benefit from all the trade agreements and as a consequence increased the Group performance.

Poland

In 2010, Poland had 38.2 million habitants and was a prospering country. The economy showed strong signs of growth with a GDP^{xxii} increase of almost 4%^{xxiii}, and an above average increase comparing with the rest of Europe, which was mainly due to constant rise both in private consumption^{xxiv} (see Table 2.10 and Exhibit 2.1.5) and Foreign Direct Investment^{xxv} (FDI) (see Exhibit 2.1.6). The unemployment rate represented 9.6%^{xxvi} (see Table 2.5) of the total labour force. The Polish currency was the polish zloty.

The 2008 financial crisis was still affecting the Polish food retail markets, leading to a disappointing increase of only 3%^{xxvii} in 2010. In the food retail market, the discount segment was the one registering the highest increase in 2010, with 21.7% growth^{xxviii}. The continuous growth of the market and industry was shortening the path to a more consolidated and mature sector, a sign of which was the increase in mergers and acquisitions by the main companies operating in the market.^{xxix}

The main buying factors for Polish consumers were proximity, low prices and private labels, which explained the continuous increase in the discount segment. The development of the market began to give origin to a new trend, quality was starting to be more relevant and companies were starting to differentiate through quality, a result of which was the appearance of both new premium products and stores.

In 2010, the Polish food retail market still had some leeway for growth^{xxx}. Although the concentration levels in large cities were already high, there was still a high number of medium and small cities with low concentration levels. The main competitors in the industry were distributed over the three main formats in the industry^{xxxi}: Jerónimo Martins was the leader in the

discount stores sector with 1649 stores (see Table 1.3), Tesco, the United Kingdom's giant, had 313 stores^{xxxii}, Carrefour possessed 276^{xxxiii} stores, and the Metro Group owned 54 Real hypermarkets^{xxxiv}.

Portugal

In 2010, Portugal was still under the effect of the 2008 financial crisis. Its GDP increase was only 1.4% and was following a 2009 decrease of 2.91% (see Table 2.1), mainly explained by the slowdown in consumer spending and exports^{xxxv}. In addition, the level of FDI inflows decreased (see Table 2.7) and private consumption only increased slightly (see Table 2.10 and Exhibit 2.1.5). In 2010, Portugal's population was only 10.6 million, and it was not expected to increase significantly in the future (see Table 2.9). The population was also getting older^{xxxvi}. Portugal had the European union currency, the Euro.

As expected, the Portuguese economic situation directly affected the food retail business. The continuously rising unemployment rates (see Table 2.5 and Exhibit 2.1.7), the decreasing buying power of Portuguese families and slightly reduced private consumption (see Table 2.10) meant less available money for consumption among most families and this fact consequently affected companies' revenues in the food retail industry. The Portuguese minimum wage was 631 \$.

The result was that the previously mentioned industry main drivers were followed and also the development of new trends. The increase in consumers' store visits and the decrease in the value of the average shopping basket^{xxxvii} per client resulted in consumers showing more rational shopping behaviours and greater shopping planning, in addition to growing price sensitivity and demand for private labels. Whereas in-home consumption increased, which may lead to rising revenue, the consumption of lower priced products and private labels products as a result of consumers becoming more sensitive to prices led to a decline in revenue^{xxxviii}.

The Portuguese market was very consolidated, with Jerónimo Martins in the supermarket sector and the Sonae group in the hypermarkets sector as the market leaders covering almost all the country.

1.6-Group strategic objectives and value creation

With more than 200 years of experience, the Group had well-defined strategic orientations in order to create value. The strategic management guidelines were: (i) to continually reinforce a solid balance sheet; (ii) to preserve and manage the value of existing assets; (iii) to maximize synergies and the scale effect and, lastly, (iv) to promote innovation and a pioneering spirit as a key factor to achieve new competitive advantages^{xxxix}.

Success has been present in the Group's history and Jerónimo Martins had discovered the winning formula in more than one market, so the main strategic knowledge and experience acquired in previous investments of the Group were going to incorporate the Group's next

internationalization stage. Jerónimo Martins established that its main strategic objectives were the following: (i) to reach and consolidate a leadership position in the markets where it operates; (ii) to build and develop strong and responsible brands; and (iii) to ensure a well-balanced growth of its business units both in terms of sales and profitability^{xi}.

1.7-Internationalization:

Jerónimo Martins has always been ahead of market trends. The development of the Joint Venture with Unilever, the strategic move from FMCG to the food distribution with Pingo Doce and Recheio, and the internationalization to Poland were all strategic moves in order to secure a well-balanced long-term growth of the Group. As a result and to ensure the Group's objectives, a new international project was defined as the next step.

In 2007, European markets were showing weak indicators^{xi}, Portugal was on a path to recession and was already a mature and consolidated market with few opportunities for growth. Poland, although a prospering country, was not going to deliver the same results forever, and the market was expected to achieve a higher level of consolidation by 2016^{xii}. In addition, to compete in the food retail and wholesale industry the Group was fully aware that dimension was the key for success. Therefore, continuing to grow on sales at the same pace as the last few years was an important strategic driver for the Group. As a result of the economic situation, Mr Pedro Santos decided it was time for a new international expansion. Dr Nuno Abrantes explained:

“The Portuguese operations were responsible for financing the internationalization to Poland and the cash-flow generated by the Polish operations will support the next international expansion. This is a virtuous circle in which each new geographical area is supported by the cash-flow of the previous ones.”

1.7.1-Premises for Internationalization

Given the intention to expand the Group's Operations, Jerónimo Martins' board defined three key premises for the internationalization process:

1. A one-format approach, targeting large-scale consumers^{xiii}. The Group wanted to focus on the mass-market strategy and avoid niche markets. This would enable the Group to create economies of scale and improve profitability.
2. To focus on the Jerónimo Martins Group's strengths and competences in food retail^{xiv}. It was important not to develop outside the Group's core competences so as to take advantage of existing competences and benefit from the large experience obtained over the last two decades, using them as a competitive advantage.

3. Maintain the Group's risk profile^{xlv}- the group was defined as conservative when investing in new projects, deciding to develop long-term projects that took advantage of existing strengths and competences, to have control of the foreign subsidiary, a medium country and portfolio risk level.

Subsequently to the key premises, the internationalization process was based on the identification of market opportunities using the Group's decision criteria. A business opportunity was identified in accordance with Jerónimo Martins' operating strengths and competences. Lastly, the investment should ensure that the Group's risk is kept under control.

1.7.2-Decision criteria: identifying market opportunities

The next stage was defining the criteria to help narrow down the number of countries to be analysed. As a result, all countries should meet one bare minimum criterion and, if fulfilled, it should then satisfy three other key decision criteria:

- Bare Minimum Criterion^{xlvi}:
 - Democracy and rule of law- it was necessary for a country to be a democracy and to have strong government institutions, and to have a functioning judicial system respecting and enforcing rule of law. Jerónimo Martins wants to ensure that its investment would be secure and that both private and foreign investment will be protected and treated as equal by governmental institutions.
- Key Decision Criteria^{xlvii}:
 - Significant population - it was defined that the minimum population size to ensure scale was 40 million people.
 - Stable and robust economy - the Group was interested in emerging markets with strong growth fundamentals that also showed limited volatility regarding the main economic variables. Stability would enable the Group to control the risk and a robust economy would ensure long-term growth.
 - Market opportunity in food retail- a market that provides a clear opportunity for the development of mass-market food retail operations with a competitive advantage. These criteria analysis competition, consumers, and country infrastructures, among others.

1.7.3-Group strengths and competences: identifying a business opportunity

According to the markets that satisfied the previous criteria, Jerónimo Martins assessed whether there were food retail business opportunities in the market that could be explored by the Group taking advantage of the its operating strengths.

Over the years, the Group's focus has been the food industry, from production and brand development through the Unilever Joint Venture to food distribution, with supermarkets, discounts and cash & carries chains. Jerónimo Martins became an expert in the development of environments for consumers that were more than just shopping spaces. Most Jerónimo Martins companies were leaders in their markets, and, as a result, it added competences in diverse areas. In the last two decades the Jerónimo Martins Group has focused and became expert in the food retail and wholesale areas. All the acquired competences in several sectors enabled the Group to differentiate today from its competitors by developing strong insignias/brands, product quality and private labels, competitive prices, service, store environment, and proximity. This past experience enabled Jerónimo Martins to take advantage in order to develop and succeed in a new market.

Culture had influence on the application of acquired competences, and the Group sought a country with a culture that would enable it to make the most of existing strengths and competences. This approach allows not only a faster entry in the market and developing and adapting to consumer needs in a new geographical area but it also reduces cost and makes operations more efficient. A completely new culture would require the development of new competences adjusted specifically to the reality of the new country, which would become expensive, time consuming and less productive.

The next criterion was the food retail market size. In 2010 the Polish food retail industry amounted to 47.6 billion Euros^{xlviii}. The next country did not need to have the same market size but it needed to be a growing market with identifiable market opportunities that can ensure long-term growth.

Jerónimo Martins wanted to maintain the company's main strategic objectives. Accordingly, in order to choose a new investment, it established as its goal to be a top player in the market regardless of the final decision. The Group expects its companies to provide revenue to ensure continuous growth, and in the food retail business high levels of profitability and revenue tend to be associated with the main companies in the market.

The Group's experience in the business yielded critical information regarding competition dynamics and market analysis. As a result, Jerónimo Martins believed that both the number of competitors and the type of competitor were important, as in a global context, a market with lower concentration levels can be highly appealing in every main criteria, but if there are international players with great scale and investment power operating in that market, the possibilities of success of a medium size company may be reduced. On the other hand, a market with a more concentrated competition level constituted mainly by national or less powerful companies may prove to be more appealing. The type of competition should be

analysed and should take into account the quantity and quality of competitors before identifying which country has the most appealing market.

1.7.4-Group Risk Profile

Following the identification of both a market and a business opportunity, the Group then decided in line with the Group's risk profile. Jerónimo Martins has proved to be a conservative Group when it comes to investments and development of the Group's portfolio. Over the last years, it has developed projects on the basis of permanency and longevity and in accordance with its competences and strengths to reduce exposure to risk and to take full advantage of its long experience in the food distribution sector.

The Group's operations should allow attaining a leadership position with a sustainable and balanced level of risk. Countries with high profitability forecast and a high country risk would have a high negative impact on the Group's portfolio should the project fail to succeed due to the high levels of investment.

1.8-New Market Selection

Jerónimo Martins undertakes market analyses continuously and updates them on a regularly basis. This has enabled the Group to pay attention to new developments and to be able to respond more effectively. Jerónimo Martins was interested in markets with growth potential, so emerging markets were considered to be the most interesting. After analysing all the world's main markets, three countries were selected with the objective of deciding which would be Jerónimo Martins' next international investment.

1.8.1-Brazil

Brazil was not new to the Jerónimo Martins Group, as between 1995 and 2001 it held the supermarket chain *Sé Supermercados*. This experience did not have a happy ending and 2001 was the breaking point in the Jerónimo Martins international strategy. The Group's capacity to invest in three countries at the same time did not prove sufficient in terms of the revenue obtained. In 2001, the Jerónimo Martins Group decided to dispose of several companies as a result of a strategic restructuration: *Eurocash cash & carry*, *Lilliwhites UK* sports stores, and the Brazilian supermarket chain *Sé Supermercados*, among others.

The 1995-2001 and the 2010 periods were two completely different contexts for the Group. In the first, the Jerónimo Martins Group was just a national company with different and less attractive conditions to access large amounts of credit and less capacity to generate cash flow in order to pay financial commitments. By 2010, the Group was considered to be a successful multinational group, more stable, with a stronger and stable balance sheet, higher

level of cash flow generation and as a consequence Jerónimo Martins was in a better situation to support high level investments. As a result of the 2001 financial context, the Group did not have enough capacity to develop all its operations and there was a need to make decisions regarding portfolio sustainability^{xlix}.

In 2001, Brazil was an emerging country with great potential, but to compete and succeed in the Brazilian food retail industry, high investment was needed. At that time, market competition dynamics was highly aggressive, marked by large international retail companies already established, mainly in the urban areas, with higher competing and investment capacity. With market leadership as one of the main pillars in the Jerónimo Martins strategy, Brazil showed a lower probability and required higher investment than Poland in order to achieve the Group goals.

Some differences and some similarities were found in the analysis process of the Group's new future project. Brazil was not only a big country, 8 515 767 Km² situated on the atlantic shore of South America, but in 2010 it was already the 6th largest economy in the world^l, showing clear signs it would continue to grow^{li}.

Brazil was a former Portuguese colony and it has been a democracy since 1985. Between then and 2010 it has undergone several economic stages, ranging from difficulties controlling inflation and a financial bailout to an emerging attractive economy. Since 1994, Brazil has made huge efforts to balance its economy through the privatization of state owned companies, liberalization of markets, allowing investments in almost every sector including food retail, removal of some trade barriers and the following of a cautious financial discipline. All these measures enabled Brazil to achieve an amazing economic growth (see Exhibit 2.1.2), increase foreign direct investment inflows (see Exhibit 2.1.6) and control consumer prices inflation (see Exhibit 2.1.8). Even though the new policies were enabling economic growth, in 2010 there were political difficulties in the elaboration and implementation of new policies due to the distinct ideologies and troubles in achieving consensus within the coalition of parties led by President Dilma Rousseff, since ten parties formed the coalition ruling the country^{lii}.

Crime and corruption were both big issues widespread over Brazil, affecting both the economy and social stability, and representing a serious problem for the Brazilian economy and foreign investments. There were high levels of corruption within government institutions and among politicians, including the practice of bribes and money theft by state employees, and politicians were known to take advantage of their social position for their own benefit, as attested by the 2005 "*mensalão*" scandal^{liii}. The existence of gang wars in the major cities, such as São Paulo and Rio de Janeiro, thefts, drug trafficking and contraband led to some social instability and international distrust regarding investments.

The Wall Street Journal Economic Freedom Index^{liv} (WSJ economic freedom index) revealed a decrease in the country's overall score from 61.1 in 2000 to 55.6 in 2010 (see Exhibit 2.1.9), much due to a drop in fiscal, government spending and business freedom scores (see Table 2.5).

The Brazilian legal system had developed into a broad and comprehensive system at all levels, federal, state and regional. However, bureaucracy and corruption led to some inefficiency and to a time consuming system that, together with a complex regulatory framework, hampers the execution of business.

Brazil has grown almost constantly in the last decade, reaching a 2.140 billion^{lv} \$ GDP (see Exhibit 2.1.2 and Table 2.2) with an increase of 7.5 % (see Exhibit 2.1.1), despite recuperating from a slight decrease in 2009, which was due to economic difficulties in major economies such as the USA and Europe (see Exhibit 2.1.12) and the consequent reduction of FDI outflows from the same countries (see Exhibit 2.1.10). The country's annual GDP is expected to increase continuously until 2016 (see Table 2.2). The government's economic and financial policies have succeeded to stabilize the country's consumer prices inflation, which in 2010 stood at 5% and has been below 8% since 2004 (see Exhibit 2.1.8 and Table 2.6), it was expected to be maintained until 2016 (see Table 2.6), in addition to rising Foreign Direct Investment inflows (see Exhibit 2.1.6 and Table 2.7). The country's unbroken growth resulted in an unemployment rate of 8.1% (see Table 2.5) in 2010 and also led to some economic disparities between regions, with coastal regions rich on natural resources showing higher development rates and subsequently better social conditions. Other effects of the Brazilian economic development include high demand for qualified manpower, increase in the population's middle class and rising salaries, the minimum wage being 292 dollars^{lvi}. The Brazilian currency was the Real.

Brazil has had some food supply shortages, which allied to increasing internal consumption and rising internal demand and producer prices, may have a future negative impact in the country's inflation. Likewise, Brazilian companies and individuals have increased the amount of loans contracted, leading both the population and companies to high levels of debt.

Infrastructures have not been able to keep up with the country's development, roads are still in poor condition, and ports and airports have failed to provide the capacity and expected service regarding the amount of trade occurring in the country. Nevertheless, the country has made strong investments and intends to maintain them in order to foster development and foreign investment.

Brazil had one of the biggest populations in the world and the largest in South America, with 195 million (see Table 2.9) people. It was the largest Portuguese speaking country, and most of the population was constituted by Roman Catholics and was a combination of white and mixed-race people. Brazil has a very young population, with 25 % of the population under the age of 15 and 68% between the ages of 15 and 65 (see Exhibit 2.2.1). The country's developments led to an increase in GDP per capita PPP (see Exhibit 2.1.3 and Table 2.3) and at the same time to a rise in private consumption of more than 10% in 2010 (see Tables 2.10 and Exhibit 2.1.5).

In 2009, the Brazilian food retail industry had a market value of 246.6 billion dollars^{lvi} and was expected to reach 416.6 billion dollars in 2014^{lviii}. It was a market mainly dominated by convenience stores and gas stations accounting for 38.9% of the market revenue^{lix}, most of which of low concentration level. Supermarkets, hypermarkets and discount stores accounted for 36.8% of the market and were expected to grow in the following years. The development of stores and companies will result in more clients transferring from traditional retail to modern retail. Brazilian consumers' main drivers were price and convenience, with healthy and quality products emerging as a new trend.

The size of the market has attracted several large international companies over the last decade. Thanks to its fragmented and high growth potential market, Brazil attracted some of the largest international companies, including international retail companies, which perceived it as a key market. Examples include Walmart, the leading retail company in the world^{lx}, Carrefour, the biggest hypermarkets company in the world, and Casino, the French food retail giant. They invested in Brazil and were committed to succeed.

