

# **BON PREU: Social commitment, Innovation and Growth<sup>1</sup>**

## **SUMMARY**

Bon Preu is a family owned business known for its social commitment, innovation, investing and fair prices. This case study explains the main features of the business model and the measures taken to face the recession. All of these measures are the best for achieving growth.

The case explains, among other aspects, the acquisition of the Intermarché shops in Spain and the financing of the operation. With this, we try to explain a real case of a company that has been able to continue growing, even during years of recession.

## **KEYWORDS**

Business model, Cost reduction, Financing, Growth

## **1. INTRODUCTION**

Group Bon Preu has a long track record in the world of retailing in Catalonia. For over thirty years, the company has acquired the experience and knowledge to meet the needs of its customers at all times. Brothers Joan and Josep Font continued the family business of trade in fish that their parents had begun earlier. This trade was carried out in public squares and markets. Through time, the brothers transformed the company into a food retailing group that has never forgotten the essence of a family business and its Catalan legacy. Today, these characteristics remain as current as when the family business began and now have become an element of differentiation versus most competing companies. Thanks to its commercial vocation, Group Bon Preu has always had a deep

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understanding for the upcoming needs of consumers in the country. The company has responded quickly to changes, has been innovative, and has always sought ways to ensure the identity values of civil society.

The first Bon Preu supermarket opened in Manlleu in 1974, and by late 2010 Bon Preu had 151 stores with more than 4,200 employees and 750,000 customers per week. Figure 1 shows the main events of its history in chronological order. It is currently the largest company in number of workers in the Osona region.

<p><b>1974</b> Opened first supermarket in the town of Manlleu</p> <p><b>1982</b> Entered buying group “IFA Española SA”</p> <p><b>1984</b> First company in Catalonia to implement barcode scanners at the point of sale</p> <p><b>1988</b> First hypermarket in Catalonia to obtain an opening license under the Law of Commercial Equipments of the Catalan Government</p> <p><b>1990</b> Opened first store in Barcelona</p> <p><b>1992</b> Acquired Vallès Preu SA and its 6 stores</p> <p><b>1992</b> Supplied the food products to 1992 Barcelona Olympics</p> <p><b>1995</b> Opened first Esclatolil gas station in Malla</p> <p><b>1995</b> Acquired an estate of 127,000 square meters in Balenyà for the main logistics and distribution centre.</p> <p><b>1999</b> Launched customer loyalty card and loyalty program (800,000 cards operational as of October 2010)</p> <p><b>2001</b> Launched first Bon Preu own-brand product</p> <p><b>2001</b> Acquired 12 Carrefour stores</p> <p><b>2002</b> First CSR report according to GRI Global Reporting</p> <p><b>2006</b> Created in Barcelona “L’ESPÀI DEL CONSUM”: Center for customers and suppliers to interact</p> <p><b>2010</b> Acquired 31 Intermarché stores</p> <p><b>2010</b> Has more than 4,000 people employed</p>
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**Figure 1.** Major historical events of Group Bon Preu

## **2. MISSION, VISION AND VALUES**

Being a family business, Bon Preu has placed great importance on strategic thinking and has the following mission statement, vision and values:

### **Mission**

We are a Catalan organization committed to our citizens and their territory, and are oriented to our Catalan market with the desire to be helpful and give maximum satisfaction to our customers in terms of price, service and product quality.

## Vision

We seek the creation of wealth in the short and long term with the intention to help the sustainable development of the environment in which we conduct our business, through the application of ethical business standards. In this regard, we want to continue working to improve our commitment to service and growth, which enables us to reach throughout the country to know firsthand the needs of our customers at every moment.

## Values

Our values are our vision and our commitment to contribute to a sustainable development of society:

- **Honesty and trust:** To be sincere in everything, admit your mistakes, respect and comply with the internal rules of the group.
- **Will to grow:** The spirit to overcome situations that pose a challenge. The desire to provide excellent service to internal and external customers.
- **Professional development:** To improve the professional capabilities of each one of us and to grow professionally.
- **Positive attitude:** To act constructively and with determination to improve and provide solutions.
- **Pragmatism and efficiency:** To use common sense, have clear ideas, produce results quickly and economically.

