

Mercadona

RETAIL EXCELLENCE
ON THE IBERIAN COAST





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RESEARCH BY *Fernando Ruiz*



First Mercadona's supermarket in Portugal, Canidelo

Anyone that has ever gone grocery shopping in Spain will know that it's a food lover's paradise. Everywhere you turn, there's something to make the mouth water – the freshest fruit and vegetables, artisan breads, serrano ham, a Rioja red wine. Mercadona, the Spanish food retailer formed founded over 40 years ago, is one such culinary experience.

Mercadona now finds itself at an interesting period in its history: it opened its first stores in neighbouring Portugal in July

2019 and plans to have 10 stores by the end of the year. Could this mark the beginning of a wider internationalization for Spain's favourite retailer? We were able to catch up with Mercadona Director of Communications, Mr. Toni Martinez and learn more about the company and what underpins its phenomenal growth.

History

In 2019, an estimated 5.3 million families pass through the doors of Mercadona every

“Mercadona decided to implant its SPB business strategy, moving from offers to Always Low Prices”

day, but as recently as the 1970s, it was just a small provincial chain. As Mr. Martinez explains: “Mercadona's activity started within the Cárnicas Roig group in 1977, through the marriage between Francisco Roig Ballester and Trinidad Alfonso Mocholí, the parents of the current company president, Juan Roig.”

The next generation of the family that took over in 1981, which included Mr. Roig, his wife and siblings, effectively formed the management team which gave the company a springboard for growth over the years

that followed. In 1990, Juan Roig and his wife acquired shares from his sisters, to take control of 80% of the business in time and begin what Mr, Martinez calls “the disruptive model employed by Mercadona.”

Mr, Martinez says: “Mercadona decided to implant its SPB business strategy, moving from offers to Always Low Prices. That was how it evolved from using a Traditional Management Model to the Total Quality Model. This disruptive cultural change is completed with the decision to move from the traditional Distributor Model to Totaler, which puts customers at the forefront of the company’s decisions.”

One of the highlights of this plan was to refer to the customer as ‘the boss.’ Reflecting the company’s attitude to every single person that walks through the door of a Mercadona store. This commitment to its “bosses” led Mercadona to 1,636 supermarkets at the end of 2018, 87,000 employees and 15.3% market share of the organized distribution sector in Spain.

87,000 customer-centric employees
It’s a management cliché to say that a company’s people are its strength, but Mercadona proves the dictum. Mr,

“This commitment led Mercadona to 1,636 supermarkets at the end of 2018, 87,000 employees and 15.3% market share of the organized distribution sector in Spain”



Francisco, ham slicer in the Santo Ángel supermarket in Murcia



Almudena, 'Boss' of the supermarket on calle Ayala in Madrid, in the bakery section

Martinez says: “The pillar on which the relationship model of Mercadona with its employees is based rests on the notion of who keeps “The Boss” (customer) happy and must also be looked after. Stability, training, promotion, equal opportunities or the opportunity to reconcile family and work life are part of the company’s corporate culture.”

He continues: “Therefore, all company employees have a stable and quality job since 1999, the year when the process of making all staff members permanent (which began in 1995) was completed. On the other hand, the salaries offered by the company are above the industry average; and since 1997, the principle of equity of “equal responsibility, equal pay” is applied transversally.”

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This is backed up by statistics such as €70 million - an average of €815 per person - spent on training in 2018, 860 people moving up the career ladder through promotion in the company and near gender parity (47% women) in management positions. The company also provides best-in-market maternity leave, educational centres for its employees children and share options programs to improve employee morale.

Innovation through collaboration

It’s easy to think of modern online retailers as the future of retail but much of the innovation in retail is coming from firms like Mercadona - companies with a history in retail that allows them to understand customers based on face-to-face interaction rather than just



Totaler Supplier Girona Fruits
SCCL harvesting Fuji Apples in
Bordils, Girona

anonymous online transactions. It has 19 co-innovation centres in which more than 100 specialists held 9,000 sessions last year, for example.