Walmart was the leading retail company in the world, and its initial investments in Brazil took place in 1995. By April 2010 it already had 438 stores distributed between hypermarkets, supermarkets and cash & carry stores. The company followed its everyday low price strategy^{lxi} and was able to offer high competitive prices due to its size and capacity. Carrefour has been in Brazil since 1975^{lxii}, and with more than 500 stores, the group offers its clients several formats in the form of hypermarkets, supermarkets and discount stores. Lastly, the French group Casino has had a partnership with the biggest Brazilian owned food retail company^{lxiii}, CBD^{lxiv}, since 1999 and by 2009 it had 550 retail stores spread over 14 states and in six different formats, including hypermarkets, supermarkets and discounters.

1.8.2-Turkey

The country spreads across Asia and Europe and had an area of 783 562 km², it had access to the Mediterranean sea and bordered with Greece and Bulgaria, both countries that belonged to the European Union, it had a population constituted mainly by Muslims believers

divided into two ethnic groups, the majority were Turks and the remaining Kurds. The official language was Turkish and the current currency was the Turkish Lira. The implementation of the Republic of Turkey took place in 1923, and ever since it has been a very unstable country in terms of political power. Following the birth of democracy, several military coups have taken place, the last one occurring in 1997 with the fall of the Erbakan government. In the last decade, the country's political power has stabilized, leading to continuous growth. With a conservative background, the last governments have made great efforts to liberalize the economy with the objective of developing the local economy and attracting foreign investment. The development of free trade agreements with the European Union in 1996 and the many others that followed were actions to increase foreign investment and the country's exportations. In addition, the country submitted a bid to join the European Union.

Nevertheless, the existence of corruption in both political and bureaucratic institutions not only delayed the approval and implementation of economic policies but also hampered the development of national and foreign businesses. Turkey was also experiencing some instability due to the presence of small terrorist groups operating in the country and of tensions with neighbouring countries.

In 2010, Turkey was among the twenty biggest economies in the world^{lxv}, with a 731 billion dollar GDP (see Exhibit 2.1.2 and Table 2.2) that grew by 9.16% and was expected to continue to grow (see Exhibit 2.1.1 and Table 2.2). With a GDP per capita PPP of 15624.2 dollars (see Table 2.3), the country has responded well to the drop in economic growth over the last few years, provoked by financial difficulties in the main world markets (see Exhibit 2.1.12), the loss of confidence by foreign markets and decrease in FDI inflows (see Exhibit 2.1.6). Between 2007 and 2010 FDI inflows decreased from 22 047 million dollars to 9 038 million dollars (see Table 2.7). The country's financial sector demonstrated it was able to support and finance the country's growth, and during the world financial crisis of previous years, Turkish banks survived with balanced financial record and avoided financial toxic assets. The country's consumer prices inflation has been slowly controlled. While in 2000 it was 54.9%, by 2010 it had dropped to 8.6% (see Exhibit 2.1.8). Through fiscal and monetary policies, the government expects to continue to control the evolution in the short and medium term (see Table 2.6). These policies also intend to control governmental debt by reducing public expenditure and encouraging private investment. Private consumption has suffered a couple of decreases since 2008, recuperating in 2010 and reaching 278.79 billion dollars.

Turkey has a broad and comprehensive legal system that was well designed to sustain the country's economic growth, yet there were some breaches in the system that led to evasion at all levels (tax, legal and judicial). Other identifiable problems included difficulties to enforce

regulations and to adjudicate problems, as courts were over their capacity and unable to fulfil their propose.

In the last decade the country has abolished laws that discriminated foreign companies and conferred them the same status as national companies. In addition, corporate and personal taxes decreased so as to stimulate foreign investments. It has a strong framework for business entities that enables private businesses to open and start operating quickly and easily. In the 2010 Wall Street Journal Economic Freedom Index, Turkey had an overall score above average of 63.8, largely due to trade and fiscal freedom (see Table 2.11).

The country's total population of 72.8 million people (see Table 2.9) was generally young, with 68 % of the population being between the range of 15 to 65 years old and 26% under 15 years old (see Exhibit 2.2.2). The country has experienced some difficulties educating the population due to its poor educational system and lack of educational infrastructures (schools, libraries and so on). In addition, it lacks infrastructures in general. Roads, hospitals and power supply were poor. In 2010 the unemployment rate was 11.9 % (see Table 2.5) and was recovering from a difficult 2009 when the country's unemployment rate was relatively high, standing at 14% (see Table 2.5). In 2010 the country's minimum wage was 452 dollars^{lxvi} and the GDP per capita PPP was 15624.2 dollars (see Table 2.3),

The Turkish food retail market was very much based on traditional retail. Family owned retail stores, street markets and bazaars were very common and form a great part of the food retail market. In 2010 the food retail market only grew 2%^{lxvii} mostly due to economic instability. Hypermarkets and big supermarkets formats struggled and did not grow as expected, whereas the discount sector had a higher increase. Although international companies like Tesco from the UK, Carrefour and Metro had invested in the Turkish food retail market, Turkish companies still were the market leaders through the Discount chain BIM and Migros Ticaret.

Migros Ticaret was a company that started in partnership with the Swiss company Migros. In 1975 Migros left the partnership, making Migros Ticaret a fully Turkish company. The company operates in several businesses, including shopping centres, non-food retail and food retail and has hypermarkets, supermarkets and discounters. In 2010 its total amount of stores was 1932, of which only 30 were outside Turkey.

BIM was a one-format discount company developed based on price competition and private labels. It was founded in 1995^{lxviii} and at the end of 2009 it had 2628 stores^{lxix} and was the number one company in the food retail market^{lxx}.

1.8.3-Colombia

Colombia, the former Spanish colony, has an area of 1 138 914 Km² and is situated in the north part of South America on the shores of both the Pacific Ocean and the Caribbean Sea. It has been an uninterrupted democracy since 1957 and in the last decade it became a thriving country with constant economic development (see Exhibits 2.1.1 and 2.1.2). After some troubled times throughout the 20th century, ranging from civil wars to the rise of drug trafficking and drug cartels, the country became finally stabilized, much due to the stable government led by the 2002 elected president Mr Alvaro Uribe, an independent candidate who was able to keep a consensus between the two main parties in the Colombian political environment. Since 2002, the government has undertaken a strong fight against Colombian armed groups, drug trafficking and corruption.

Colombia was the 4th largest economy in South America (see Table 2.8), with a GDP of 288 billion dollars (see Exhibit 2.1.2 and Table 2.2), and was considered to be an emergent and stable country with continuous increases in the GDP over the last 10 years (see Exhibit 2.1.1), with a 10-year CAGR GDP rate of 4%^{lxxi}. It had a GDP growth in 2010 of 4% (see Table 2.1) and was expected to continue the same growth trend until 2016 (see Table 2.2). Likewise, the country's GDP per capita PPP has increased steadily (see Exhibit 2.1.3) and in 2010 the minimum wage was 277 dollars^{lxxii}. Private consumption also grew continually in the last decade and in 2010 it went up close to 5% (see Exhibit 2.1.5). On the other hand, FDI inflows have been dropping since 2009 (see Table 2.3), largely due to the world economic crisis. The country's consumer prices inflation rate was stable and very low, standing at 2.3% (see Table 2.6) and was expected to remain stable and controlled (see Table 2.6). The country currency was the Colombian Peso.

In order to attract foreign investment, in the 90's Colombia's government has lifted several controls on remittances of profits and capital. Foreign direct investment was allowed in most sectors, except in sectors of defence and sectors of national importance. Foreign companies started to be treated the same as national companies regarding legal and competition rights. Infrastructures were not attractive: road conditions were poor, the same applying to the length of routes, communications, and electrical capacity, which were all bellow regional standards. Colombia was the 57th economic freest country in the world according to the 2010 Wall Street Journal Economic Freedom Index and has constantly improved its overall score due to improvements in business, fiscal, labour and trade freedom (see Table 2.11).

In 2010 the Republic of Colombia had a well-developed court structure, enabling an efficient judicial system. Nevertheless, there was still some issues in lower levels courts, which

revealed some inefficiency and the existence of corruption. Despite the government's ongoing and effective fight against armed groups and drug cartels, they were still present in the country.

Colombia is a Spanish speaking country whose main religion was the Roman Catholic Church. It had a young population with 29% of it being under 15 years old and 66% being between the ages of 15 and 65 years old (see Exhibit 2.2.3). The population has been growing steadily, reaching in 2010 a record of 46.3 million habitants (see Table 2.9), mainly divided between white and *mestizos* people. In 2010 the country's unemployment rate was 11.6% and was expected to decrease by 2016 to 9.5%. Between 2007 and 2008 the unemployment rate had increased slightly (see Exhibit 2.1.7 and Table 2.5), which could be related to the world financial crisis and consequent drop in FDI inflows (see Exhibit 2.1.6) and deceleration of economic growth.

The continuous growth in the last decade led to an increase in the food retail market, and in 2009 the total market sales was around 10 Billion dollars^{lxxiii}. Colombia had a very fragmented market dominated mainly by traditional retail, Mom and Pop stores^{lxxiv} and small national retail chains, corresponding to 52% of the market^{lxxv}. More than 650000 stores are estimated to exist in the country^{lxxvi}.

The development of the country and industry attracted several international players, Carrefour and Casino being the main ones. However, national companies still dominated the market through small traditional business and national companies. In terms of competition, the Casino Group was by far the leader. In 1999 Casino bought 25% of a Colombian company called EXITO, and had 299 stores in almost every retail store format^{lxxvii}, including hypermarkets, supermarkets, discount, and convenience stores. Carrefour had its hypermarket format with 73 stores^{lxxviii}. Among Colombian companies, Olmpica was the most successful after EXITO, owning 153 stores in 20 cities in the form of supermarkets, convenience stores and online services in 2009^{lxxix}.

Besides the industry's general trends, new ones were emerging due to the evolution of the Colombian market. Private labels have increased sales, food retail companies were investing in the development of this type of products and Colombian consumers were also increasingly accepting online shopping^{lxxx}.

1.9-Conclusion

The decision that would define Jerónimo Martins' next decade was announced on 27 October 2011. The current CEO, Mr Pedro Soares dos Santos and the Jerónimo Martins Board of Directors had to make the hard final decision of both defining which country would best suit the Group's strengths, competences and strategic objectives and also how Jerónimo Martins would take advantage of them in the long term.

The development of a precise analysis that could capture the country's full potential and consequently match the right information with the Group's philosophy, strategic objectives, key premises, and decision criteria would be the first big challenge. This sort of investment implies high levels of human and physical capital, for which reason the final decision is extremely important for the success of the Group's future financial and operational results.

The Group had previously developed country-adapted companies, both in Portugal and in Poland, where companies were identified as local stores and developed according to local needs. Besides deciding on the country to invest, Jerónimo Martins needed to delineate how to establish operations in the new geographical setting and which best retail format to use.

The great job developed by not only the strategic & planning team but also by all Jerónimo Martins departments allowed the Group's CEO and Board of Directors to have the correct information to make the right decision and support the company's future development.

ⁱ See exhibit 2.1.12

ⁱⁱ Jerónimo Martins, 2012; "Annual Report 2010" (Jerónimo Martins, 2012. 2010 Annual Report. Jerónimo Martins [online]. available at: <http://www.jeronimomartins.pt/investidor/relatorios.aspx?lang=en> [accessed on 27 September 2012].

ⁱⁱⁱ The three main formats in the food retail industry were hypermarkets, supermarkets and discount stores

^{iv} "The Group"- In the present case "the Group" refers to the Jerónimo Martins Group.

^v Interview at Jerónimo Martins with Mr Nuno Abrantes.

^{vi} Like for Like sales- A comparison between one year and the previous year sales, only considering activities that were operating in both years. (Investopedia, 2012. Like for Like sales, investopedia [online], available at: <http://www.investopedia.com/terms/l/likeforlikesales.asp#axzz2DiXAvS4K> [accessed on 21 November 2012])

^{vii} Jerónimo Martins, 2012. Investor's day 2011. Jerónimo Martins [online]. Available at: <http://www.jeronimomartins.pt/investidor/apresentacoes.aspx?lang=en> [accessed on 15 October 2012].

^{viii} Jerónimo Martins, 2012. History .Jerónimo Martins [online]; available at <http://www.jeronimomartins.pt/o-grupo/historia.aspx?lang=en> [accessed on 7 October 2012].

^{ix} Jerónimo Martins, 2012. History. Jerónimo Martins [online]; available at <http://www.jeronimomartins.pt/o-grupo/historia.aspx?lang=en> [accessed on 7 October 2012].

^x Jerónimo Martins, 2012. History .Jerónimo Martins [online]; available at <http://www.jeronimomartins.pt/o-grupo/historia.aspx?lang=en> [accessed on 7 October 2012].

^{xi} Jerónimo Martins, 2012. History. Jerónimo Martins [online]; available at <http://www.jeronimomartins.pt/o-grupo/historia.aspx?lang=en> [accessed on 7 October 2012].

^{xii} Jerónimo Martins, 2012. History. Jerónimo Martins [online]; available at <http://www.jeronimomartins.pt/o-grupo/historia.aspx?lang=en> [accessed on 7 October 2012].

^{xiii} Wikipedia, 2012. NYSE Euronext Lisbon. Wikipedia [online] (updated 5 November 2012) available at: http://en.wikipedia.org/wiki/NYSE_Euronext_Lisbon [accessed on 27 November 2012].

^{xiv} Jerónimo Martins, 2012; "Annual Report 2010" (Jerónimo Martins, 2012. 2010 Annual Report. Jerónimo Martins [online]. available at: <http://www.jeronimomartins.pt/investidor/relatorios.aspx?lang=en> [accessed on 27 September 2012].

^{xv} -Food Distribution- Includes the wholesale and retail industries

^{xvi} FMCG- Fast Moving Consumer Goods (Wikipédia, 2012. FMCG. Wikipedia [online] (updated 23 October 2012) available at: <http://en.wikipedia.org/wiki/FMCG> [accessed on 27 November 2012]).

^{xvii} Jerónimo Martins, 2012; "Annual Report 2010" (Jerónimo Martins, 2012. 2010 Annual Report. Jerónimo Martins [online]. available at: <http://www.jeronimomartins.pt/investidor/relatorios.aspx?lang=en> [accessed on 27 September 2012].

^{xviii} Jerónimo Martins, 2012. Jerónimo Martins [online]; available at <http://www.jeronimomartins.pt/o-grupo/historia.aspx?lang=en> [accessed on 9 October 2012].

^{xix} Jerónimo Martins, 2010; "Annual Report 2010" (Jerónimo Martins, 2012. 2010 Annual Report. Jerónimo Martins [online]. available at: <http://www.jeronimomartins.pt/investidor/relatorios.aspx?lang=en> [accessed on 27 September 2012].

^{xx} Jerónimo Martins, 2010; "Annual Report 2010" (Jerónimo Martins, 2012. 2010 Annual Report. Jerónimo Martins [online]. available at: <http://www.jeronimomartins.pt/investidor/relatorios.aspx?lang=en> [accessed on 27 September 2012].

^{xxi} Jerónimo Martins, 2010; “Annual Report 2010” (Jerónimo Martins, 2012. 2010 Annual Report. Jerónimo Martins [online].available at: <http://www.jeronimomartins.pt/investidor/relatorios.aspx?lang=en> [accessed on 27 September 2012]

^{xxii} Gross domestic product (GDP) is a measure for economic activity. It is defined as the value of all goods and services produced less the value of any goods or services used in their creation. (Eurostat, 2012. GDP per capita in PPS. Eurostat [Online] Available at:

<http://epp.eurostat.ec.europa.eu/tgm/web/table/description.jsp> [Accessed on 20 October 2012])

^{xxiii} World Bank, 2012. GDP Growth (annual %), world Bank [online] available at: <http://databank.worldbank.org/data/Views/Reports/TableView.aspx> [accessed on 20 October 2012]

^{xxiv} Private Consumption- Household final consumption expenditure (current US\$)

Household final consumption expenditure (formerly private consumption) is the market value of all goods and services, including durable products (such as cars, washing machines, and home computers), purchased by households. It excludes purchases of dwellings but includes imputed rent for owner-occupied dwellings. It also includes payments and fees to governments to obtain permits and licenses. Here, household consumption expenditure includes the expenditures of non-profit institutions serving households, even when reported separately by the country. Data are in current U.S. dollars. (World Bank, 2012. Private Consumption. World Bank [online] available at <http://data.worldbank.org/indicator/NE.CON.PRVT.CD> [accessed on 18 November 2012])

^{xxv} FDI-Foreign Direct Investments, net inflows (Bop, current \$)-Foreign direct investment is net inflows of investment to acquire a lasting interest in or management control over an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvested earnings, other long-term capital, and short-term capital, as shown in the balance of payments. Data are in current U.S. dollars. (World Bank, 2012. Foreign Direct Investments. World Bank [online].available at <http://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD> [accessed on 5 November 2012])

^{xxvi} Unemployment, (% of total labor force)-Unemployment refers to the share of the labour force that is without work but available for and seeking employment (World Bank, 2012. Unemployment (% of total labour force). World Bank [online]. available at: <http://data.worldbank.org/indicator/SL.UEM.TOTL.ZS> [accessed on 23 October 2012])

^{xxvii} Jerónimo Martins, 2010; “Annual Report 2010” (Jerónimo Martins, 2012. 2010 Annual Report. Jerónimo Martins [online].available at: <http://www.jeronimomartins.pt/investidor/relatorios.aspx?lang=en> [accessed on 27 September 2012]

^{xxviii} Jerónimo Martins, 2010; “Annual Report 2010” (Jerónimo Martins, 2012. 2010 Annual Report. Jerónimo Martins [online].available at: <http://www.jeronimomartins.pt/investidor/relatorios.aspx?lang=en> [accessed on 27 September 2012]

^{xxix} Jerónimo Martins, 2010; “Annual Report 2010” (Jerónimo Martins, 2012. 2010 Annual Report. Jerónimo Martins [online].available at: <http://www.jeronimomartins.pt/investidor/relatorios.aspx?lang=en> [accessed on 27 September 2012]

^{xxx} The forecast for the food retail industry is to reach 68.2 Billion Euros ; at Marketline, 2012; Marketline report: *Industry Profile: Food Retail in Poland* ; February 2012

^{xxxi} Modern retail main store formats -hypermarkets, supermarkets and discount stores

^{xxxii} Datamonitor, 2010; Datamonitor, *Industry Profile: Food Retail in Poland* (publicised in June 2010)

^{xxxiii} Carrefour, 2012; Carrefour 2010 Financial Report 2010, Carrefour [online], available at: <http://www.carrefour.com/cdc/finance/publications-and-presentations/annual-reports/> [accessed on 20 November 2012].