This strategic thinking was made and agreed upon in an open process with staff, which set up the pillars underpinning the business model of Group Bon Preu.

## 3. CORPORATE STRUCTURE

Group Bon Preu is composed of various companies (Figure 2):

- **Group companies:**
  - **Bon Preu Holding, SL:** Assets are composed of Bon Preu SA, Zaoril SL and Gesdip SA shares. It is the holding company and its sole activity is managing those shares.

- **Bon Preu SAU:** Is the main company of the group and manages the supermarkets and petrol stations, namely Bon Preu, Orangutan, Esclatoil and Esclat.
  - **Gesdip SAU:** Is a real estate holding company that buys business property and parking spaces and rents them out to other companies within the Group.
  - **Zaoril SLU:** Management services and sales within the Group Bon Preu business property.
  - **Inmomerca SAU:** Management services, sales and real estate within the Group Bon Preu business property.
  - **Interbacaco SLU:** Management services, sales and real estate within the Group Bon Preu business property.
- **Associated companies:**
- **Valles Preu SA:** Management services, sales, commercial space rental and photovoltaic energy (solar panels) within the Group Bon Preu business property.
  - **Ona Simplified Regime Capital SCR SA:** Investment in venture capital.
- **Other investments:**
- **Volcat 2009 SL:** Invests in aeronautical companies.

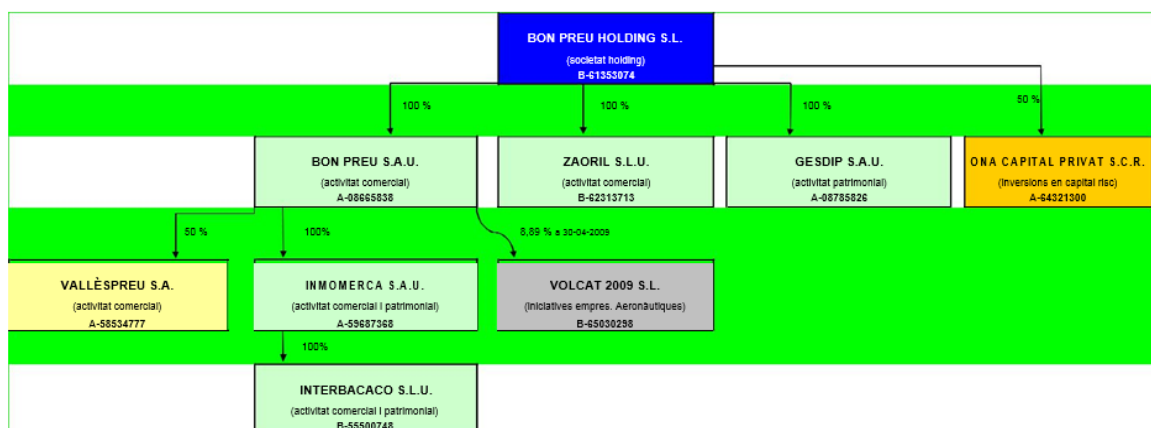


Figure 2. Group Bon Preu companies and shares

## 4. MAIN CHARACTERISTICS OF BON PREU

The following explains the distinctive factors behind the success of Group Bon Preu:

