

SYP International (A) ⁽¹⁾

Francisco Lavao, President of Mercat Distributions, a group that leads the supermarket sector in the Balearic islands, had stopped his automatic BMW at the seaside promenade in Palma. He stepped out of his car and approached the wharf edge. "The water is clean", he thought. He started to walk, and instantaneously he felt invaded by a nice sensation of calmness. In recent years, and especially during the latter months, he had not had too much time to think about, to be aware of and to assimilate the exciting direction his enterprise was taking. His aim was to make it grow, and in 1993 he already believed to have found the way and the means.

The beginning

At the end of 1990 Francisco began to worry about the long-term future of his enterprise.

With 25% in the Balearic market, this one being almost blocked, with little growth and little expectations of expanding its volume of business, he had only two choices: to diversify his businesses in the islands towards other economic sectors, or to keep growing in the same segment of distribution towards the peninsula.

He began a prospecting for risks and opportunities. He even thought about the possibility of going to another european country, as in fact other spanish distribution enterprises had decided.

In the peninsula, without language, cultural or national barriers, competence was beginning to be intense. Moreover, to go to another country without a good reason involved finding

(1) Case prepared by the Research Division of the Institute International San Telmo of Seville, Spain. Written by Mr. Antonio Agustín Justribó, and Professor Iñigo Moreno Lara. April 1994.

This case was prepared as a basis for class discussion rather than to illustrate, effective or ineffective handling of an administrative situation.

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different cultures and degrees of development higher than the Spanish one. Then there were the almost unexplored eastern countries, about which everybody seemed to be of the opinion that they would be a source of huge opportunities, although tinged with an enormous proportion of social, political and economic uncertainty: low incomes, state-owned enterprises, very sudden government changes, elections, litigations for geographical areas...

Francisco was debating with himself among these reflections when a good friend of his, who was president and owner of an important Balearic hotel chain invited him to visit Prague. Francisco accepted excited. It was a chance to know a 'new' country for the West. He could also rest a bit, he thought. But he was very wrong at this last point.

The then so-called Czechoslovakia, current Czech Republic, had a spectacular impact on him. A thrilling information joined the beauty of the city: he did not find a single supermarket during his walks. He strolled a lot, he asked, he went into many shops he had the chance to see. He returned delighted.

When he went back to Palma he spent a great part of his time planning a series of trips to get more specific information to study the viability to implant new distribution companies there.

A first surprise was the amount of information provided to him by political institutions, especially town halls (inhabitants, distribution, number of cars, washing-machines...)

Macroeconomic information was also positive: controlled inflation (around 20%), population's low income level although with expectations of growth, reasonable privatisation process, transports and public services working well.

As for commerce, the existing one was basically run by the state. It was always working with the traditional system (not self-service), without any viewpoint or conception of stock, and essentially based on a demand system.

On the other hand, there was not any competence in this kind of 'modern' business: the supermarket.

Some competitors and friends of his indicated in conversations about some of his ideas the problem that language could suppose: "Maybe it would be better to try in Latin America, Francisco", they used to say to him. But against this proposal there was an important argument: "In two hours I can be in the centre of Prague".

Francisco began to look for a location. Prague is for trade, and above all for shopping centres, an ideal city. The radial structure of the city and most of all the peculiar construction of houses and buildings make it specially attractive.

ANEX 1

1.- Census data.

Equipment analysis of some districts of Prague where SYP considers that could set up a supermarket.

Equipment by house (%)

<u>District</u>	<u>Heating</u>	<u>Bathroom</u>	<u>Washing machine</u>	<u>TV</u>	<u>Phone</u>	<u>Car</u>	<u>Holidays</u>
Prague 4	67.5	95.1	51.9	57.7	71.1	44.3	30.9
Prague 9	80.2	95.6	48.5	59.7	69.3	43.6	27.4
Modrany	95.2	98	59.1	63.6	73.7	50.7	22.3

(1) There are influences from other areas.

2.- Inflation forecast in the Czech Republic.

1992	20%
1993	18%
1994	15%
1995	13%
1996	10%
1997	9%
1998	8%