^{xxxiv} Metro Group, 2012; Metro Group, Investors relations, Financial reports, Online annual report ; Available at: <http://www.metrogroup.de/internet/site/annual2010/node/112245/Len/index.html> (accessed on 25 November 2012)

^{xxxv} Jerónimo Martins, 2010; “Annual Report 2010” (Jerónimo Martins, 2012. 2010 Annual Report. Jerónimo Martins [online].available at: <http://www.jeronimomartins.pt/investidor/relatorios.aspx?lang=en> [accessed on 27 September 2012]

^{xxxvi} World bank, 2012. Population ages 65 and above. World Bank [online], available at: <http://data.worldbank.org/indicator/SP.POP.65UP.TO.ZS/countries/1W-PT?display=default> [accessed on 25 November 2012].

^{xxxvii} Average basket size- Average number of units moving in one single bill. It is calculated as Total units sold/ No of invoices. (Retail Angle, 2012. Retail Dictionary. Retail Angle [online], available at: http://www.retailangle.com/dictionary_result.asp?Keywords=A [accessed on 14 December 2012])

^{xxxviii} Jerónimo Martins, 2010; “Annual Report 2010” (Jerónimo Martins, 2012. 2010 Annual Report. Jerónimo Martins [online].available at: <http://www.jeronimomartins.pt/investidor/relatorios.aspx?lang=en> [accessed on 27 September 2012]

^{xxxix} Jerónimo Martins, 2010; “Annual Report 2010” (Jerónimo Martins, 2012. 2010 Annual Report. Jerónimo Martins [online].available at: <http://www.jeronimomartins.pt/investidor/relatorios.aspx?lang=en> [accessed on 27 September 2012]

^{xl} Jerónimo Martins, 2010; “Annual Report 2010” (Jerónimo Martins, 2012. 2010 Annual Report. Jerónimo Martins [online].available at: <http://www.jeronimomartins.pt/investidor/relatorios.aspx?lang=en> [accessed on 27 September 2012]

^{xli} The Euro Area had had a deceleration of the GDP growth rate (see Exhibit 2.1.12)

^{xlii} Information provided by Jerónimo Martins

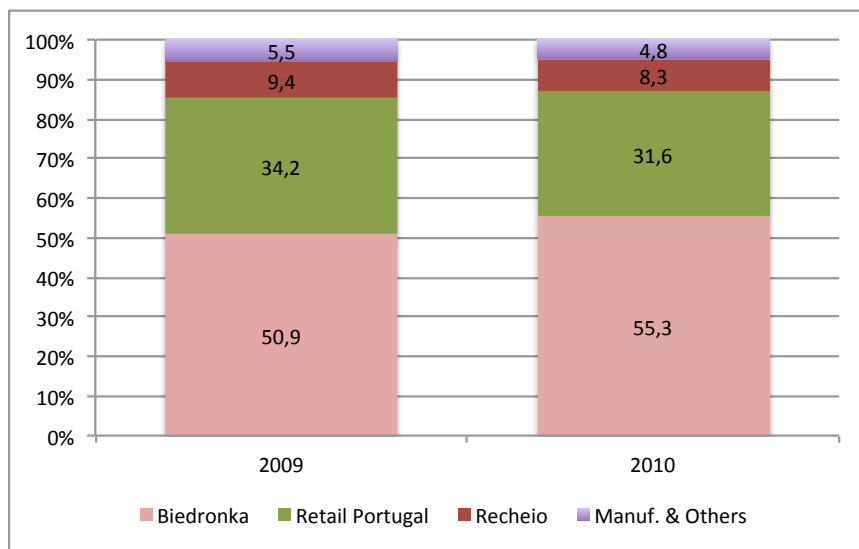
- ^{xliii} Jerónimo Martins, 2012. Investor's day 2011. Jerónimo Martins [online]. Available at: <http://www.jeronimomartins.pt/investidor/apresentacoes.aspx?lang=en> [accessed on 15 October 2012].
- ^{xliv} Jerónimo Martins, 2012. Investor's day 2011. Jerónimo Martins [online]. Available at: <http://www.jeronimomartins.pt/investidor/apresentacoes.aspx?lang=en> [accessed on 15 October 2012].
- ^{xlv} Jerónimo Martins, 2012. Investor's day 2011. Jerónimo Martins [online]. Available at: <http://www.jeronimomartins.pt/investidor/apresentacoes.aspx?lang=en> [accessed on 15 October 2012].
- ^{xlvi} Jerónimo Martins, 2012. Investor's day 2011. Jerónimo Martins [online]. Available at: <http://www.jeronimomartins.pt/investidor/apresentacoes.aspx?lang=en> [accessed on 15 October 2012].
- ^{xlvii} Jerónimo Martins, 2012. Investor's day 2011. Jerónimo Martins [online]. Available at: <http://www.jeronimomartins.pt/investidor/apresentacoes.aspx?lang=en> [accessed on 15 October 2012].
- ^{xlviii} Marketline, 2012; Marketline Report: *Industry Profile: Food Retail in Poland*; February 2012
- ^{ix} Information Provided by Jerónimo Martins
- ⁱ Brazil was the 6th biggest economy according to the GDP (current US \$) (World Bank, 2012; GDP (current US \$). World Bank, [online] available at: <http://databank.worldbank.org/Data/Views/VariableSelection/SelectVariables.aspx?source=World%20Development%20Indicators%20and%20Global%20Development%20Finance> [accessed on 21 November])
- ⁱⁱ Brazil had a continuous GDP growth (see exhibit 2.1.1 and 2.1.2), an increase in the GDP per capita (see exhibit 2.1.3), high levels of foreign direct investment inflows (see table 2.1.7) and a controlled inflation (see table 2.1.4)
- ⁱⁱⁱ *Para o Brasil seguir Mudando* For Brazil to keep on changing)- is the name of an electoral coalition formed around the democratic socialist Workers' Party (PT) in Brazil for the 2010 presidential election. It comprised ten parties from the left and center spectrums: PT, PMDB, PCdoB, PDT, PRB, PR, PSB, PSC, PTC and PTN. (Wikipedia, 2012. For Brazil to keep on changing Wikipedia [online] (updated 8 June 2012), available at : http://en.wikipedia.org/wiki/For_Brazil_to_keep_on_changing [accessed on 20 November 2012])
- ⁱⁱⁱⁱ Wikipedia, 2012. Mensalão, Wikipedia [online], available at http://pt.wikipedia.org/wiki/Esc%C3%A2ndalo_do_Mensal%C3%A3o [accessed on 18 December 2012]
- ^{liv} The Wall Street Journal economic freedom index (WSJ Freedom Index)- Based on the Economist Adam Smith theory "*When institutions protect the liberty of individuals, greater prosperity results for all*" in *The Wealth of Nations*, in 1776
- In 2012, his theory is measured – and proven – in the Index of Economic Freedom, an annual guide published by The Wall Street Journal and The Heritage Foundation. For over a decade, The Wall Street Journal and The Heritage Foundation, have tracked the march of economic freedom around the world with the influential Index of Economic Freedom. Since 1995, the Index has brought Smith's theories about liberty, prosperity and economic freedom to life by creating 10 benchmarks that gauge the economic success of 184 countries around the world. The Index covers 10 freedoms – from property rights to entrepreneurship – in 184 countries. (The Heritage Foundation, 2012; The Heritage foundation [online], available at <http://www.heritage.org/index/about?src=home> [accessed on 4 October 2012])
- ^{lv} 1 Billion = 1 000 000 000
- ^{lvi} US Department of State, 2012. 2011 Human Rights Reports: Brazil. US Department of State [online], available at: <http://www.state.gov/j/drl/rls/hrrpt/2011/wha/186495.htm> [accessed on 20 November 2012].
- ^{lvii} Datamonitor, 2010; Datamonitor Report : *Industry profile: Food Retail in Brazil*; published June 2010
- ^{lviii} Datamonitor, 2010; Datamonitor Report : *Industry profile: Food Retail in Brazil*; published June 2010
- ^{lix} Datamonitor, 2010; Datamonitor Report : *Industry profile: Food Retail in Brazil*; published June 2010
- ^{lx} Deloitte, 2012. Global Powers of Retailing 2010. Deloitte [online] available at: http://www.deloitte.com/view/en_GX/global/790c996e0b3a6210VgnVCM200000bb42f00aRCRD.htm [accessed on 27 November 2012].
- ^{lxi} Every day low price strategy (EDLP)-pricing strategy that promises consumers the lowest available price without coupon clipping, waiting for discount promotions, or comparison shopping; also called value pricing. EDLP saves retailers the time and expense of periodic price markdowns, saves manufacturers the cost of distributing and processing coupons, and is believed to generate shopper loyalty; (All Business, 2012. Glossary. All business [online] , available at <http://www.allbusiness.com/glossaries/every-day-low-pricing-edlp/4966282-1.html#ixzz2CqxR3wVt> [accessed on 21 November 2012]).
- ^{lxii} Carrefour, 2012. Trajetória do Grupo Carrefour. Carrefour Brasil [online], available at <http://www.grupocarrefour.com.br/grupo-carrefour-brasil/trajetoria-grupo-carrefour> [accessed on 20 November 2012].
- ^{lxiii} Grope Casino, 2012. History. Groupe Casino [online], available at <http://www.groupe-casino.fr/en/Group-History,4243.html> [accessed on 20 November 2012]
- ^{lxiv} CBD- Companhia Brasileira de Distribuição
- ^{lxv} Turkey was among the 20 biggest economies according to GDP (current US \$) (World Bank, 2012; GDP (current US \$). World Bank [online] available at: <http://databank.worldbank.org/Data/Views/VariableSelection/SelectVariables.aspx?source=World%20Development%20Indicators%20and%20Global%20Development%20Finance> [accessed on 21 November])
- ^{lxvi} US Department of State, 2012. 2011 Human Rigts reports: Turkey. US Department of State [online], available at: <http://www.state.gov/j/drl/rls/hrrpt/2011/eur/186414.htm> [accessed on 20 November 2012].
- ^{lxvii} Migros Ticaret A.S. ,2010. Migros Ticaret A.S: Activity report 2010

- ^{lxviii} BIM, 2012. History. BIM [online], available at <http://www.bim.com.tr/english/aboutus/history.html> [accessed on 20 November 2012]
- ^{lxix} Bim, 2012. BIM 4Q09 Results Press Release. BIM [online], available at <http://www.bim.com.tr/english/aboutus/pressroom/press-releases.html> [accessed on 20 November 2012]
- ^{lxx} BIM, 2012. History. BIM [online], available at <http://www.bim.com.tr/english/aboutus/history.html> [accessed on 20 November 2012]
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- ^{lxxvi} United States Department of Agriculture(USDA) ,2012. Global Agriculture Information Network Colombia Retail Food Sector Report, USDA [online], available at gain.fas.usda.gov/.../RETAIL%20FOOD%20SECTOR_Bogota_Colombia_10-6-2010.pdf [accessed on 21 November 2012].
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- ^{lxxix} United States Department of Agriculture (USDA) ,2012. USDA, Global Agriculture Information Network Colombia Retail Food Sector Report, available at gain.fas.usda.gov/.../RETAIL%20FOOD%20SECTOR_Bogota_Colombia_10-6-2010.pdf (accessed on 21 November 2012)
- ^{lxxx} United States Department of Agriculture (USDA) ,2012. USDA, Global Agriculture Information Network Colombia Retail Food Sector Report, available at gain.fas.usda.gov/.../RETAIL%20FOOD%20SECTOR_Bogota_Colombia_10-6-2010.pdf (accessed on 21 November 2012)

Exhibits

1-The Jerónimo Martins Group

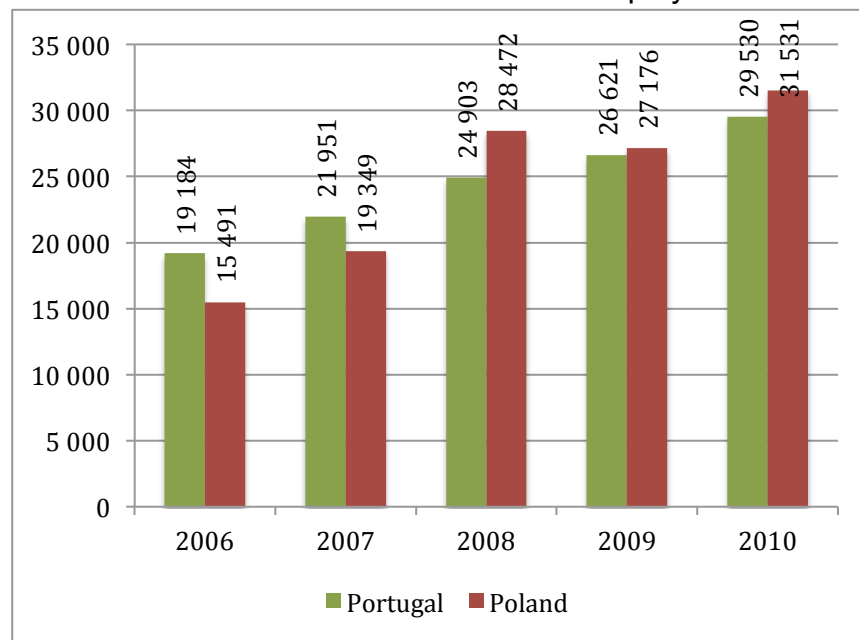
Exhibit 1.1-Jerónimo Martins companies share of consolidated sales



Source: Jerónimo Martins 2010 Annual report

* Retail Portugal- Does not include the Madeira operations

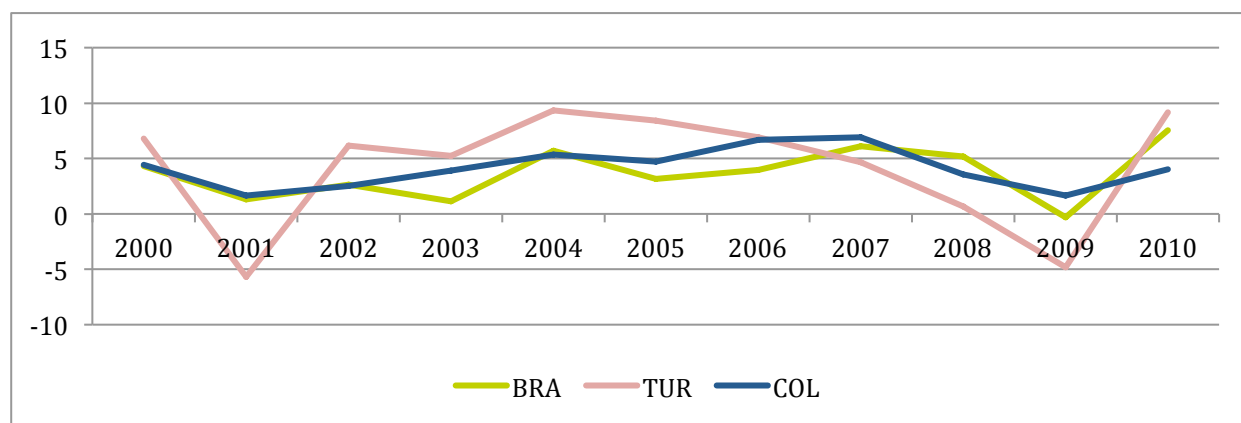
Exhibit 1.2-Jeronimo Martins number of employees



Source: Jerónimo Martins 2010 Annual report

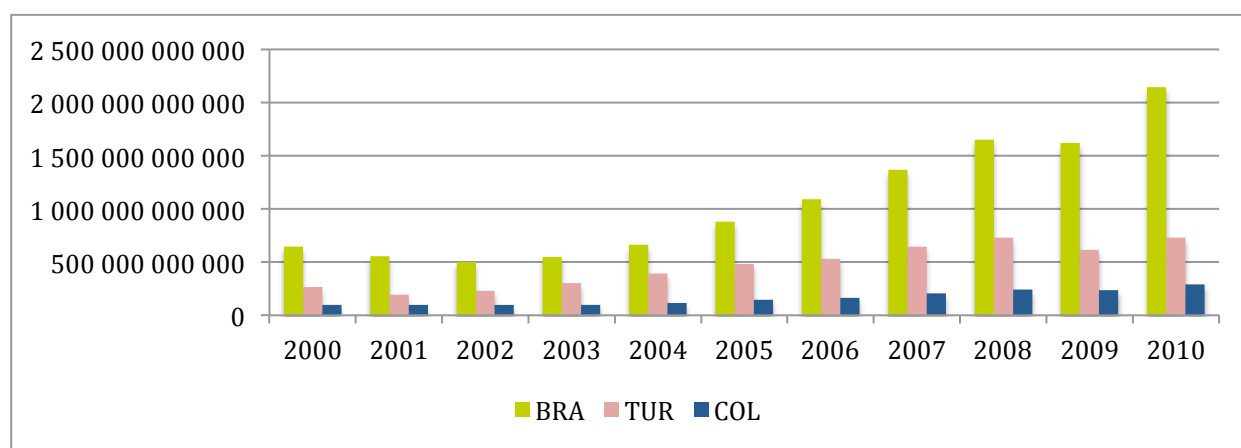
2.1-Country Comparisons

Exhibit 2.1.1- GDP growth (annual %)



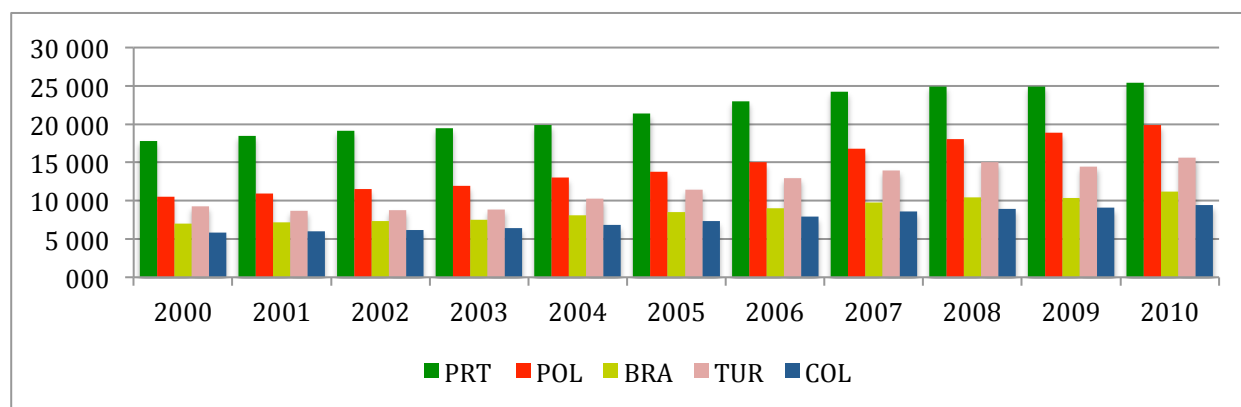
Source: World Bank, 2012. GDP growth (annual %). World Bank [online] available at: <http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG> [accessed on 10 October 2012].