- **Family business:** Both Font brothers own the capital and while they have received several offers to sell part or all of the shares, their decision has been to not sell the shares. Joan Font is the President and CEO of the company. His brother Josep is the Vice President and deals with issues such as administration, human resources and logistics. Unlike other family businesses, Group Bon Preu has maintained a professional management.
- **Catalan enterprise:** Group Bon Preu has a strong commitment to Catalonia and this is evidenced by their support for the use of the Catalan language in their stores, in terms of labelling and by being the first choice of language of their employees when talking to customers. Additionally, it is the supermarket chain with the highest rate of Catalan products, exceeding 68%. Other examples of this sensitivity are the sponsorship of Catalan initiatives such as “Plataforma de Defensa de l’Ebre” and the restoration of the square and monument “El Fossar de les Moreres”.
- **Social commitment:** This commitment is shown by cooperation agreements for the sponsorship of music concerts, theatre foundations, and the selling of fair-trade products to aid the Third World. Group Bon Preu was the first major food retailer to sell fair-trade products. The group has also drawn up a sustainability report following the Global Reporting Initiatives guidelines.
- **Effort and sacrifice:** As always, success is based on hard work over many years. For example, the steering committee continues to meet every Saturday from 10am to 3pm.
- **Long-term guidance:** The Group strategy decisions are always taken with the long-term in mind, while ensuring that the short-term goals are being met. Most of the surpluses generated are reinvested in order to best compete in an increasingly complex business environment where size is a key factor for success.

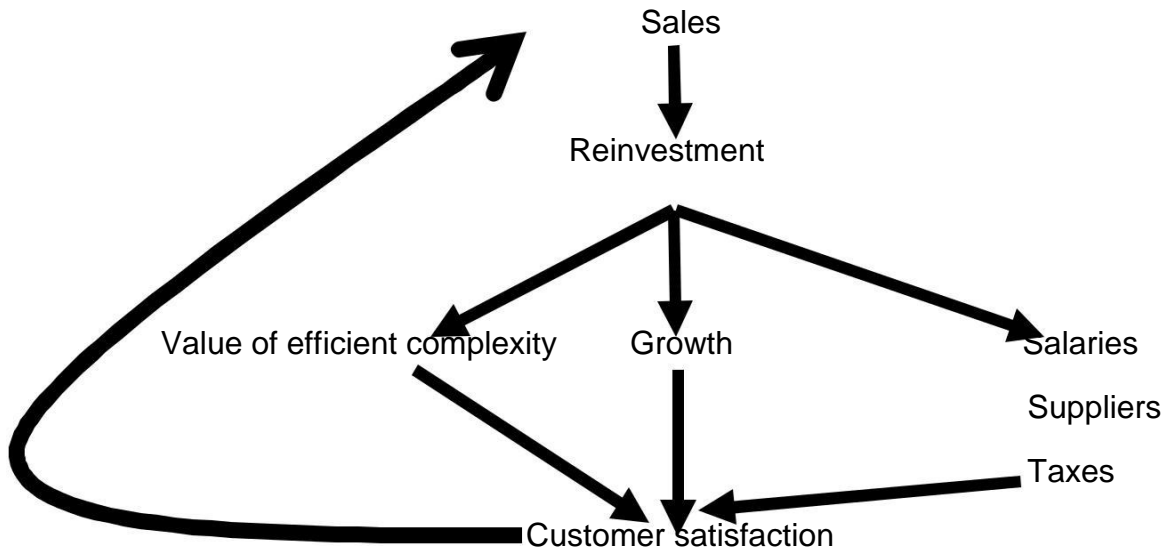
- **Innovation:** It was the first Catalan group to open a “hypermarket” (1988). Another example occurred subsequently during the transitional period from the Peseta to the Euro currency. They allowed customers to pay in Pesetas for their purchases and receive their change in Euros, encouraging thousands of new customers to pass through the store. Another innovation was the automated gas stations, run without employees, allowing the company to offer lower prices for petrol. Group Bon Preu also works to strengthen its links with the community an example of this is a signed agreement in 2008 with the *Catalan Federation of Denominations of Origin and Protected Geographic Indications*. This is a conglomerate of 17 regulatory boards with the European seal of quality food in Catalonia. In the field of sustainability and the environment, Group Bon Preu has spent a decade leading initiatives in the retail sector. It was the first group to introduce the first biodegradable bag in 2006, and encouraged reducing plastic bags in 2008 with the campaign, “Better than a plastic bag”. This led to a 40% reduction in single-use plastic bags. During this campaign, Group Bon Preu paid back to each customer the savings made by not using plastic bags. In 2010, Bon Preu started a new campaign becoming the first retailer with packaging “Free from polystyrene”.
- **Multibrand:** Unlike other companies, Group Bon Preu has four store formats:

