

HAMBURGUESA NOSTRA¹

One afternoon in September 2010, Carlos Rodríguez, manager and co-owner – along with his father – of Hamburguesa Nostra (HN), was thinking about the call he had just received. A distant relative had expressed an interest in exploiting the Hamburguesa Nostra business in Córdoba (Spain) as an exclusive franchisee in that province. He was awaiting instructions as to how to proceed to make the necessary investments as soon as possible.

It was not the first time that Carlos had received such a request, and he could not keep putting off his relative and other interested parties much longer. He went over the main details of his business again in his mind. The second Hamburguesa Nostra establishment had opened its doors a few months before and the results, as with their first point of sale, had exceeded expectations.

However, Carlos had serious doubts about what would be the most appropriate way to expand the new business and what pace he should set. He was worried about the company's financial capacity, which was very restricted due to the recent investments the company had made and the financing crisis the country was going through at the time.

Several questions popped into his head. He decided to write them down on a piece of paper to think about them over the following days:

“It seems that this business has good prospects. But what should our next move be to take full advantage of them? What would be the best way to make the business grow? What geographic area should we be thinking about, just the metropolitan area of Madrid, or should we expand throughout the Peninsula or – why not – perhaps abroad too? Is a franchise the most suitable system for achieving this expansion? And if it is, what characteristics should potential franchisees and future HN locations have? What management and control systems should we adopt? What up-front fee, if any, and what royalties should we charge franchisees, how would we control the management of the different

¹ Case from the Research Division of the Instituto Internacional San Telmo, Spain. Prepared by lecturer Antonio Villafuerte Martín, with the cooperation of Mr Antonio Aguilera Nieves (Master's Degree, Seville, January 06), as a basis for class discussion and not as an illustration of good or bad management practice in a specific situation.

franchisees, how and to what degree should we be involved in the business operations of the franchises...?

Or alternatively, would it not be better to grow with our own establishments, opening at our own pace in keeping with our management capacity and financial resources...?

Ultimately, what is the best and fastest way to make the most of this new Hamburguesa Nostra business without putting the future of the concept and the viability of the parent company, Raza Nostra, at too great a risk?"

BACKGROUND

Hamburguesa Nostra started up in 2007 as an offshoot of Raza Nostra, a traditional butcher shop located in Madrid's Chamartín market, which sold specialized certified Spanish meats with Protected Geographical Indications and other Quality Labels.

The family business was initiated by Juan José Rodríguez García, Carlos' father, when he arrived in Madrid at 16 years of age with just 6 euros (1,000 pesetas at the time) in his pocket. After several years working for others, he had gathered enough capital and experience to open "Establecimientos Rodríguez" in 1973, a traditional butcher shop in the Chamartín market. The business experienced a steady growth in sales, and in the following years, took over several neighbouring stands at the market. In 2002 the business had 11 linear metres of display and sales space, making it one of the largest stalls in the market. Although it was a traditional butcher shop like many others in any market in Spain, Juan José paid special attention to the quality of the product offered and to customer service, employing a team of highly qualified personnel.

Carlos joined the business in 2003, after graduating as an agricultural engineer and working for several years at an engineering firm in Madrid. For some time he had been thinking about ideas for developing the family business, which his father was willing to put into practice, but only if he joined the company.

He did so, and soon visible changes could be seen in the business. First, the new mission statement was set down in writing (*"promotion, protection, dissemination and marketing of native Spanish breeds of cattle, sheep and pigs, including meats produced under organic stock farming conditions*), which led to the adoption of the brand name **Raza Nostra**. New quality criteria were established for products and services (only meats from pure breeds and certified origin would be handled, and a meticulous system for the sourcing and conservation of raw materials was adopted), and work began to completely renovate the establishment and change its image (Exhibit 1). The breeds were also chosen and negotiations begun with suppliers.

The change was accompanied by a communications plan, aimed at presenting the new offering and corporate image. First, a comprehensive website was designed (Exhibit 2): besides displaying the complementary services Raza Nostra offered its clients, it included recipes created by prestigious chefs and information regarding meat and wine pairings, among other information.

The establishment changed its image from that of a traditional butcher shop, adopting a new and modern design (Exhibit 3). With the aim of improving the information offered to clients at the establishments, panels were put up with basic information about the different quality labels marketed by Raza Nostra, as well as the main characteristics of the native Spanish breeds of cattle, sheep and pigs (Exhibit 4). In 2010 the business was already working with 14 varieties of beef (Exhibit 5).

THE BEGINNINGS OF RAZA NOSTRA

Carlos believed that Raza Nostra provided a new approach to the marketing of meat. Traditionally, Spanish butchers preferred to sell meats of foreign origin (mainly Charolais and Limousin), which were more profitable for the stockbreeder and butcher, leaving very high-quality Spanish breeds to fade into oblivion.

One of the most important challenges that Raza Nostra had to face was selling and cutting a very wide variety of meats at a single point of sale. In addition, consumers barely distinguished the qualities of the different types of meats, nor did they have a very clear idea of the Designations of Origin and Protected Geographic Indications (PGI) and how they differed from other types of quality labels, such as organic and producer labels. It was not easy to obtain a continuous and stable supply of some products, given the scarcity of reliable providers and the lack of standardization of the channels. In addition, the price of the new types of meats was usually much higher than that of conventional meats, which required professionals who were better qualified and trained to more effectively communicate and explain why the product was different. It was not easy to find personnel with the level of expertise and knowledge that the new concept required, nor was it easy to find people willing to be trained in the business.

With a lot of effort and dedication, Carlos and his father were able to overcome these challenges. Fortunately, the customers' response was immediate and sales grew constantly. Exhibits 6, 7, 8 and 9 show the evolution of sales, the number of customers per day, the number of tickets per week and the average ticket amount.

Over time, two new stands were acquired at the Chamartín market, increasing the total display space to 18 linear metres. At the same time, as demand increased and the work system was optimized, Raza Nostra incorporated new designations and breeds to its catalogue of products.