Exhibit 2.1.2-GDP (current US\$)



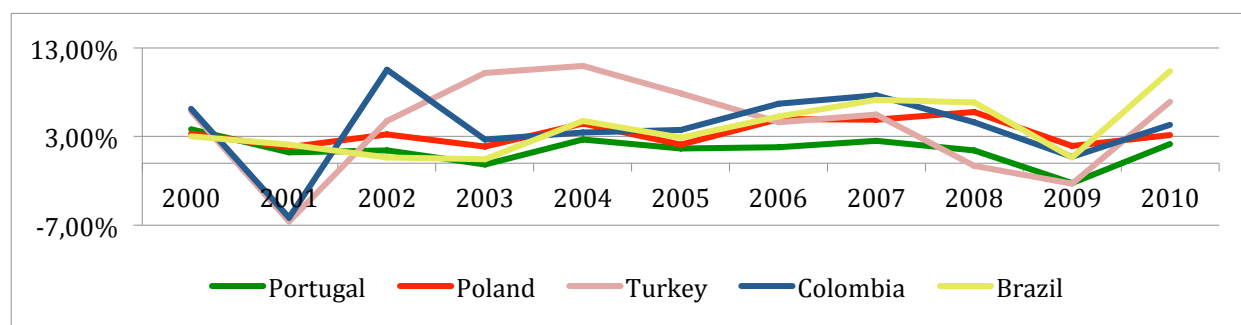
Source: World Bank, 2012. GDP (current US\$). World Bank [online] available at: <http://data.worldbank.org/indicator/NY.GDP.MKTP.CD> [accessed on 10 October 2012].

Exhibit 2.1.3- GDP per capita, PPP (current international \$)



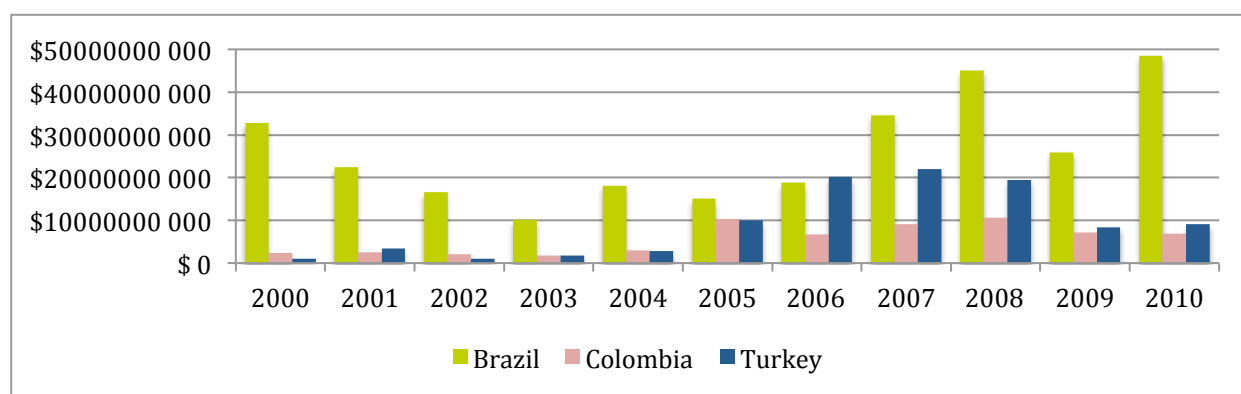
Source: World Bank, 2012. GDP per capita, PPP(current International \$). World Bank [online] available at: <http://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD> [accessed on 10 October 2012].

Exhibit 2.1.5- Private consumption: Household final consumption expenditure etc...(annual % growth)



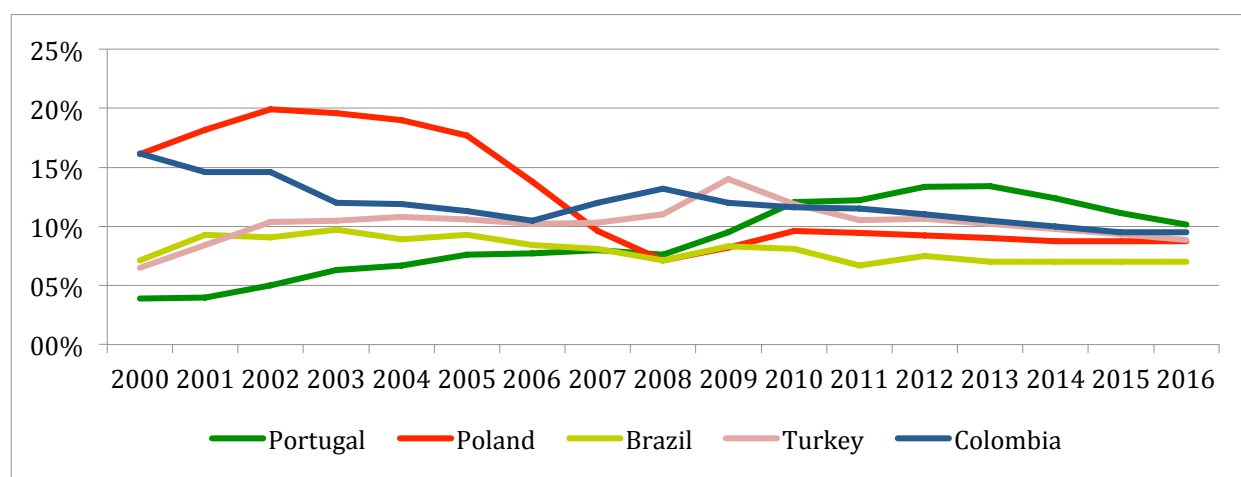
Source: World Bank, 2012. Household final consumption expenditures etc...(annual % growth) World Bank [online] available at: <http://data.worldbank.org/indicator/NE.CON.PETC.KD.ZG> [accessed on 10 October 2012].

Exhibit 2.1.6-Foreign direct investment, net inflows (BoP, current US\$)



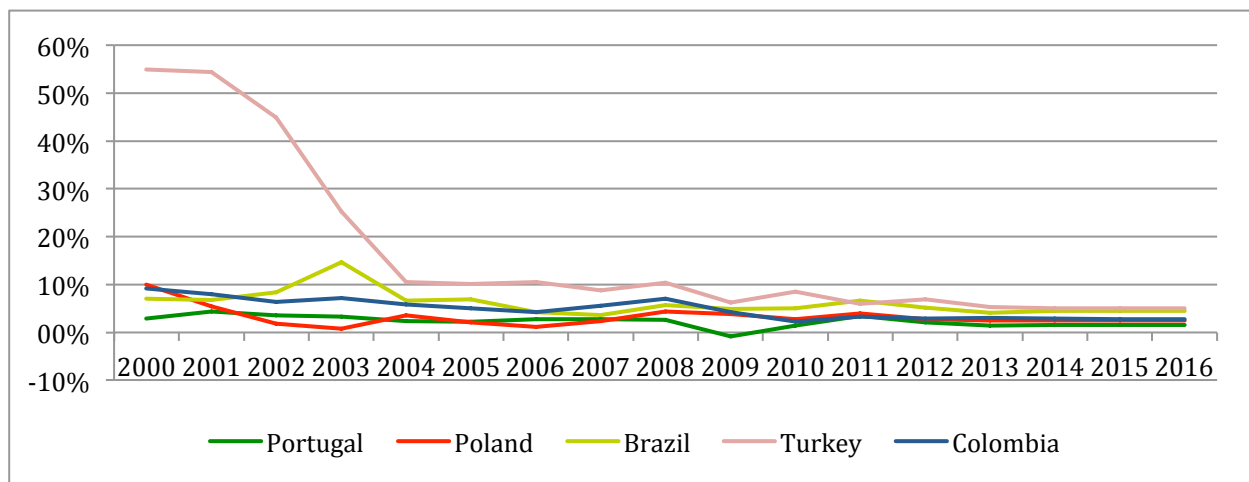
Source: World Bank, 2012. Foreign direct investment, net inflows (BoP, current US\$). World Bank [online] available at: <http://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD> [accessed on 10 October 2012].

Exhibit 2.1.7-Unemployment, total (% of total labour force) (estimative starts in 2010)



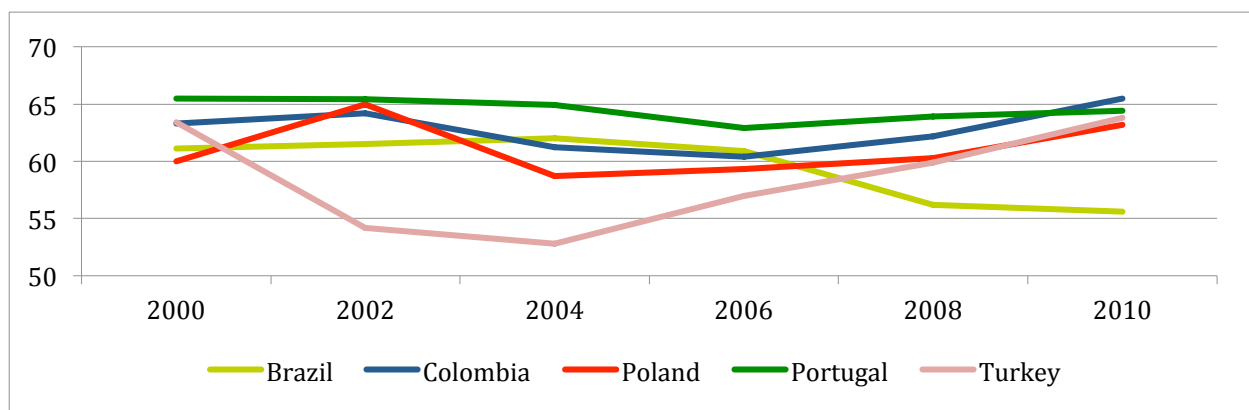
Source: World Bank (World Bank, 2012. Unemployment, total (% of total labour force). World Bank [online] available at: <http://data.worldbank.org/indicator/SL.UEM.TOTL.ZS> [accessed 10 October 2012]) and IMF (IMF,2012. World Economic Outlook Database.IMF [online], available at: <http://www.imf.org/external/pubs/ft/weo/2011/01/weodata/index.aspx> [accessed on 20 November 2012])

Exhibit 2.1.8-Inflation, Consumer prices (annual growth %) (estimative starts in 2011)



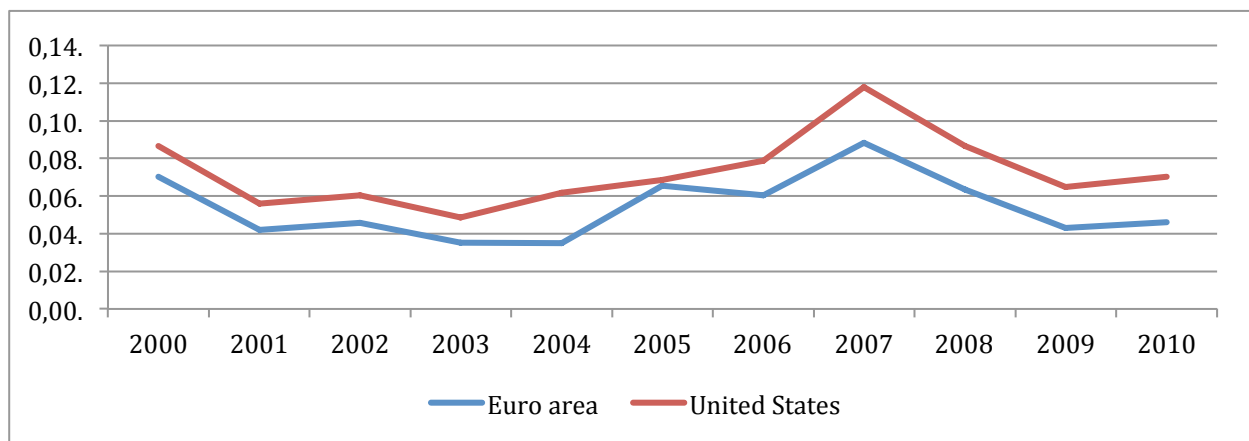
Source: World Bank (World Bank, 2012. Inflation ,consumer prices (annual growth %). World Bank [online] available at: <http://data.worldbank.org/indicator/FP.CPI.TOTL.ZG> [accessed 10 October 2012]) and IMF (IMF,2012. World Economic Outlook Database.IMF [online], available at: <http://www.imf.org/external/pubs/ft/weo/2011/01/weodata/index.aspx> [accessed on 20 November 2012])

Exhibit 2.1.9-Wall Street Journal Economic Freedom index: overall score



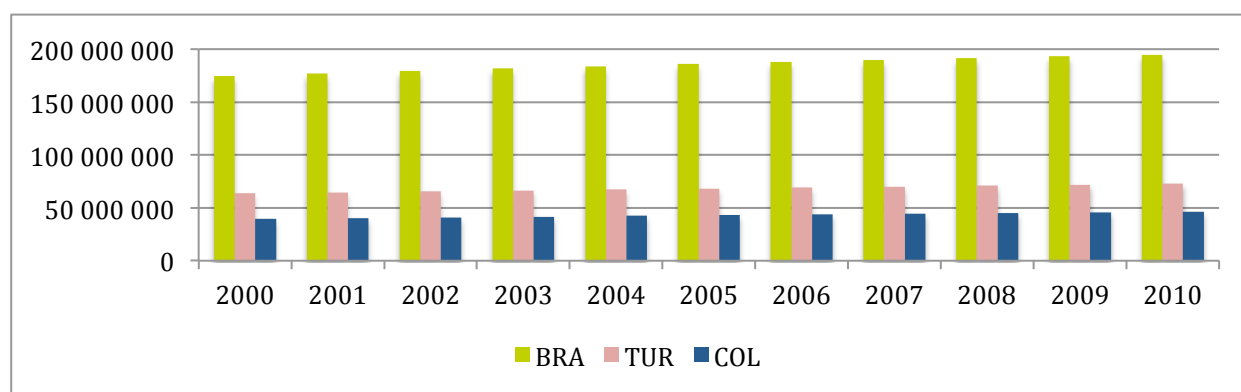
Source: The Heritage Foundation,2012. Economic freedom index, The Heritage Foundation [online] available at <http://www.heritage.org/index/explore?src=home> [accessed on 13 October 2012].

Exhibit 2.1.10-USA and Euro Area Foreign direct investment, net outflows (% of GDP)



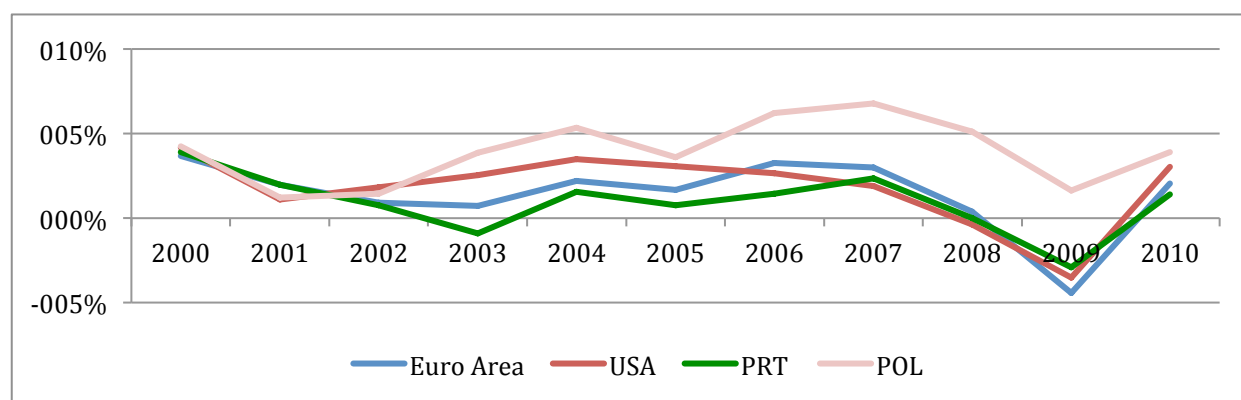
Source: World Bank, 2012. Foreign direct investment, net outflows (% of GDP). World Bank [online] available at: <http://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS> [accessed on 10 October 2012].