  - **Bon Preu:** Local stores with selling areas of between 400 and 1000 square meters with emphasis on fresh products (meat, fruit, bakery...). These stores are located mainly in urban areas and have a plain design and an excellent customer service. You can find a wide range of products from all sections, including convenience products, with strong offers for customer loyalty card holders.
  - **Esclat:** With a willingness to adapt to new market demands, in 1988, Esclat opened the first hypermarket in Catalonia. Esclat is the store format with the largest selling areas (between 1500 and 6000 square meters) and with parking for customers. Located in high customer attraction areas, predominantly family shopping, large volume purchases and offering a wide range of products including non-food. There’s also a great predominance of deals with loyalty card and premier service to the clients.

- **Esclatoil:** Its first gas station was opened in 1995. Currently, the company has 14 petrol stations, usually next to a Esclat or Bon Preu store. These gas stations offer the highest quality products at the lowest price in the market.
  - **Orangutan:** Started in 1998. Local supermarkets with about 400 to 700 square meters, filled with AAP products (Always Affordable Prices) and without offers. They are located in suburban areas, with availability of parking, large volume shopping, have a limited range of products and with no loyalty card.
  - **Bon Preu Rapid:** In 2007 the company began renovating old and traditional stores with selling surfaces that did not exceed 500 square meters, in order to convert them to Bon Preu Rapid stores. This new format was designed to speed up the shopping process by the elimination of counters and offering the widest possible range of goods in self-service. They are located in urban areas and loyalty cards are available.
- **Wide assortment of fresh produce (meat, fruit, cheese, cold meats, fish and bakery) and non-fresh packaged food:** The Company has opted for a model that allows consumers to select from a wide range of products and brands at highly competitive prices. Quality is one of the most important aspects taken into account, which allows differentiation of the fresh produce. Another aspect is the importance of the geographical proximity of producers. It is important to get meat from the own country, fish from the local shores, fruit and vegetables from Catalonia's producing areas and also cold meats and cheeses from regional producers.
  - **Large selection of products:** Group Bon Preu has about 14,000 SKUs (Stock Keeping Units), a much larger number than many of its competitors, such as Mercadona which has about 8,000.
  - **Price-Quality:** The commitment to the highest quality does not forget that the price is also important, not only in the case of brand name goods but also for Bon Preu's private label products.
  - **Manufacturer:** The Company manufactures some bakery products and meats.

- **Loyalty card:** From 1999 to the present, Group Bon Preu has introduced and promoted its loyalty card for Bonpreu, Esclat and Esclatoil customers, offering innovative advantages compared to its competitors' cards. This card rewards clients with immediate discounts and promotions in addition to gifts and discounts for the theatre, concerts, cultural events and entertainment in general. The card also gives customers the opportunity to contribute to various social projects that the group has developed over the year. Ultimately, the loyalty card aims to cater to the specific needs of each client. Nearly 800,000 cards were active as of 2010.
- **Bon Preu Products:** The group has decided to brand its private label products with the company name as proof of its commitment to safety and quality. As of now, there are more than 1,180 own brand SKUs spread across the different sections of the three store formats. When selecting private label products quality is a priority, although obviously they all have a low price (about 30% less than the brand name product of similar quality).
- **Human Resources:** 97.67% of the staff have permanent contracts and 2.3% of employees have a disability. Since 2005, the company has operated the Professional School of Commerce where it spends 110 Euros and 16 hours a year per employee. Absenteeism has declined from 6.47% in 2007 to 4.54% in 2010.
  - **Relationship with suppliers:** Despite having contracts with the suppliers for only one year at a time, most of the relationships with suppliers were initiated decades ago and it is expected to remain that way. Bon Preu's relationship with suppliers is based on innovation and continuous product improvement.
  - **Investment to the limit of growth capacity:** The risks are well controlled. However, the volume of investments would be in the upper limit that may be invested each year in accordance with the cash flow generated. This investment policy is based on the reinvestment of profits mentioned above and on an adjusted debt to equity ratio. Figure 3 shows a schema of the strategic priorities for Group Bon Preu.





