

GRUPO ÉXITO: A VALUE PROPOSITION FOR ALL¹

One afternoon in March 2022, Jacky Yanovich, Retail Chief Operating Officer in Colombia, was reviewing the consolidated report for the previous fiscal year before submitting it for layout and presentation at the Shareholders' Meeting.

Éxito had closed the year with a turnover of 3,778 million EUR and a net profit attributable to the group of 111.3 million EUR, 2.1 times the previous year. Net sales in Colombia had grown by double digits compared to pre-pandemic levels reaching 2,825 million EUR, +5.5% compared to 2020. **(See Exhibit 1: Grupo Éxito Net Income Evolution 2020-2021 and Exhibit 2: Grupo Éxito Income Statement and Investment Evolution in Colombia).**

In his view, this result was a consequence of the country's economic recovery and increased consumption levels. But it was also the result of a consistent customer-centric strategy that focused on innovative formats and sound participation in omnichannel sales. The contribution of the 51 stores the group had opened or remodeled during 2021 in Colombia alone was also a factor.

It had been three years since they had decided to push ahead with their commitment to differentiation and the conversion of available space instead of following the aggressive store-opening policy of the competition. The income statement performance of recent years seemed to confirm this strategy. However, Jacky was not inclined to complacency: *"The market continues to present us with major challenges. Several competitors have entered the market with the idea of gaining share at any price."*

GRUPO ÉXITO, BUILDING A LEADER

¹ Case published by the Research Division of San Telmo Business School, Spain. Prepared by professor Julio Audicana Arcas and Marisa Martínez Jiménez, in collaboration with José Antonio Andrade Nuñez as a research assistant. This case is developed only as the basis for class discussion. Cases are not intended to illustrate any judgement on the effective or ineffective management in a specific situation.

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Business model, pillars, and mission

In 2022, Grupo Éxito was the leading food retail platform in South America. In Colombia, it was present with Grupo Éxito, in Uruguay with the Grupos Disco and Devoto, and in Argentina with Libertad and Paseo.

The Group's mission could be summed up in one sentence: *"We strive to keep customers coming back."* This mission was based on the following values: customers first, passion for results, unity to achieve success, and innovation and agility as hallmarks.

Grupo Éxito was much committed to society, especially after the pandemic. *"We are aware that we are a significant agent for development in the country. Anything we can contribute to the country's development will be positive for everyone, starting with ourselves,"* said Yanovich.

The story of a leader

Grupo Éxito was a 72-year-old corporation that had been founded in Medellín by Gustavo Toro. It began as a small 16 m² (170 ft²) store selling fabrics and clothing. It was not until 1972, twenty-three years later when Toro moved his business to much larger premises, that he decided to devote some unneeded space to selling groceries.

Opening to external capital in 1994 accelerated the group's growth. At the beginning of the nineties, Éxito had five stores. Especially relevant was the entry of the French consortium Casino into its capital in 1999.

Since then, the Group's main moves included an international expansion to Uruguay and Argentina, the acquisition and creation of the different retail chains that made up the Group in Colombia, and the diversification into complementary businesses. **(See Exhibit 3: The history of a leader).**

A multi-format, multi-segment corporation

Grupo Éxito had 76% of its business in Colombia, where it was present in 23 departments with 518 stores and employed close to 35,000 people. It marketed different formats in all segments through five distinct brands: Éxito, Carulla, Súper Inter, Surtimax, and Surtimayorista². Each brand had an independent income statement and management, and all reported to Jacky Yanovich, Retail Chief Operating Officer in Colombia. **(See Exhibit 4: Group brands).**

Grupo Éxito's non-food retail sales in Colombia varied by chain, but overall, they accounted for 30% of its revenue, 40% of which came from the textile business.

² The Éxito brand accounted for 70% of the Group's sales in Colombia, Carulla for 14%, and the low-cost and other segments (related to Super Inter, Surtimax, Surtimayorista, allies, institutional and third-party sales, real estate project sales, and others), accounted for 15% in 2021.

Private labels in food, clothing, home and electronics were a distinctive feature of Éxito, with clothing (which contributed 50% of turnover) and food (15%, albeit with significant variations among chains) being worth mentioning³.

Beyond the retail business, the corporation had diversified into complementary businesses that allowed it to manage an ecosystem with strong synergies. These businesses included real estate (Viva was the leading shopping mall operator in Colombia), credit cards (Tuya was the top credit card issuer in the country), travel agencies (Viajes Éxito), insurance (Seguros Éxito), telephone services (Móvil Éxito), and used cars sale and rental (Autos Éxito). The company was also developing an electronic payment facilitator⁴ (**See Exhibit 5: Businesses complementary to retail**).

SAILING AGAINST THE WIND

In 2018, Éxito had set out to address the loss it experienced in grocery sales, especially in chains that focused on the value segment (Surtimax and Super Inter had lost 14% of their revenues between 2015 and 2018, even though total sales in this market segment had increased by 162% over the same period).

The main reason for this was the aggressive activity of discounters led by Justo&Bueno, Ara, and D1, who had managed to increase their market share⁵ in recent years with major expansion plans.

In an effort to maintain its leadership in the country, Grupo Éxito had decided to distance itself from the price war at the bottom of the pyramid and focus on developing a differentiated strategy based on the one hand on placing the customer at the center and, on other, on leveraging the ecosystem the Group had built over the past 15 years. They chose format innovation, omnichannel, and traffic monetization to underpin this strategy.

Listening and customer focus: local and segment adaptation with innovation and technology.

Éxito's innovation strategy was based on creating new, higher-value formats for the different brands. *"Instead of growing in square meters, we want to focus on increasing our performance with the square meters we already have. We must leverage the fact that we have the best locations,"* Yanovich said.

Between 2017 and 2018, they had launched pilots at the top of the pyramid: Carulla and Éxito. Each brand followed a strategy adjusted to its model, always including a

³ Surtimayorista did not offer private labels, while Surtimax accounted for 26% of the food assortment. More than 1,000 products, including meat, ready meals, bottled water, and pastries were produced by one of the nine manufacturing plants that Ideal, Éxito's subsidiary, owned. All other products came from alliances with external suppliers.

⁴ In partnership with Rebedan.

⁵ By 123%, 89% and 5,6% respectively between 2015 and 2018.