Exhibit 2.1.11-Total population



Source: World Bank, 2012. Population. World Bank [online] available at: <http://data.worldbank.org/indicator/SP.POP.TOTL> [accessed on 10 October 2012].

Exhibit 2.1.12- The Euro Area and USA GDP growth rate (%)



Source: World Bank, 2012. GDP growth (annual %). World Bank [online] available at: <http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG> [accessed on 10 October 2012].

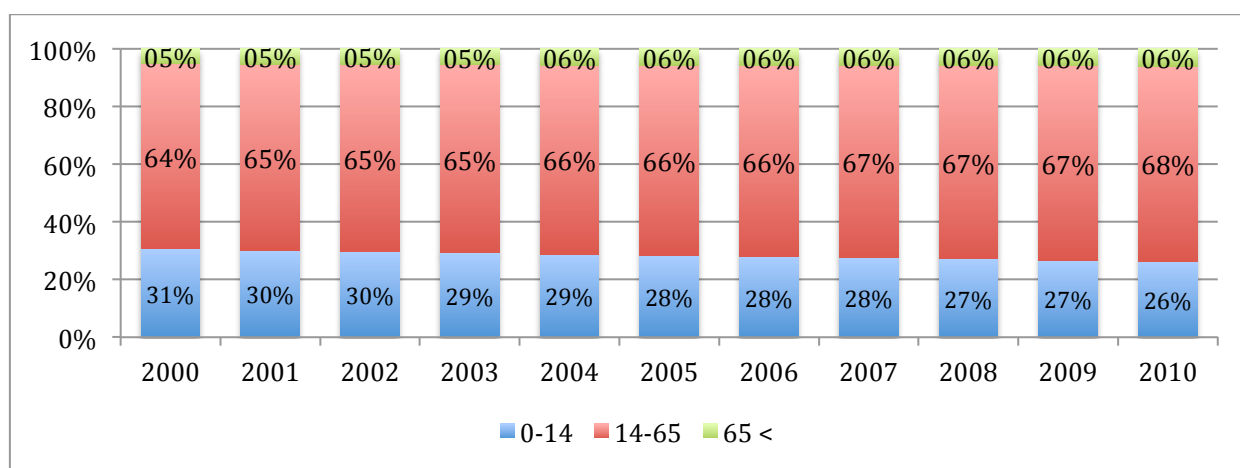
2.2-Population

Exhibit 2.2.1-Brazilian populations by age ranges (%)



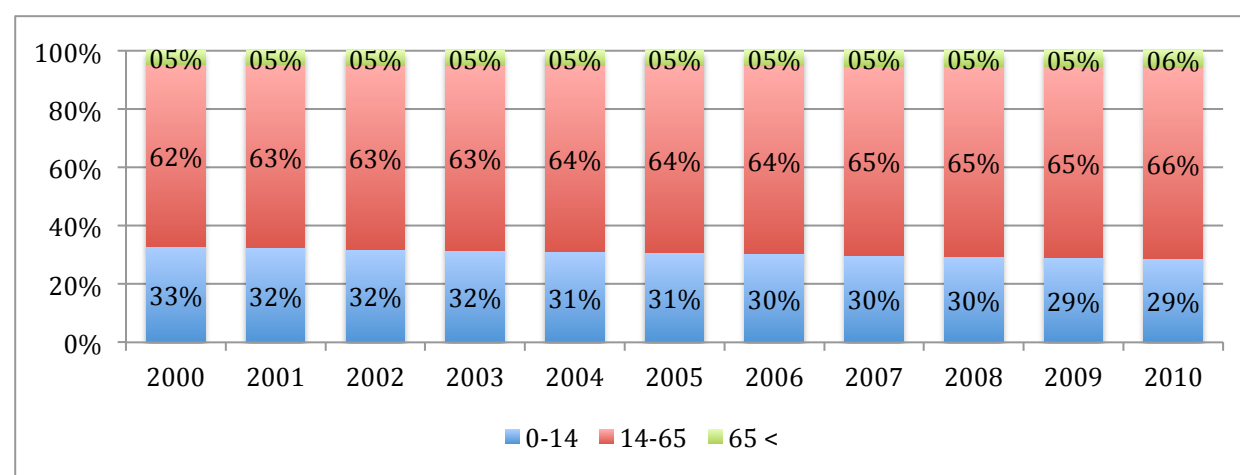
Source: World Bank Database

Exhibit 2.2.2-Turkish population by age ranges (%)



Source: World Bank Database

Exhibit 2.2.3-Colombian population by age ranges (%)



Source: World Bank Database

Tables

1-Jerónimo Martins Group

Table 1.1- Jerónimo Martins SGPS shares description

	2010	2009	2008	2007	2006
Share capital	629 293 220,00	629 293 220,00	629 293 220,00	629 293 220,00	629 293 220,00
Stock Market Performance					
High	12,58	7,05	6,40	5,59	3,52
Low	6,33	3,07	3,22	3,43	2,55
Average (Closing) (Eur)	8,63	4,97	4,92	4,37	2,85
Closing (End of the year) (Eur)	11,40	6,99	3,97	5,40	3,40
Market Capitalization (31/12) (Eur's 000 000)	7 174,00	4 394,00	2 498,00	3 398,00	2 140,00
Annual Growth					
PSI 20	-10,30%	33,5%	-51,3%	16,3%	29,9%
Jerónimo Martins	63,20%	75,9%	-26,5%	58,8%	33,9%

Source: Jerónimo Martins 2010 Annual report

Table 1.2-Business areas performances

			OWNERSHIP	SALES (MILLION EUROS)				EBITDA MARGIN		NR. STORES	LFL
				% of Sales	10	9	Var %	10	9	10	10 to 09
Food Distribution	Portugal Mainland	Pingo Doce Supermarkets (leader)	51%	28,3%	2455,8	2193,6	12%			340	8,40%
		Feira Nova Hypermarkets (3rd player)	51%	3,4%	293,4	307,2	-4,50%			6,80%	7,20%
		Recheio Cash & Carry (Leader)	100%	8,3%	720,5	688,5	4,60%	6,20%	6,00%	38	3,20%
	Portugal Madeira	Pingo Doce (lidosol) Supermarkets	75,50%	1,6%	141,9	131,6	7,90%	4,70%	4,80%	15	14,50%
		Recheio (J.G.Camacho) Cash & Carry									
	Poland	Biedronka Discount Retail Stores (leader)	100%	55,3%	4807,2	3724,7	29,10%	8,10%	7,30%	1649,00%	11,60%
Manufacturing & Services	Portugal	Unilever Jerónimo Martins	45%	3,8%	326,2	324,9	0,40%	10,90%	11,60%		
		Gallo Worldwide									
		JMD									
		Hussel	51%								
Consolidated					8691,1	7317,1	18,80%	7,50%	7,20%		

Source: Jerónimo Martins 2010 Annual report

Table 1.3-Number of Stores and Sales Area

	2010	2009	2008	2007	2006
Pingo Doce Supermarkets	340	334	334	210	189
sqm	359036	352276	350396	183770	161276
Pingo Doce Hypermarkets	9	9	9	46	38
sqm	78281	82468	82653	172039	150189
Madeira	15	15	15	15	15
sqm	14253	14300	14626	14626	13697
Recheio	38	35	35	33	33
sqm	123532	114410	115724	109634	110005
Biedronka	1649	1466	1359	1045	905
sqm	938218	814493	753531	536729	452952

Source: Jerónimo Martins 2010 Annual report

Table 1.4- Jerónimo Martins performance 2006 to 2010

	2010	2009	2008	2007
Balance sheet				
Fixed assets	3057	2839	2702	2167
Financial Investments	60	72	73	61
Working Capital	-1425	-1201	-1065	-863
Long Term Assets	69	69	63	63
Income Tax Provision	-22	0	-4	-1
Deferred Taxes	-30	-20	8	18
Invested Capital	1709	1759	1777	1445
Net Debts	578	692	846	580
Non controlling interest	287	288	281	287
Equity	845	778	650	577
Income Statement				
Net Sales & Services	8691	7317	6894	5350
EBITDA	653	528	473	351
EBITDA margin	7,50.	7,20.	6,90.	6,60.
Depreciation	-191	-168	-158	-127
EBIT	462	360	315	225
EBIT margin	5,30.	4,90.	4,60.	4,20.
Financial Results	-68	-71	-85	-59
Non Recurrence Interests	-15	-10	-8	22
EBT	379	279	222	188
Income Tax	-70	-23	-43	-26
Deferred Tax	-9	-32	-3	-11
Net Income	300	223	176	151
Non controlling Interests	-19	-23	-13	-20
Net Income Attributable to JM	281	200	163	131
Cash Flow	515	434	345	266

Source: Jerónimo Martins 2010 Annual report

2-Country Data

Table 2.1-GDP growth (annual %)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Portugal	3,92%	1,97%	0,76%	-0,91%	1,56%	0,78%	1,45%	2,37%	-0,01%	-2,91%	1,40%
Poland	4,26%	1,21%	1,44%	3,87%	5,34%	3,62%	6,23%	6,79%	5,13%	1,63%	3,90%
Brazil	4,31%	1,31%	2,66%	1,15%	5,71%	3,16%	3,96%	6,09%	5,17%	-0,33%	7,53%
Turkey	6,77%	-5,70%	6,16%	5,27%	9,36%	8,40%	6,89%	4,67%	0,66%	-4,83%	9,16%
Colombia	4,42%	1,68%	2,50%	3,92%	5,33%	4,71%	6,70%	6,90%	3,55%	1,65%	4,00%

Source: World Bank, 2012. GDP growth (annual %). World Bank [online] available at: <http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG> [accessed on 10 October 2012].

Table 2.2-GDP (current \$) (Billion \$)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2012	2014	2016
Portugal	117,3	120,3	132,3	161,9	185,4	191,8	201,8	231,7	251,9	234,1	227,2	240,628	252,073	265,92
Poland	171,3	190,4	198,2	216,8	252,8	303,9	341,7	425,3	529,4	430,9	469,8	556,523	621,219	693,711
Brazil	644,7	553,6	504,2	552,5	663,8	882,2	1088,9	1366,0	1652,8	1621,7	2143,0	2616,986	2971,121	3373,015
Turkey	266,6	196,0	232,5	303,0	392,2	483,0	530,9	647,2	730,3	614,6	731,1	801,867	948,686	1133,067
Colombia	100,4	98,7	98,2	94,9	117,2	146,5	162,7	207,6	244,5	236,2	288,8	339,903	382,884	430,7

Source: World Bank (World Bank, 2012. GDP (current US\$). World Bank [online] available at: <http://data.worldbank.org/indicator/NY.GDP.MKTP.CD> [accessed on 10 October 2012]) and IMF (IMF, 2012. World Economic Outlook Database.IMF [online], available at: <http://www.imf.org/external/pubs/ft/weo/2011/01/weodata/index.aspx> [accessed on 20 November 2012])

Table 2.3-GDP per capita PPP (current International \$)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2012	2014	2016
Portugal	17797,2	18507,4	19146,0	19455,7	19853,6	21369,0	22967,3	24201,0	24939,0	24938,0	25444,3	22979,465	24118,601	25777,798
Poland	10515,8	10949,3	11563,1	11982,8	13009,1	13784,2	15073,2	16756,6	18019,4	18927,1	19909,1	20954,354	22753,921	25072,181
Brazil	7016,5	7168,8	7378,3	7521,9	8075,6	8509,4	9035,6	9768,3	10405,0	10388,7	11201,6	12304,4	13347,237	14626,918
Turkey	9263,5	8690,4	8741,4	8861,3	10237,7	11464,7	12961,4	13946,7	15057,6	14453,6	15624,2	14931,195	15900,486	17321,397
Colombia	5871,9	6006,3	6156,8	6430,5	6856,4	7304,6	7924,4	8588,0	8957,2	9071,3	9410,9	10594,994	11462,607	12547,843

Source: World Bank (World Bank, 2012. GDP per capita PPP (current International \$). World Bank [online] available at: <http://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD> [accessed 10 October 2012]) and IMF (IMF, 2012. World Economic Outlook Database.IMF [online], available at: <http://www.imf.org/external/pubs/ft/weo/2011/01/weodata/index.aspx> [accessed on 20 November 2012]).

Table 2.5- Unemployment, total (% of total labour force) (estimative starts in 2011)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Portugal	3,9%	4,0%	5,0%	6,3%	6,7%	7,6%	7,7%	8,0%	7,6%	9,5%	12,0%	12,2%	13,4%	13,4%	12,4%	11,1%	10,2%
Poland	16,1%	18,2%	19,9%	19,6%	19,0%	17,7%	13,8%	9,6%	7,1%	8,2%	9,6%	9,4%	9,2%	9,0%	8,8%	8,8%	8,8%
Brazil	7,1%	9,3%	9,1%	9,7%	8,9%	9,3%	8,4%	8,1%	7,1%	8,3%	8,1%	6,7%	7,5%	7,0%	7,0%	7,0%	7,0%
Turkey	6,5%	8,4%	10,4%	10,5%	10,8%	10,6%	10,2%	10,3%	11,0%	14,0%	11,9%	10,5%	10,7%	10,2%	9,8%	9,3%	8,9%
Colombia	16,2%	14,6%	14,6%	12,0%	11,9%	11,3%	10,5%	12,0%	13,2%	12,0%	11,6%	11,5%	11,0%	10,5%	10,0%	9,5%	9,5%

Source: World Bank (World Bank, 2012. Unemployment, total (% of total labour force). World Bank [online] available at: <http://data.worldbank.org/indicator/SL.UEM.TOTL.ZS> [accessed on 10 October 2012]) and IMF (IMF, 2012. World Economic Outlook Database. IMF [online], available at: <http://www.imf.org/external/pubs/ft/weo/2011/01/weodata/index.aspx> [accessed on 20 November 2012]).

Table 2.6-Inflation, consumer prices (annual growth %) (estimative starts in 2011)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Portugal	2,8%	4,4%	3,5%	3,3%	2,4%	2,3%	2,7%	2,8%	2,6%	-0,8%	1,4%	3,4%	2,1%	1,5%	1,5%	1,6%	1,6%
Poland	10,1%	5,5%	1,9%	0,8%	3,6%	2,1%	1,1%	2,4%	4,3%	3,8%	2,7%	4,0%	2,8%	2,5%	2,5%	2,5%	2,5%
Brazil	7,0%	6,8%	8,5%	14,7%	6,6%	6,9%	4,2%	3,6%	5,7%	4,9%	5,0%	6,6%	5,2%	4,2%	4,5%	4,5%	4,5%
Turkey	54,9%	54,4%	45,0%	25,3%	10,6%	10,1%	10,5%	8,8%	10,4%	6,3%	8,6%	6,0%	6,9%	5,3%	5,0%	5,0%	5,0%
Colombia	9,2%	8,0%	6,4%	7,1%	5,9%	5,0%	4,3%	5,5%	7,0%	4,2%	2,3%	3,3%	2,9%	3,1%	2,9%	2,8%	2,8%

Source: World Bank (World Bank, 2012. Inflation, consumer prices (annual growth %). World Bank [online] available at: <http://data.worldbank.org/indicator/FP.CPI.TOTL.ZG> [accessed 10 October 2012]) and IMF (IMF, 2012. World Economic Outlook Database. IMF [online], available at: <http://www.imf.org/external/pubs/ft/weo/2011/01/weodata/index.aspx> [accessed on 20 November 2012]).

Table 2.7- Foreign Direct Investment net inflows (BoP, current US\$) (Million \$)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Portugal	6681,6	6173,8	1754,8	7254,9	1660,7	4427,9	12642,1	5984,3	7519,0	5319,2	6187,1
Poland	9343,0	5714,0	4131,0	4589,0	12716,0	11051,0	21518,0	25573,0	15031,0	14388,0	17074,0
Brazil	32779,2	22457,4	16590,2	10143,5	18165,7	15460,0	19378,1	44579,5	50716,4	31480,9	53344,6
Turkey	982,0	3352,0	1082,0	1702,0	2785,0	10031,0	20185,0	22047,0	19504,0	8411,0	9038,0
Colombia	2436,5	2541,9	2133,7	1720,5	3015,6	10252,0	6656,0	9486,7	10158,4	7137,2	6745,7

Source: World Bank, 2012. Foreign direct investment, net inflows (BoP, current US\$). World Bank [online] available at: <http://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD> [accessed on 10 October 2012].

Table 2.8- South American Countries GDP (Current US\$)

GDP (CURRENT US\$)	2010
Argentina	368 710 961 381,44
Brazil	2 143 035 333 258,24
Colombia	288 764 794 424,12
Chile	216 308 875 369,71
Venezuela, RB	393 807 511 437,28
Peru	153 882 824 181,03

Source: World Bank, 2012. GDP (current US\$). World Bank [online] available at: <http://data.worldbank.org/indicator/NY.GDP.MKTP.CD> [accessed on 10 October 2012]

Table 2.9- Total Population (Million people) (estimative starts in 2011)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Portugal	10,2	10,3	10,4	10,4	10,5	10,6	10,6	10,6	10,6	10,6	10,6	10,7	10,7	10,7	10,7	10,7	10,7
Poland	38,5	38,3	38,2	38,2	38,2	38,2	38,1	38,1	38,1	38,2	38,2	38,1	38,1	38,1	38,1	38,1	38,1
Brazil	174,4	176,9	179,3	181,6	183,9	186,0	188,0	189,8	191,5	193,3	195,0	194,9	196,5	198,0	199,5	199,5	199,5
Turkey	63,6	64,5	65,5	66,3	67,2	68,1	69,1	70,0	70,9	71,9	72,8	72,2	73,0	73,8	74,6	75,5	76,4
Colombia	39,8	40,4	41,1	41,7	42,4	43,0	43,7	44,4	45,0	45,7	46,3	46,1	46,6	47,2	47,7	48,3	48,9

Source: World Bank, 2012. Population. World Bank [online] available at: <http://data.worldbank.org/indicator/SP.POP.TOTL> [accessed on 10 October 2012].