**Figure 3.** Group Bon Preu’s strategic priorities

This figure shows that Group Bon Preu’s priority is customer satisfaction and that the shopping experience is the best for its customers’ needs. This involves storing high quality products and a wide range of fresh products, a store design that makes shoppers feel comfortable, using local product producers, and a willingness to serve customers with a high level of service. This generates a certain complexity that Bon Preu assesses and works to simplify in order to become highly efficient and competitive in all business processes.

## **5. GROUP BON PREU VALUATION IN RELATION TO ITS COMPETITION**

The above aspects allow Group Bon Preu to be rated as one of the best supermarket chains in Spain, in the latest study from the Organization of Consumers and Users (OCU) published in July 2010. In this study, which assessed the price, the quality of fresh products and the variety of brands and products, El Corte Ingles is ranked first and Group Bon Preu is ranked second out of 28 supermarkets (see Figure 4). Group Bon Preu stands out for its wide range of products and its customer service, and is also rated in the following categories: for the quality of its cold meats and cheeses, fish, meat, fruits and vegetables and finally for its prices. Other highlights are: less time waiting in line compared to other supermarkets such as Carrefour and Dia, clean facilities, the plastic bag policy, offers and discounts, opening schedule, wide aisles and wide parking slots. Overall, Group Bon Preu had a really good score, well above other bigger groups with greater presence in every part of Spain. After El Corte Ingles and Bon Preu, Supercor and Mercadona occupy the third and fourth positions. Eroski is 17<sup>th</sup>, Caprabo is 20<sup>th</sup>, Lidl is 21<sup>st</sup>, MaxiDia 23<sup>rd</sup>, and Condis is located in 25<sup>th</sup> place.

Source: Organización de Consumidores y Usuarios (OCU), July 2010  
**Figure 4.** Grocery store classification

CADENA	SATISFACCIÓ								SATISFACCIÓ GLOBAL
	Ampli assortit	Bons preus	Qualitat carn	Qualitat peix	Qualitat fruita i verdura	Qualitat embotit/formatge	Qualitat marca pròpia	Atenció del personal	
<b>SUPERMERCADOS EL CORTE INGLÉS</b>	85	57	85	87	85	89	79	77	83
<b>BON PREU</b>	77	66	73	71	70	76	72	77	81
<b>SUPERCOR</b>	78	57	84	81	81	85	78	78	80
<b>MERCADONA</b>	68	77	71	71	69	75	82	76	80
<b>FROIZ</b>	70	70	79	76	74	76	72	79	80
<b>HIPERCOR</b>	84	58	83	82	80	86	78	76	80
<b>GADIS</b>	77	72	75	80	75	79	70	78	79
<b>LUPA</b>	70	67	71	75	67	73	69	76	78
<b>AHORRAMÁS</b>	69	73	74	73	75	78	72	77	78
<b>ALCAMPO</b>	80	74	71	71	70	77	72	70	78
<b>SUPERMERCADOS CONSUM</b>	72	71	72	71	71	76	73	75	77
<b>ALDI</b>	59	78	68	65	69	74	75	69	76
<b>SIMPLY MARKET</b>	70	73	66	68	67	71	70	69	75
<b>EL ARBOL</b>	68	68	75	76	70	76	71	75	75
<b>ALMERKA</b>	66	75	71	71	68	74	69	73	75
<b>GALERIAS PRIMERO</b>	67	71	68	70	65	73	63	72	75
<b>EROSKI CENTER</b>	71	67	69	70	68	75	76	75	74
<b>EROSKI</b>	74	68	70	70	70	75	75	72	74
<b>CARREFOUR</b>	80	68	69	70	70	77	73	68	74
<b>CAPRABO</b>	72	62	69	68	66	74	71	70	73
<b>LIDL</b>	59	78	62	57	65	70	74	63	73
<b>CARREFOUR EXPRESS</b>	73	68	67	68	68	71	76	67	73
<b>MAXIDIA</b>	62	79	62	57	62	69	73	61	72
<b>SPAR</b>	59	62	71	64	72	73	64	72	72
<b>CONDIS</b>	63	66	64	71	66	67	67	73	71
<b>SUPERSOL</b>	63	63	67	67	67	71	64	70	70
<b>DIA</b>	58	77	59	55	60	66	72	61	69
<b>HIPERDINO</b>	65	61	62	60	64	71	65	71	69