Mr, Martinez says: “our Innovation Model is based on four concepts: innovations are developed only if they add value for “the boss”; product innovation: in 2018, the company launched 300 new products with an 82% success rate; process innovation: improvements in manufacturing processes, logistics systems and stock management; and finally, technological innovation.”

This culture creates opportunity in the burgeoning e-commerce sector for Mercadona. Mr, Martinez says: “We have a new online store. A mobile application, two online Hive warehouses (located in Valencia and Barcelona), and vehicles with 3 different temperatures to make deliveries. This has meant a great mental change and we’re really happy with the evolution of Mercadona Online.”

Supermarkets becoming Super Sustainable

As one might expect from a company that looks after its customers and employees as well as Mercadona, it has implemented a broad range of CSR and sustainability initiatives which it continues to expand on. Mr, Martinez tells us: “At Mercadona, we are convinced that the best way to contribute to the development of society is to share the wealth we generate. For this purpose, we deploy numerous initiatives in logistics optimization, energy savings, waste management and animal welfare and sustainable fishing.”

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New Mercadona plastic bag recycled up to 50-70%

“The New Efficient Store Model saves up to 40% of energy compared to a conventional store”

In logistics optimization, Mr, Martinez says: “In 2017, Mercadona began to incorporate into its fleet lorries powered by liquefied gas that emit 40% less per litre of fuel and reduce particle emission 10 times. At the end of 2018, the company had 54 lorries powered by liquefied natural gas and the number is expected to increase considerably in the coming years.” Electric vans and diesel hybrids are also the norm for home deliveries, reducing the company’s carbon footprint.

He continues: “The New Efficient Store Model saves up to 40% of energy compared to a conventional store and Mercadona has a monitoring system that measures electricity and water consumption in real time. With this information, the company can adjust store processes and make better use of resources.” And of course, it contributes to better waste management, where for years, company has been committed for years to the circular economy amongst its suppliers.



Luis, employee of the Totaler supplier Escuris in the bateas de Riveira, A Coruña

Did you know?

Mercadona also collaborates with dozens of food banks and charity canteens around Spain, to which it donated 8,300 tons of food in 2018. Its collaboration also extends to 33 foundations and training centres, which provide the original trencadís murals that decorate the fishmonger and butchery sections of its supermarkets.



Green roof of the calle Ayala supermarket in Madrid

“The Total Quality Management (TQM) system which has been implemented at Mercadona clearly pervades every part of the organization”

In April 2019, the company completed the phasing out of single-use plastic bags in all its stores, offering three options to customers to carry their purchase: the raffia bag, the cardboard bag and plastic bags recycled up to 50-70% Elsewhere, microplastics have been removed from all cosmetic and personal care products; and tests are being carried out in some stores to incorporate compostable bags and reusable bags in the fruit and vegetables section.

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which provide the original trencadís murals that decorate the fishmonger and butchery sections of its supermarkets. More than 1,000 people with disabilities participate in their construction. Finally, Mercadona has built vertical gardens and landscaped roofs in some supermarkets that improve the integration of the stores in their environment.

Far more than a Market

The Total Quality Management (TQM) system which has been implemented at Mercadona clearly pervades every part of the organization. This is illustrated maybe best of all by the reluctance of Mr, Martinez

“The company has had to reinvent itself many times in order to become the Mercadona it is today”

to accept praise for what it has achieved, telling Business Excellence: “We have much to improve on in order to be more and more socially responsible.”

It’s that commitment to improve which has made Mercadona. Mr, Martinez says: “The company has had to reinvent itself many times in order to become the Mercadona it is today. That’s why at Mercadona we say that “change is the most constant thing”. Currently, we are in a process of transforming the company. In the next five years we will invest 10 billion euro to transform Mercadona.”

Among other things, the transformation will involve adapting all of its supermarkets

to the New Efficient Store Model, expand and automate the logistics blocks to eliminate employee overexertion. digital transformation, enhance sustainability, and of course, develop in Portugal, where it hopes to open 150 stores within 7-8 years. Mercadona is truly more than just a market. **BE**

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