Table 2.10- Private consumption: household final consumption expenditure, etc. (constant 2000 US\$) (Billion \$)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Portugal	\$74,61	\$75,54	\$76,62	\$76,49	\$78,54	\$79,84	\$81,28	\$83,35	\$84,53	\$82,63	\$84,41
Poland	\$109,84	\$111,79	\$115,42	\$117,60	\$122,87	\$125,46	\$131,72	\$138,17	\$146,15	\$149,00	\$153,79
Brazil	\$414,83	\$423,46	\$426,15	\$428,05	\$448,34	\$461,25	\$485,73	\$520,52	\$556,16	\$559,64	\$617,69
Colombia	\$68,86	\$64,62	\$71,42	\$73,33	\$75,87	\$78,70	\$83,97	\$90,38	\$94,58	\$95,27	\$99,39
Turkey	\$187,94	\$175,54	\$183,86	\$202,58	\$224,81	\$242,46	\$253,72	\$267,67	\$266,82	\$260,74	\$278,79

Source :World Bank, 2012. Household final consumption expenditures etc...(constant 2000 US \$) World Bank [online] available at: <http://data.worldbank.org/indicator/NE.CON.PETC.KD> [accessed on 10 October 2012].

Table 2.11- The Wall Street Journal Freedom Index

		OVERALL SCORE	BUSINESS FREEDOM	TRADE FREEDOM	FISCAL FREEDOM	GOVERNMENT SPENDING	MONETARY FREEDOM	INVESTMENT FREEDOM	FINANCIAL FREEDOM	PROPERTY RIGHTS	FREEDOM FROM CORRUPTION	LABOR FREEDOM
2010	Brazil	55,6	54,5	69,2	68,4	50,3	75,8	45	50	50	35	57,5
	Colombia	65,5	83,6	72,5	74,3	74,8	74	55	60	50	38	72,7
	Poland	63,2	62,2	87,5	74,9	46,8	78,1	60	60	55	46	61,5
	Portugal	64,4	80,5	87,5	61	37,1	79,7	70	60	70	61	37
	Turkey	63,8	68,9	86,4	78,1	82,9	70	65	50	50	46	41,1
2008	Brazil	56,2	54	70,8	68,6	55,5	75,7	50	40	50	33	63,9
	Colombia	62,2	72,5	70,8	72,8	71,2	71,4	60	60	40	39	63,9
	Poland	60,3	54,2	86	68,6	43,5	82,3	60	60	50	37	61,3
	Portugal	63,9	80,5	86	61,3	32,6	79,4	70	50	70	66	43,1
	Turkey	59,9	68,3	86,8	77,7	68,3	70,8	50	50	50	38	39,5
2006	Brazil	60,9	53,5	69	83,8	71,7	76,3	50	50	50	39	66,1
	Colombia	60,4	72,1	65,8	66,6	68,3	79,2	50	70	30	38	63,8
	Poland	59,3	56,5	82,4	68,7	39,5	79,6	50	70	50	35	61,2
	Portugal	62,9	73,3	82,4	64	29,7	84,4	70	50	70	63	42,2
	Turkey	57	66,7	81	68	68,1	64,7	50	50	50	32	39,1
2004	Brazil	62	70	62,8	90,2	68,1	77,2	50	50	50	40	N/A
	Colombia	61,2	70	63	66,7	66,9	78,3	70	70	30	36	N/A
	Poland	58,7	70	70,4	64,9	35,1	78,1	50	70	50	40	N/A
	Portugal	64,9	70	79,8	62,3	36,2	82,9	70	50	70	63	N/A
	Turkey	52,8	55	74,2	60,8	56,9	46,1	50	50	50	32	N/A
2002	Brazil	61,5	70	58	86,3	71,2	79,3	50	50	50	39	N/A
	Colombia	64,2	70	69,8	72,6	89,2	74,5	70	70	30	32	N/A
	Poland	65	70	78,8	65,3	49,6	70,4	70	70	70	41	N/A
	Portugal	65,4	70	79,6	60,8	39,3	84,7	70	50	70	64	N/A
	Turkey	54,2	55	79,6	65,2	58,9	41	50	50	50	38	N/A
2000	Brazil	61,1	70	51	87,2	71,2	80,5	50	50	50	40	N/A
	Colombia	63,3	70	63,8	72,4	84,1	67,6	70	70	50	22	N/A
	Poland	60	70	74,8	58,1	33,7	66,9	70	50	70	46	N/A
	Portugal	65,5	70	77,8	60,4	41,9	84,8	70	50	70	65	N/A
	Turkey	63,4	70	75	67,2	82,7	31,8	70	70	70	34	N/A

Source: The Heritage Foundation, 2012. Economic freedom index, The Heritage Foundation [online] available at <http://www.heritage.org/index/explore?src=home> [accessed on 13 October 2012].

Teaching Notes

2.1-Introduction

The Jerónimo Martins internationalization case was developed with the aim of stimulating class discussion about a multinational group, its objectives, strengths, competences, and existing possibilities in a global environment. The main objective was to encourage students to fully understand and argue the current situation of both the Jerónimo Martins Group and three different economies, followed by a definition of the type of entry mode.

The case illustrates the internationalization decision process conducted by the Jerónimo Martins Group, during which the company was presented with the Group's values, strategic orientations and objectives. Furthermore, the Group main operations and markets were described for an insight of the Group's most profitable companies and markets. The case then describes the several stages of Jerónimo Martins' internationalization process, listing and explaining the key assumptions, the selection criteria and the investment level of risk established by Jerónimo Martins. Lastly, three of the most appealing economies at the time were described, along with all relevant variables that can inform a final decision.

2.2-Synopsis

Jerónimo Martins was a multinational group in the food retail and wholesale industry. The Group's main operations were divided between the Pingo Doce supermarket chain and Recheio cash & carry chain in Portugal and the Biedronka discount chain in Poland. The Group accomplished 8 691.1 million Euros of consolidated sales, with 96.9% coming from the distribution operations (food retail and wholesale).

The Portuguese economy was suffering a recession and as a consequence, private consumption decreased, consumers were changing and looking not only for quality but also for price. The market was highly consolidated, with Jerónimo Martins and the Sonae group controlling most of it, and the opportunities to grow were dropping. These facts were affecting Jerónimo Martins' current and future revenue in Portugal. On the other hand, the Polish economy was growing steadily and consumption was following the same path. With 55.3% of the Group's total sales coming from the Biedronka discount chain, a 29.1% (see Table 1.2) increase and 183 stores opened in 2010 (see Table 1.3) meant that the Polish operations represented the Group's main source of income and growth.

With Portugal in a recession and Pingo Doce and Recheio only accounting for 36.6% of the Group's total sales (see Table 1.2), Jerónimo Martins was becoming excessively dependent on the Polish operation. The Group's objective was to ensure a stable long-term and balanced

growth, and although Biedronka was having good results, the Polish market was on the path to consolidation, which, in future may make the Group stagnate. In order to ensure long-term growth, the Jerónimo Martins Group decided to pursue new opportunities in new markets as a means to ensure the Group's future success.

2.3-Suggested Assignment Questions

Following an extensive reading of the case students should prepare themselves to answer the following questions:

Part I- 2011 environment

1. What was the Jerónimo Martins Group's overall situation in the two different operating markets at decision time? Relate the economic situation in Portugal and Poland with the Group's results.
2. In your opinion, was the development of Jerónimo Martins new international investment made at the right time? Describe the motivations and factors that support your answer.

Part II-Internationalization

3. Describe the internalization decision process developed by the Group and the relevant factors.
4. According to the given information, which was best market to select? Develop an analysis of the three countries and decide based on the Jerónimo Martins Group objectives and decision process factors.
 - i. Analyse the Political & legal, Economic, Social and Technological environments and describe the Cultural, Administrative, Geographic and Economical differences and issues that Jerónimo Martins should address.
 - ii. In the past the Jerónimo Martins Group has used acquisitions in order to expand their operations. In your opinion and according to chosen country market characteristics, define the best strategy to enter the market.

2.4- Teaching Objectives

The developed case has 8 main teaching objectives:

1. To enable students to understand the complexity of the decision-making process and objectives in an internationalization situation of a food retail company.
2. To highlight the relation between countries' economic evolution and the growth of a retail company in the long-term.
3. To help students comprehend the existing relation that should exist between a country/market and a food retail company. (priorities and objectives)

4. To make students understand the current situation of a company, its capacity to develop new investment projects and recognize the reasons leading to an internationalization strategy.
5. To allow students to be able to analyse and interpret new countries and markets data and define the important aspects that can be relevant for an attractive economy, considering the advantages and disadvantages of different economies and realities.
6. To help students evaluate the critical aspects of a company's strategy and compare them with market opportunities.
7. To help student understand the nature of several different market opportunities at a certain moment in time and develop the best country entry strategy for a food retail company.
8. To help students use strategic tools and frameworks to conduct country and market analyses.

2.5-Use of the Case

The Jerónimo Martins case study offers the possibility to closely examine a company's internationalization process, alongside the market selection decision process and the entry mode strategy that will help the company achieve its strategic objectives. The case exposes a company operating in two different countries and realities in very competitive market environments, whose goal was to expand operations into a different market to ensure stable long-term growth. The case also offers the information on how to develop country and market analyses.

Jerónimo Martins case study was developed as a class discussion case that can be used in a core undergraduate and Master in Science Strategic management course. It also offers the possibility to be studied in international management and retail management courses.

2.6-Relevant Theory

To have a full comprehension of the Jerónimo Martins case and be able to develop a strategic analysis, students will not only need to understand and be able to apply certain models and frameworks but also be familiar with specific subjects. The following references possess the necessary theories, frameworks and models to resolve the case issues:

- The Cultural, Administrative, Geographical and Economical distances model (The CAGE Model):
 - Ghemawat, Pankaj. Siegel, Jordan, 2007. *"Redefining Global Strategy: Crossing borders in a world where differences still matter"*, Harvard Business Review Press, Chapter 2.

- The Political & Legal, Economic, Social and Technological analysis (PEST analysis):
 - Freire, A., 2008, *Estratégia – Sucesso em Portugal*, 12th edition, Verbo.
- Product life cycle and Industry Life cycle:
 - Porter, Michael E., 1980. *Competitive Strategy*. New York: The Free Press, pp.157-8.
 - Porter, Michael E., 1980. *Competitive Strategy*. New York: The Free Press, pp.160-1.
- Reasons to develop Foreign Direct Investments and Entry Modes strategies:
 - Terence E. Cooke. 1988. *International Mergers & Acquisitions*. Blackwell Publications, chapter 1.
 - Huang, Ying; Sternquist, Brenda; 2007; *Retailers' foreign market entry decisions: An institution perspective*; International Business Review, Vol. 16, No. 5, pp. 613-629.

2.7-Analysis and Discussion

The case suggested assignment questions were elaborated in order to fulfil a 90 minutes class, the instructor should be able to resolve and present the key facts during the entire class. Following the resolution of the case the instructor may have 10 minutes in the end to answer students doubts and summarise the key lessons taken from the case.

Part 1-2011 environment

1. *What was Jerónimo Martins Group's overall situation in the two different operating markets at decision time? Relate the economic situation of Portugal and Poland with the Group's results.*

(Question discussed for 15 minutes in class)

The first question aims to give students an understanding of the current situation of the Jerónimo Martins Group, of the influence and relevance that the different operations have on the Group's revenue and how two different economies can affect Jerónimo Martins' strategic decisions.

The Jerónimo Martins Group (Pages 7-8)

Jerónimo Martins was a Portuguese group operating mainly in the food distribution industry, with 96.9% of its revenue coming from companies that operate within this industry, specifically in food retail and food wholesale. In 2010, the Group showed solid results, with 8 691 Million Euros in consolidated sales and a 18.8% increase. Likewise, all the food distribution companies registered positive LFL sales, with the exception of the Feira Nova hypermarkets. In

the Lisbon Stock Exchange, the company's shares grew 63.2%, reaching a value of 7 174 million Euros.

With most of the Group's sales coming from the food distribution sector, it is possible to claim that the Group was mainly focused on this industry, and more specifically on the food retail business, as 87 % of the Group's sales came from food retail companies (see Table 1.2). Within the industry, the Group's consolidated sales were distributed among three main companies operating in three different formats (see Table 1.2):

- Food Retail:
 - *Biedronka*, the Polish discount chain, with 55.3% of consolidated sales;
 - *Pingo Doce*, the Portuguese supermarket chain, with 28.3% of consolidated sales;
- Food Wholesale
 - *Recheio cash & carry*, the Portuguese food wholesale chain, with 8.3% of consolidated sales.

Markets and Industry (pages 9-10)

The Jerónimo Martins Group was exposed to two different economies, which were affecting the Group's performance in different ways:

- The Polish economy was growing steadily; in 2010 it had a GDP increase of 3.9%; both private consumption and FDI increased; the unemployment rate was 9.6% (see Tables 2.1, 2.5, 2.7 and 2.10).
- Portugal was facing an economic recession, with a GDP decrease in 2009 and a 1.6% increase in 2010; private consumption and FDI dropped, the unemployment rate was rising constantly and the population was getting old (see Tables 2.1, 2.5, 2.7 and 2.10).

At the same time, the Group needed to adapt to the evolution of the food retail industry in two different economies :

- Poland- The Polish food retail market grew only 3%, as a consequence of 2009 being a bad year for the Polish economy. Still, the market had room to grow; as the concentration level of competition in small and medium cities was low, with an increase of 21.7% in the Discount stores sector, which Jerónimo Martins led through the Biedronka chain. (Page 9)

- Portugal- The food retail market was highly consolidated and mature, and was led by two companies (Jerónimo Martins and Sonae). The drop in the buying power of Portuguese consumers was expected to affect future revenue (Page 10).

As a result of the new European economic environment, consumers were becoming more rational, objective, more price sensitive and selective in their purchases.

The Polish main buying factors were proximity, price and private labels, explaining the growth of discount stores and consequently the growth of Biedronka. The country's development led to the emergence of new trends, and the quality of products became more relevant. This resulted in an increase in premium products and stores. Portugal, on the other hand, as a consequence of the decrease in consumers' buying power, was experiencing an increase in store visits, a drop in the average basket and a rise in sales of lower price products.

Jerónimo Martins & Markets (Pages 8-10)

Jerónimo Martins has evolved into a Group that highly depends on its Polish operation, which represents 55.3 % of the total consolidated sales. The Group has benefited from the continuously growth of the Polish economy, which has led to the growth of the Biedronka discount chain. Thanks to the country's development, Polish consumers started to buy more expensive products and evolved to buying quality products instead of only low price ones. On the other hand, the Portuguese market was experiencing a depression and as consumer buying power decreased the more price sensitive it became. Although stores visits have increased the revenue obtained by the company, in future the Group may be affected by the type of products sold, as they are lower priced products. As the market was mature and consolidated, there was less room to expand in Portugal, which made it more difficult to keep up with the Biedronka growth. Lastly, the food retail market size of both countries is highly different. As the leader in both markets, it was expected that Biedronka would provide a much higher-level of the company's total revenue.

2. *In your opinion, was the development of Jerónimo Martins new international investment made at the right time? Describe the motivations and factors that support your answer.*

(Question addressed for 15 minutes)

In this question students should already be able to understand the current situation of Jerónimo Martins, the industry and operating markets. The decision comes down to whether to internationalize or not. The teacher should try to foster discussion and expose on the board the several reasons that support each opinion.

There are two different types of decisions with different arguments:

a) In favour of the decision to internationalize:

- Development of a new investment to secure a continuous sales increase in the long term.
- Ensures operational size in order to remain competitive.
- The Polish market was becoming a more consolidated market and may not continue to deliver the same sales growth in the future. In 2010, the food retail industry only grew 3% (Page 9).
- Portugal was already a mature and consolidated market, facing a decrease in consumer buying power and private consumption.
- Western countries, including Portugal, were in economic and financial difficulties (Page 9).
- High dependence on the Polish company may pose a problem in the future. 55.3 % of sales (see Table 1.2).
- Stable financial situation (see Table 1.4).

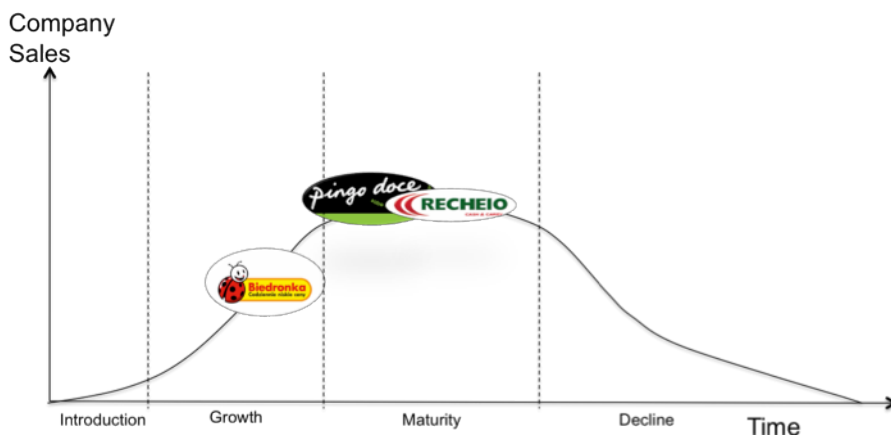
b) Against the decision to internationalize:

- The Polish economy and *Biedronka* continue to grow, Polish GDP growth was 4% (Page 9), Biedronka LFL sales were 11.6% and sales growth was 29.1% (Table 1.2).
- The Group's overall sales were growing at a stable pace (see Table 1.2).
- The Group should be careful regarding the Portuguese market and economy. Instability in the country of origin may affect the Group's future financial health.
- In Poland, although the food retail industry only grew 3% (Page 9), the Discount stores sector grew 21.7 % (Page 9).
- Although the Portuguese market was suffering, *Pingo Doce* was still registering sales increases (Table 1.2).
- All the Group's Portuguese companies still represented 45.31 % of the Group's total sales (see Table 1.2).
- With high level of competition both in Portugal and Poland, investing in defending market position may be a better move.