### COM FER SERVIR EL QUADRE

**Atenció del personal:** Avalua l'atenció a caixa, al lineal i a les seccions de productes frescos (fruiteria, carnisseria, peixateria...)

**Satisfacció global:** No és el resultat de la suma de la resta de columnes del quadre. És una resposta independent.

- molt per sobre de la mitjana
- per sobre de la mitjana
- en la mitjana
- per sota de la mitjana
- molt per sota de la mitjana

In Figure 5 you can check the profit and loss account evolution for Group Bon Preu compared to its competitors.

	Bon Preu			Mercadona			LIDL		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
Sales	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%
-Cost of goods sold	75,04%	75,39%	77,08%	75,93%	75,59%	74,95%	77,02%	77,77%	78,71%
Gross margin	24,96%	24,61%	22,92%	24,07%	24,41%	25,05%	22,98%	22,23%	21,29%
-Other operating expenses	9,41%	9,43%	9,26%	6,52%	6,35%	6,32%	9,78%	9,86%	9,02%
Value added	15,55%	15,18%	13,66%	17,55%	18,06%	18,73%	13,20%	12,37%	12,27%
-Salaries	11,10%	10,68%	10,42%	12,53%	12,21%	12,20%	8,29%	8,14%	7,88%
-Depreciation	2,18%	3,28%	2,57%	2,41%	2,70%	3,00%	2,07%	2,31%	2,07%
-Impairment of assets	0,00%	0,00%	0,00%	0,04%	0,14%	0,00%	0,28%	0,00%	0,03%
EBIT	2,27%	1,22%	0,68%	2,56%	3,01%	3,53%	2,55%	1,92%	2,29%
+Financial income	1,04%	1,10%	1,13%	0,15%	0,36%	0,29%	0,41%	0,31%	0,37%
-Financial expenses	0,35%	0,24%	0,19%	0,17%	0,20%	0,20%	1,54%	1,13%	0,98%
Ordinary EBT	2,95%	2,07%	1,62%	2,54%	3,17%	3,62%	1,42%	1,10%	1,69%
-Extraordinary items	-0,10%	-0,01%	0,35%	0,05%	0,06%	0,00%	-0,05%	0,09%	0,03%
EBT	2,86%	2,06%	1,96%	2,50%	3,11%	3,62%	1,37%	1,19%	1,72%
-Income tax	0,84%	0,67%	0,68%	0,62%	0,86%	1,04%	0,43%	0,42%	0,66%
Net profit	2,02%	1,40%	1,28%	1,87%	2,25%	2,58%	0,95%	0,77%	1,06%

Source: SABI

Figure 5. Profit and loss accounts of Bon Preu, Mercadona and LIDL. Data in percentages.

## 6. SECTOR TRENDS

Bon Preu's business model has been designed in order to be able to meet its customers needs.

Figure 6 is a summary of some of the main trends of the retail sector.