Although both sides of the discussion have compelling arguments, 2011 was indeed an excellent moment for the Group to invest in a new internationalization project, in terms of both the Group's companies and the situation in the industry. Jerónimo Martins was enjoying a strong and balanced financial situation. In the last 5 years net sales and equity increased, while the Group's debt decreased (see Table 1.4). The Group's companies faced different realities: according to the product life cycle, both *Pingo Doce* and *Recheio cash & carry* were already at a

mature phase, while *Biedronka* was still in the growing phase, albeit close to reaching maturity (see Exhibit 3.1). With the objective of attaining balanced long-term growth (Pages 6), the Group needed a new source of growth once Biedronka reaches a mature phase. Although the Discount stores sector has increased and Biedronka has had good results over the last years and is expected to continue to grow (Page 8), the industry is becoming more consolidated and only grew 3 % (Page 7), which was a reason for concern.

Exhibit 3.1- Jerónimo Martins Companies Life Cycle

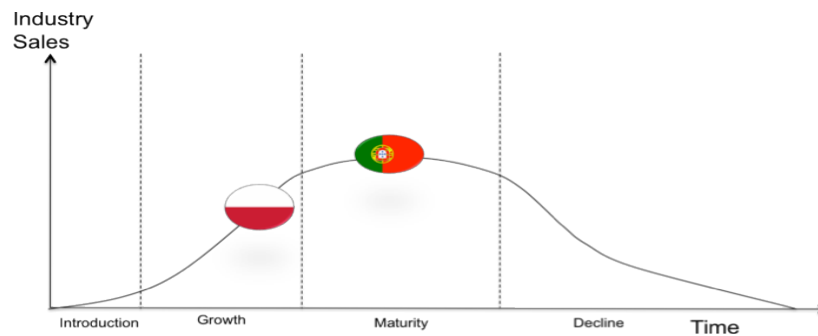


Source: Writers opinion

Jerónimo Martins operates within two different markets that stand at different phases in their Industry Life Cycle¹. Due to economic difficulties, Portugal was going through difficult times and the industry was already in a mature phase. Competition was mainly between Jerónimo Martins and Sonae and there was not much room to grow as both companies covered almost all the sectors and country (Page 10). Revenues were expected to fall due to dropping consumer buying power, increased price sensitivity and price competition (Pages 8-10) and slowing down of private consumption (see Table 2.10). Poland had a disappointing 3% increase in the food retail industry, indicating not only that the European economic crisis had some effect on the industry, but also that the industry, although at a growth phase (see Exhibit 3.6), was much closer to a more mature and consolidated market. Still, there was some space to grow (Pages 9 and 10) thanks to lower competition concentration levels in medium and smaller cities, meaning that the industry will continue to grow in forthcoming years.

¹ Industry Life Cycle (ILC): Porter, Michael E., 1980. *Competitive Strategy*. New York: The Free Press, pp.160-1.

Exhibit 3.2-Portugal and Poland Industry Life Cycle



Source: Writers opinion

Lastly, Jerónimo Martins' high dependence on *Biedronka*, representing 55.3 % of total sales (see Table 1.2), may expose the Group to some risk. With the Portuguese economy in a recession, the Group's future growth will depend mainly on the Polish operation, Biedronka, and if something happens to the Polish economy, Jerónimo Martins may be highly affected.

The maturity stage of the Portuguese operations and industry, the high dependence on *Biedronka* and on the Polish economy, the reduced path to maturity in *Biedronka* and the Polish food retail industry, and the stable and balanced financial/operational situation of the Jerónimo Martins Group made me concur with the Group's decision to have a new international investment project.

Part II-Internationalization

3. Describe the internalization decision process developed by the Group and the relevant factors.

(Question addressed for 20 minutes)

After understanding the Jerónimo Martins Group and both the industry and market of operations, students should understand the Group's decision process in order to enable future questions. The question will make students comprehend the market selection decision process of a food retail multinational.

With a view to ensuring long-term growth, the Jerónimo Martins Group decided to develop a new international project. The first stage in the decision process was the development of three key premises (Page 11 and 12) to define the strategy the Group wanted to adopt:

- The Group wanted to develop a one-format approach that is able to target large-scale consumers (Page 11). A mass-market approach.
- The focus of the internationalization of the Group was to be placed on existing strengths and competences. The Group specializes in the food industry, specifically in the food retail and wholesale industries (Page 11).
- Maintain the Group's risk profile. Conservative investments based on existing competences with the objective of controlling and operating in a new market in the long-term. To have a medium country and portfolio risk level (Page 12).

Exhibit 3.3-Jeronimo Martins Key Premises

Key Premises		
One format approach, targeting mass market	Focus on the JM strengths and competences in value retail	Maintain the group risk profile

Source: Information provided by Jerónimo Martins

Following the definition of the key premises, the Group established three major blocks. With almost every country in the world being subject to study, these blocks would be critical to help filter the countries and choose the one that best suits the group objectives (Page 12).

Exhibit 3.4- Jerónimo Martins strategic decision blocks



Source : Adapted from Jerónimo Martins 2011 Investor's day presentation (Jerónimo Martins, 2012. Investor's day 2011. Jerónimo Martins [online]. Available at: <http://www.jeronimomartins.pt/investidor/apresentacoes.aspx?lang=en> [accessed on 15 October 2012].

Decision criteria- identifying a market opportunity (Page 12): in this block the group defined the criteria that would enable identifying the markets that suit the Group's criteria. They were divided into two separate levels:

- Bare minimum criteria:
 - Democracy and rule of law- it was necessary that the country was a democracy and had strong government institutions. A country that protects private investments, treats national and foreign companies equally and ensures regulations are followed. Jerónimo Martins was looking for a country where its investments can be secure.
- Key decision criteria
 - Significant Population-40 million people were the minimum population for a country to be considered an option. High population level means more potential consumers, higher sales, and increased chances to grow and increase scale effect.

- Stable and Robust Economy- The Group was looking for an emerging country with growth possibilities, that demonstrates stable economic variables and can ensure long-term growth.
- Market opportunity in food retail-The country should be a clear opportunity for the development of a mass-market food retail company. Type of competition, consumers, and infrastructures, among other factors, help define the market opportunity.

Group strengths and competences- Identifying a business opportunity (Page 12 and 14): Jerónimo Martins wants to enter a market where the Group can take advantage of existing Group strengths and competences. Jerónimo Martins has been a specialist in the food industry, from production to retail, over the last two decades, having specialized in the food retail and wholesale industries, acquiring competences and developing strengths in this industry in order to succeed. The Group was a leader in almost every sector of its operations. The Jerónimo Martins Group's strengths and competences added value through several aspects:

- Proximity and location of the stores
- Development of good environments for consumers, good store environment
- Development of strong insignias, highly recognizable brands.
- Development of quality private brands and delivery of quality products.

The size of the food retail market was relevant when defining which country to choose. Jerónimo Martins was looking for a market that could enable the Group's long-term growth.

Culture was a highly relevant factor. Jerónimo Martins preferred a country whose culture allows easier adaptation and that enables the Group to take full advantage of existing strengths and competences in the food retail industry.

Lastly, in order to analyse the possibility of a business opportunity, Jerónimo Martins paid special attention to the competition. The Group decided it wanted to have a leadership position in the market, so the market should have the characteristics that can enable Jerónimo Martins to reach a leadership position. Competition can be analysed in different ways:

- Quantity- the number of competitors in the market and the level of concentration. How many players were operating in the market and what was their share.
- Quality- the type of competitors and competition, the company's size and financial strengths determines the type of response competitors may have. The difference between national and international companies and the level of traditional retail in the market were all constraints in the definition of a business opportunity.

Group risk profile (Page 14): Ensure that the investment is in line with the Group's risk profile. A conservative investment developed with the intention of long-term permanency, based on the Group's strengths and competences and that ensures the protection of the investment.

4. *According to the given information, which was the best market to select? Analyse the three countries and decide based on the Jerónimo Martins Group's objectives and decision process factors.*
- i. *Analyse the Political & legal, Economic, Social and Technological environments and describe the Cultural, Administrative, Geographic and Economical differences and issues that Jerónimo Martins should address.*

(Question addressed for 30 minutes)

The last question is considered to be the most critical part of the Jerónimo Martins case and should require more attention by the teacher. After having a full understanding of all the relevant factors of the internationalization process, students should analyse three different economies and outline, which should be the best decision for the Jerónimo Martins Group. Students are expected to take into account the Group's objectives and decision process so as to develop a structured decision. Considering all the previous analyses and factors, the type of entry mode the Group should have in the new market should be addressed.

In order to develop an analysis that enables a comparison of the three countries, I decided to start by doing a PEST analysis²:

Brazil (Page 14 -17)

.Political & Legal:

- Brazil has been a democracy since 1985, and from 1994 onwards the country has made a huge effort to stabilize and balance the economy. Examples include liberalizing markets, privatizing state owned companies, removal of trade barriers and cautious financial discipline to attract foreign investment and control price inflation.
- The current government encompasses several political ideologies, which resulted in some difficulties in the development, approval and implementation of new policies.
- Presence of corruption in government institutions. Politicians and state employees were known to take advantage of their social positions in their favour, bribes and deviating public funds were common occurrences.
- Brazil has a well-developed legal system at federal, state and regional levels.

² PESTEL analysis- Political, Economic, Social, Technological, Environmental and Legal analysis (Freire, A., 2008, *Estratégia – Sucesso em Portugal*, 12th edition, Verbo

- Bureaucracy, corruption and a time consuming system led to some inefficiencies in the system. At the same time, complex regulatory frameworks hampered the execution of business.

.Economic

- Brazil had a 55.6 score in the WSJ³ economic freedom index, decreasing in the last 10 years due to a reduction in business, fiscal and government spending freedom (see Table 2.11).
- The biggest South American economy and the 6th in the world. It has a 2.140 billion dollars GDP (current \$) and an increase of 7.5% in 2010. Constant growth is expected until 2016 (see Table 2.1 and 2.2) . The country's GDP per capita PPP also rose, reaching 10 993 \$ (see Table 2.3).
- The country's consumer price inflation has dropped over the last 10 years, and in 2010 it stood at 5%, much due to the policies developed by governments in the last decade. As a result, Brazil is expected to maintain its stability in the short to medium term (see Exhibit 2.1.8). Although the country states to be controlling inflation, the high levels of debt of individuals and companies, the shortage of food supply associated with the increase of demand and producer prices may have a negative effect in the long-term.
- High demand for more qualified manpower. The country's high development has increased salaries.
- The unemployment rate has remained constant over the last decade (Table 2.5), and in 2010 the rate was 8.1%.
- Private consumption more than 10% in 2010 following a less than 1% increase in 2009 (see Exhibit 2.1.5).
- FDI has increased to 53 334 million \$, recovering really well from the world financial crisis and a slow 2009 (see Table 2.7).

.Social

- Brazil has one of the world's biggest populations, with 195 million people (Table 2.9) and also a very young population: 25% of Brazilians were under 15 years old and 68% were between 15 and 65 years old (see Exhibit 2.2.1).
- Disparities between regions. Those that were richer on natural resources and stand on coastal regions had a higher rate of development and better social conditions.
- The country national language was Portuguese and the population was mainly roman catholic.

³ WSJ- Wall Street Journal Economic Freedom Index

- High levels of crime and corruption were issues in society. Social stability was affected by drug trafficking, thefts, contraband and gang wars, more visible in big cities such as São Paulo and Rio de Janeiro.
- The country's development has led to the increase of the Brazilian middle class, largely due to the increase of GDP per capita PPP and higher salaries.

.Technological

- Brazil's infrastructures have not been able to keep up with the country's development, roads were in poor condition, airports and ports were unable to provide the service and offer the necessary capacity.

Turkey (Pages 17-19):

.Political & Legal

- A republic since 1923, the country has since been highly unstable, suffering from several military coups, the last one in 1997. In the last decade the political power has stabilized, which resulted in the country's growth.
- Governments have made great efforts to liberalize the economy in order to attract foreign investment, through the development of trade agreements with several countries, mainly with the European Union. Turkey has also made a bid to join the European Union.
- Corruption in political and bureaucratic institutions has delayed the approval and implementation of new policies to improve the country's development. This is hampering the development of both national and foreign companies.
- Development of policies to control country inflation, government debt and expenditure and to encourage private investment.
- Turkey has some instability and tensions with neighbouring countries, which may lead to some insecurity on the part of investors.
- The existence of small terrorist groups.
- On the one hand, Turkey has a broad and comprehensive legal system well designed to keep up with the country's development; on the other hand, the system has some breaches leading to evasion at tax, legal and judicial levels. Other problem regarding justice is the difficulty to enforce regulations and adjudicate problems, as the country's courts are overstretched and unable to fulfil their purpose.
- The Turkish government abolished the laws that discriminated foreign investors, giving them the same status as national companies. In order to increase foreign investment, it has also decreased corporate and individual taxes.
- Turkey has a strong framework for starting business, enabling companies to open and start functioning quickly and easily.

.Economic

- Turkey is among the 20 largest economies in the world and has a 731 billion dollar GDP (current \$) (see Table 2.2). In 2010, the Turkish economy grew 9.16%, and the country had high GDP growth rates between 2002 and 2007 (see Table 2.1). On the other hand, 2008 and 2009 (see Tables 2.1 and 2.2) were slow years for the economy due to the world economic crisis and to reduced investment by the world's main economies (see Exhibits 2.1.10 and 2.1.12). The country is currently recovering and is expected to continue to grow until 2016 (see Table 2.2).
- The Turkish banking sector responded well to the world financial crisis by avoiding financial toxic assets and balance financial records. This sector has been able to support and finance the country's development.
- The decrease in FDI inflows (see Table 2.7) and foreign markets' loss of confidence also affected development over the last years.
- In 2010 the country's consumer prices inflation was 8.6%, and in the last decade the country has been able to reduce and control inflation. Turkey is expected to have a controlled inflation in the medium-term (see Table 2.6).
- Foreign direct investment has decreased since 2007, from 22047 million dollars in 2007 to 9038 million dollars in 2010, although in 2010 it grew comparing with 2009 (see Table 2.7).
- Private consumption decreased in 2008 and 2009, and in 2010 it increased again, reaching a value of 279 billion dollars (current \$) (see Table 2.10 and Exhibit 2.1.5).
- Turkey has a strong framework for business entities, enabling private business to open and start operating quickly.
- Turkey had a 63.8 score in the WSJ economic business freedom, much due to high levels of trade and fiscal freedom (see Table 2.11).
- The country's unemployment rate was quite high in 2010, as 11.9% of the working force was unemployed (see Table 2.5). It has remained above the 10% mark since 2002.

.Social

- The main language in the country was Turkish and the majority of the population was Muslim.
- In 2010 the population was 72.8 million people and considered to be young; 26% of the total population was under 15 and 68% was between 15 and 65 years old (see Exhibits 2.2.2).
- The level of education was poor. The lack of educational infrastructures hindered the development of youngsters and may affect the country in the future .

.Technological

- Low on infrastructures, and roads, hospitals and power supply were in poor condition.

Colombia (Page 19-21)

.Political & Legal

- Colombia has been an uninterrupted democracy since 1957.
- In the last 10 years the country has been politically stabilized, the election of Mr Alvaro Uribe led to a government fight against armed forces, drug trafficking and corruption.
- The Government lifted some controls on remittances of profits and capital.
- The liberalization of the market led foreign investments to be allowed in almost every sector, with some exception in sectors of national importance.
- Colombia has an efficient judicial system and a well-developed court structure, with some corruption issues at low-level courts.
- Equal legal treatment given to national and foreign companies.

.Economic

- In 2010, Colombia was the 4th biggest country in South America. The country had a constant and steady development in the last decade, with a 10 years GDP CAGR of 4%. In 2010, the country's GDP was 288 billion dollars, (current \$) (see Table 2.2) it grew 4% (see Table 2.1) and the GDP per capita PPP increased to \$ 9411 (see Table 2.3). Both indicators are expected to grow until 2016.
- The consumer prices inflation has been controlled over the last few years and was expected to remain stable. In 2010 it was 2.3% (see Table 2.6).
- Private consumption has been growing constantly. In 2010 it grew close to 5% (see Exhibit 2.1.5). On the other hand, FDI has been decreasing since 2008, which may be a result of the world financial crisis (see Table 2.10).
- FDI inflows were encouraged through the lifting of several controls on remittances of profits and capital. In addition, FDI was allowed in almost every sector, except some specific sectors considered to be of national importance.
- Colombia is the 57th freest country in the world to develop business, registering constant increases in its overall score. The main reasons have been the improvements made in business, fiscal, labour, and trade freedom areas (see Table 2.11).
- The country's unemployment rate in 2010 was 11.6%, which is relatively high, but it was expected to decrease (see Table 2.5).

.Social

- Colombia was a former Spanish colony, consequently the main language was Spanish. The catholic religion was the most followed.
- The Colombian population has been growing continually. In 2010 it reached a record 46.3 million people. It has equally a very young population, with 29 % of people being under 15 and 66% being between 15 and 65 years old.
- The Colombian government has been battling against corruption, drug trafficking and armed groups. Although the situation has improved, they are still operating in the country.

.Technological

- The county has low quality infrastructures, the conditions and size of routes are poor, and communication and electrical capacity are below regional standards.

The following step was to describe the distances between Jerónimo Martins' country of origin and the three candidates to understand the differences and issues that Jerónimo Martins should address. These distances can be exposed through the CAGE model⁴, This model exposes the cultural, administrative, geographical, and economic distances between the countries:

Cultural:

- Brazil's official language is Portuguese. The population is mainly composed of white and mixed race people. In terms of religion, Brazilians are predominantly Roman Catholics. Whereas language and religion would ease the development of products and communication, the products available in stores would need to be adapted to Brazilian consumers, despite being similar to products sold in Portugal. The distance between Portugal and Brazil can be considered to be at a **low level (Page 15)**.
- Turkey's main language is Turkish and it is composed almost entirely of Muslim people. As for the country ethnic groups, the Turks were the majority of the population, the remaining being Kurds. Regarding the product/service, consumers are very different from those in Portugal, religious traditions affect the type of product consumed, and the language would not only difficult communication but also the development of products and stores. In this case the distance can be considered to be **high (Page 17 and 18)**.
- Colombia is also predominantly a Roman Catholic country, its population was constituted mainly between the combination of mestizos, whites and mulattos. The country's official language is Spanish. Differences between both countries can be lower than expected,

⁴ Pankaj Ghemawat & Jordan Siegel, 2007. "*Redefining Global Strategy: Crossing borders in a world where differences still matter*", Harvard Business Review Press, Chapter 2.

as being a Latin country and having the same religion can facilitate the development and promotion of products and services. However, the language difference affects product packaging and communication. The distance level is **medium (Page 20)**.

Administrative:

- Brazil was a former Portuguese colony and has been a democracy since 1985. The country's currency is the real, while in Portugal the euro is the operating currency. Brazil has corruption problems affecting its political and bureaucratic system and it also faces thefts and other illegal activities in several different areas. Brazil has experienced some difficulties approving and enforcing new policies. Nevertheless, the country has liberalized the economy and allowed foreign investment in almost every sector. The WSJ economic freedom index (see Table 2.11) gives Brazil a lower overall score compared to Portugal, of 55.6 and 64.4, respectively. Brazil had very low scores compared to Portugal in terms of freedom from corruption (35 and 61) and business freedom (54.5 and 80.5). The food retail industry is a liberalized industry in Brazil, which would enable investment by foreign companies. Corruption and illegal activities can difficult the development of business, more specifically in an industry that sells food products. The level of distance is **medium. (Page 15 and 16)**.
- Turkey has been a democracy since 1923, but since then the political environment has been highly unstable due to several military coups. The country has been liberalising the economy, allowing investment in almost every sector and treating foreign companies as national companies. The two countries use different currencies. Turkey uses the Turkish Lira, and regarding trade agreements, Turkey has made some agreements with the European Union, of which Portugal is a member. Turkey has a strong framework for starting business and has decreased both corporate and individual taxes. This can benefit a company operating in this industry due to the high level of business units used in the food retail industry. The Turkish government has a low level of influence in the food retail industry, the same as in Portugal. Corruption, terrorist groups and instability with neighbouring countries were some issues present in Turkey that can affect the risk of doing business. Turkey and Portugal had similar overall scores in the WSJ economic Freedom Index, 63.8 and 64.4 (see Table 2.11), with Turkey making great strides in the last decade in trade, fiscal and government spending freedom. The level of distance can be classified as **medium**.
- Colombia has also been a democracy since 1957, and has been stable in the last decade. The country's government has waged a war on crime, with drugs trafficking, armed groups and corruption being its main priorities. This has resulted in increased freedom from corruption (see Table 2.11). The country has implemented several policies in order to liberalize the economy and attract foreign investment by making it possible to invest in almost every sector and by abolishing several controls on remittances of profits and capital. There is low level of government involvement in the food retail industry, and the country

liberalized almost every business sector, which is similar to the situation in Portugal. Colombia had a higher overall score in the WSJ business freedom index than Portugal, 65.5 and 64.4, respectively, excelling Portugal in business, fiscal, government spending and labour freedom. The level of distance can be considered to be **medium low**.

Geographical Distances:

- Brazil was the largest country in South America with an area of 8 515 767 Km² and is situated on the Atlantic shore. The country's infrastructures were poor (page 17), roads are in poor condition, airports and ports were not able to respond to demand. This would have a negative impact on the food retail industry due to delays in distribution and product imports. Being a large country, Brazil demands not only high investment level if targeting the entire country but also long connections between the main cities. On the one hand, the distance between the two countries and the nature of the industry demands local supervision and high operational requirements. On the other hand, due to high transportation costs and type of consumer, most of products in this industry are obtained at local suppliers. The level of distance is **medium high (Page 15-17)**
- Turkey was a country with 783 562 km² positioned between Asia and Europe. In the European side, Turkey borders Greece and Bulgaria, two countries from the European Union. As for the country's access to the sea, Turkey has the Mediterranean. The country's infrastructures were considered to be poor, which would difficult the importation and distribution of products for companies in the food retail industry. The size of the country requires companies to have long connections between retail stores or to make high investments in a higher number of distribution centres. The nature of the industry and size of the country demands local supervision and high level of operational requirements. With regard to the product offered in stores, most were obtained at local suppliers. The level of distance can be considered to be **medium high (page 17 and 18)**.
- Colombia has an area of 1 138 914 Km² and is situated in the north of South America. It is connected to the sea through the Pacific Ocean and the Caribbean Sea. The country's infrastructures are poor road conditions, communication and electrical capacity are in bad condition, which would not only delay and difficult the transportation and conservation of products but also difficult communication between business units. The lack of roads in good condition and the country's size would require companies to invest in a high number of distribution centres. On the one hand, the nature of the industry and size of the country demands local supervision and high level operational requirements but equally most products are obtained by local suppliers. The distance can be considered to be **medium high (Page 19-21)**.

Economic Distances:

- In 2010, Brazil was the biggest economy in South America, 2.143 billion dollars (see Table 2.2). The country has grown since 2002 (see Table 2.2, Exhibits 2.1.1 and 2.1.2), and the GDP per capita PPP was 11 201.6 dollars (see Table 2.3), the country's minimum wage being 292 dollars. Conversely, Portugal had a lower GDP but higher GDP per capita PPP, 25 444.3 \$, and a minimum wage of 631\$. This means that although Brazil was a richer country, the Portuguese population had more available money to spend. The constant growth of the Brazilian economy may indicate that in future Brazilian people will have a higher buying power and that, as a result, not only retail sales will increase but so will companies' revenues. Then again, Portugal's economy has decreased in the last years, which may indicate future loss of retail sales and revenue. The two countries were experiencing opposite economic environments, so the distance level was **high (Page 16)**.
- In 2010, Turkey was recovering from a decrease in its GDP, 731 billion dollars (see Table 2.2), but since 2002 it has been growing constantly, 2009 was an exception. GDP per capita PPP has also recovered and in 2010 was 15 624\$, with the country's minimum wage standing at 452\$. Turkey had a bigger economy but its population had lower buying power than the Portuguese population, the GDP per capita PPP was 25 444\$ and the minimum wage was 631\$. The Turkish market showed higher tendency to grow than Portugal, but the economic instability of country may affect the development of the industry. A bigger economy and a tendency to growth increase the differences between the two countries, and as a consequence the distance is **high (Page 18 and 19)**.
- Colombia had a 288 billion dollar GDP (see Table 2.1) and was the 4th biggest economy in South America, the country GDP per capita PPP was 9411\$ (see Table 2.3) and the country's minimum wage was 277 dollars. Colombia had constant positive growth in the last decade and was expected to keep on growing. Instead, Portugal was suffering a recession (see Tables 2.1 and 2.2), the Portuguese GDP per capita PPP and minimum wage were higher, 25 444.3 \$ and 631\$, respectively. Again, this disparity between the two countries may mean that sales in the Colombian market may continue to increase with Colombian people increasing their buying power while in Portugal the risk of decreasing and stagnation was higher. The level of distance is **high (page 19 and 21)**.

This analysis indicates that Brazil had the lower distance, but that Colombia was not that distant, with Turkey being the country at the highest distance. The three countries demonstrated to be quite similar in some aspects, with Brazil differentiating itself in the cultural distance and Colombia through administrative distance.

The last phase was the comparison between the three countries characteristics and Jerónimo Martins' internationalization process. The first step was to look at the decision criteria:

- The bare minimum criterion was that a country had to be a democracy and governed by rule of law. Although the three countries were democracies and governed by rule of law, democratic stability and enforcement of rule of law varied between the three countries. Brazil had a stable democracy with a government that was having some difficulties developing and implementing new policies due to some divergences in the government and corruption within the system. Turkey had a history of unstable governments, its relations with neighbouring countries were somehow wobbly, and it had a few small terrorist groups operating in the country. Conversely, foreign companies had the same status as national companies and the country had a strong framework for starting business. Colombia has been an uninterrupted democracy for the last 60 years, it has been stable in the last decade and has intensified the fight against corruption, armed forces and drug trafficking. Foreign companies were able to invest in almost every sector and were given the same status as national companies. All three countries had broad and comprehensive legal systems and were making efforts to attract FDI by liberalizing the economy, reducing taxes and developing trade agreements. According to the WSJ economic freedom index, Colombia had the highest score with 65.4, followed by Turkey and Brazil with 63.8 and 55.6, respectively (see Table 2.11).
- Demographics- All three countries had young populations of over than 40 million people. Brazil had the highest population with 195 million people, Turkey had 72.8 million and Colombia had 46.3 million. All three countries were expecting their populations to continue to grow (see Table 2.9).
- Stable and Robust Economy-The three countries were growing economies that were recuperating from the difficult year of 2009 due to the world financial crisis. FDI increased in Brazil and Turkey and decreased in Colombia, and as for private consumption, it also increased in the three countries. Consumer price inflation has been controlled and decreasing over the last decade in the three countries, with Colombia reaching the lowest rate. In the case of Brazil, due to the high level of debt incurred by companies and the population, coupled with shortage of food supply, rising internal consumption, internal demand and producer prices, it may face some problems in future regarding the stabilization of inflation.
- Market opportunity in food retail –The three markets showed opportunities, although different among them. The value of the Brazilian food retail market was 246.6 billion dollars (2009 value) and was expected to keep on growing. It is a market dominated mainly by convenience stores and gas stations, and the main food retail formats, supermarkets, hypermarkets and discount stores only accounted for 36.8% of the market. International companies such as Walmart and Carrefour were investing heavily in the market and developing the main retail formats. Turkey was a market chiefly dominated by traditional retail, family owned stores, street markets and bazaars. Regarding modern retail, the national companies were leading the market with discount stores registering higher

increases. Colombia had a very fragmented market dominated by traditional retail and small stores accounting for 52% of the market, and in modern retail, national companies were the main competitors. All the three countries had poor infrastructures. Consumers' drivers were mainly the same for all the countries but with some differences: in the Brazilian market, proximity and healthy food were becoming more important and in Colombia private labels and online sales were increasing.

All the countries fulfilled the criteria; the next step was to ensure that every country represented a business opportunity enabling Jerónimo Martins to take advantage of the Group's strengths and competences:

- Market size-All the markets had the size that could allow the long-term growth of the company, and had room for expansion. None of them was highly consolidated or reaching a maturity stage.
- Competition-The type of competition in the three countries was different. Brazil had a strong presence of international players (Wallmart, Group Casino and Carrefour) that were leading the market, and although the market had still plenty of space to grow, these companies were determined to succeed in this market. In Turkey, traditional retail dominated the market, and in modern retail, national companies (BİM and Migros Ticaret) were the markets leaders, and discount stores had a strong presence. In Colombia, traditional retail also had a strong presence, accounting for 52% of the market, while modern retail national companies led the market through small retail chains, with the Olimpica chain, the EXITO company, being the exception.
- Culture- Jerónimo Martins was looking for a market that enabled the company to take advantage of its strengths and competences, therefore culture played a significant role in this decision. Different cultures may mean different customers habits, products and management that require the company to develop new competences that may result in higher and riskier investment. The CAGE framework helped define the cultural distances between the Group's country of origin and the final candidates. Both Brazil and Colombia showed lower distances, and both are Latin countries with similar religion and habits. Moreover, Brazil shared the same language and historical connections with Portugal. Turkey, on the other hand, is mainly constituted by Muslim people, and has completely different habits from those in force in Jerónimo Martins' operational markets. This fact would force the Group to develop new competences.
- The Group's previous experience in Brazil could help it avoid mistakes and take more advantage of its strengths and competences.

At this stage, not all the countries possessed the necessary characteristics to be selected as the better choice for the Group's next international project. Although all present

business opportunities and all have the necessary market size with high levels of traditional retail and low level of concentration and maturity, meaning that there was some opportunity to explore each of them, not all can enable Jerónimo Martins to take advantage of its strengths and competences in order to achieve a leadership position. Turkey cannot allow the Group to take advantage of its strengths and competences, the country's habits and religion would require the Group to invest in the development of new competences. As a result of the analysis, only Brazil and Colombia possessed the necessary characteristics to become the Group's next international investment.

Lastly, investment in the new country should ensure the maintenance of the Group's risk profile. Both Brazil and Colombia guarantee that the Group's risk profile will be assured. Both countries protect private investment, have stable governments and are growing economies. These factors would enable Jerónimo Martins to have a long-term investment with controlled risk.

The final decision had to be made between Brazil and Colombia. Risk would shape the final decision. Brazil and Colombia were not that different, and in both the PEST analysis and the CAGE framework that resemblance was perceivable. The main differences in the case of Brazil were economical power and cultural ties. As for Colombia, it was business freedom and administrative distance. Looking at the risk for success, both countries also differ in the food retail competitive market. As explained earlier, Brazil has a high potential market that had already been perceived by the main international chains as a key strategic market. This means they were willing to invest high level of capital in order to succeed. The 2001 experience had taught the Group that high investment was needed to succeed in Brazil. As the situation did not change and the competition had become even stronger, it would be much more difficult to succeed and achieve a leadership position. On the other hand, Colombia did not have such a large economy but was still very attractive. The market was composed mainly of traditional retail and national companies, companies with less investment capacity than Jerónimo Martins, with the exception of EXITO, and the food retail sector still had space to grow and be developed.

In 2001 Jerónimo Martins decided to focus on the Polish market instead of on the Brazilian one. In 2010, Colombia was the best choice due to similar reasons. The competitive environment gave Colombia the advantage due to lower risk and less expensive investment in order to succeed.

- ii. *In the past the Jerónimo Martins Group has resorted to acquisitions in order to expand its operations. In your opinion and according to chosen country market characteristics, define the best strategy to enter the market.*

(Question addressed for 15 minutes)

The decision on how to enter was a critical issue for the future competitiveness of the Group's holding in the global market⁵ and for foreign subsidiaries' performance^{6,7}. In the retail industry, franchising or licensing, joint ventures and wholly owned subsidiaries were the three main forms of entry in foreign markets, all of them representing different levels of ownership, accountability and dedication to international subsidiaries⁸.

Jerónimo Martins wants this new investment to be based on permanency and that it ensures the long-term growth of the group. This means that the type of entry mode will affect and be highly relevant for ensuring a profitable long-term project. In order to reach the best decision and based on the information provided by the case, students should utilize the several market analyses developed previously, the decision criteria and premises. The final decision should be a fully owned subsidiary, supported by the following arguments:

- Colombia has a liberalized market that allows foreign investment in almost every market sector and a legal framework that confers foreign companies the same status as national ones. This allows Jerónimo Martins to enter the market without the mandatory national partner and to operate freely in the market, which is in line with the Group's criteria to operate in a country that enforces rule of law and is democratic.
- The previous international experience and success in the Polish market gives Jerónimo Martins the necessary competences to operate in a foreign market. The company believes it has the necessary competences to operate in the food retail business.
- Colombia was a country with moderate risk that protects private investment, for which reason it will not be necessary to resort to a joint venture or franchising to reduce the risk.
- Competition in Colombia was mainly constituted by traditional retail and national retail chains and by less developed companies, and none of which have the necessary size, level of experience and conditions to achieve a leadership position in the market.

Furthermore, besides a fully owned subsidiary, the company can develop this strategic move either through the acquisition of a competitor or by developing a fully new subsidiary. The lack of quality companies in the country, except the EXITO chain that already had the participation of the *Casino Group*, should lead Jerónimo Martins to develop a fully new subsidiary.

⁵ Root, F. R. (1987). Entry strategies for international markets. Cambridge: D.C. Heath

⁶ Gielens, K., & Dekimpe, M. G. (2001). Do international entry decisions of retail chains matter in the long run? *International Journal of Research in Marketing*, 18(3), 235–259.

⁷ Pan, Y., & Li, X. (1998). Do timing and modes of entry in China matter to market share position and profitability? In R. Batra (Ed.), *Marketing issues in transitional economies* (pp. 211–223). Boston, Dordrecht, London: Kluwer Academic Publishers.

⁸ Huang, Ying; Sternquist, Brenda; 2007; *Retailers' foreign market entry decisions: An institution perspective*; *International Business Review*, Vol. 16, No. 5, pp. 613-629

2.8- Outcome

At the 2011 Investors Day, Mr Pedro Soares dos Santos announced that Jerónimo Martins' new international investment would be Colombia. The presentation stated that the country fulfilled the entire Group' premises and criteria. The Jerónimo Martins Group announced that it would invest 400 million Euros in the development of a new fully owned company until 2014⁹.

Following the presentation of the Group's key assumptions and internationalization process, the Group justified the decision by explaining how the country fitted the decision process:

Decision criteria:

- Democracy and rule of law- Colombia had a democratic process that had been working without interruption for the past 60 years. It was classified as a good country to develop business.
- Demographic- The country met the minimum level of population criterion; Colombia had 46 million people and was expected to continue to grow.
- Stable and Robust Economy- The country has had constant positive growing rates over the last decades. Strong national growth supported by exportations and FDI inflows.
- Market opportunity in food retail- Strong presence of traditional retail chains and independent stores. A market where some modern retail formats were yet to be developed.

⁹ Dinheiro vivo,2012. DNeconomia. Diario de Noticias [online], available at http://www.dn.pt/inicio/economia/interior.aspx?content_id=2095254&seccao=Dinheiro%20Vivo [accessed on 6 December 2012].