### New Shopping Culture

- Lower demand due to the decrease of real purchasing power + poor consumer sentiment
- New shopping culture: useful and thoughtful shopping
- Low price requirement: increased consumption of low and medium range products to the detriment of high range products
- Buying habits are more volatile
- Increased importance of emotions during the shopping experience

### New Sales Culture

- Importance of brand: product, distribution channels
- Coexistence of both *low-cost* and *premium* products in the store
- The store is also a place for observing clients and to make their lives easier.
- Integration and cooperation between suppliers
- Interaction with customer-*prosumer* (who is involved in the design of products or services)
- Multichannel: physical store, web 2.0, mobile devices, social media network...
- Increasing importance of Corporate Social Responsibility policies (CSR)
- Ecological or environmental scope: Green retailing, good environmental practices...
- HR: Balancing work and family, emotional salary

**Source:** Centre for Trade and Services of the Catalan Government ([www.gencat.cat/diue/ambits/comerc/observatori/index.html](http://www.gencat.cat/diue/ambits/comerc/observatori/index.html)), 2010.

**Figure 6.** New buying and selling trends

## 7. THE ANSWER TO THE CRISIS

The global economic crisis which began in 2007 has caused a drop in consumption and given greater importance to price when taking purchasing decisions. Overall, the industry has reacted by reducing both costs and selling prices. Bon Preu moved quickly at the first signs of crisis with its cost containment measures. It also took a pioneering step, for example, when Mercadona decided to remove about 1000 SKUs to reduce costs and Bon Preu continued to bet on its business model and increased the number of SKUs to ensure freedom of consumer choice. This played a part in receiving good vendors who had lost presence in other companies. In addition, while other companies have initiated divestments, Bon Preu continued to grow by opening new stores and making acquisitions such as Intermarché in 2009. Its investment in 2008 was 44.5 million Euros and in 2009 it reached 160 million Euros.

As a result, Bon Preu continued to grow in 2009 with a sales increase of 7.12%. This is a 1.44% increase in comparable store sales. Figure 7 shows the growth in recent years.

	2006	2007	2008	2009
Sales	378,2	441,6	475,2	509
EBITDA	20,4	31	32,9	41
EBIT + depreciation				
Cash Flow	20,6	26,6	24,6	26,7
Net profit + depreciation				
<b>Net Profit</b>	<b>8,2</b>	<b>8,7</b>	<b>11,0</b>	<b>12</b>

**Figure 7.** Group Bon Preu sales and profit (figures in millions of Euros)

The group's market share in Catalonia was 4.48% in 2007 and increased to 6.8% as of late 2010 (see Figure 8).

Grup	QM (m²)	QM (volum de vendes)	Diferència entre QM
1 Grup Carrefour	16,72	19,94	3,22
2 Grup Eroski	14,65	12,79	-1,86
3 Mercadona, SA	10,17	17,30	7,13
4 Grup Condis	8,20	6,59	-1,61
5 Grup Bon Preu	6,13	4,48	-1,65
6 Schlecker, SA	5,53	3,78	-1,75
7 Grup Miquel Alimentació	4,49	4,11	-0,38
8 Grup Consum	4,44	3,43	-1,01
9 Lidl Supermercados, SAU	3,44	3,93	0,49
10 Superfícies de Alimentación, SA	3,08	2,09	-0,99
11 Grup Empreses El Corte Inglés	2,48	2,07	-0,41
12 Grup Auchan	2,25	3,06	0,81
13 Fórmula Adecuada para Catalunya, SA (FACSA)	2,19	0,67	-1,52
14 Grup Corporación Alimentaria Guissona	1,66	4,39	2,73
15 Grup ITM Ibérica	1,62	1,62	0,00
16 Grup La Sirena	1,50	1,46	-0,04
17 Aldi Supermercados, SL	1,39	0,70	-0,69
18 Supermercados Pujol, SA	1,33	1,45	0,12
19 Fragadis, SL	1,17	0,55	-0,62
20 Valvi Alimentació i Serveis, SL	1,07	0,48	-0,59
Altres	6,49	5,11	-1,38
<b>Total</b>	<b>100</b>	<b>100</b>	<b>-</b>

Font: Direcció General de Comerç.

**Figure 8.** Market share in square meters and sales volume for the food retail sector in Catalonia (data of 2007)

## 8. ACQUISITION OF INTERMARCHÉ IBÉRICA, SA

Bon Preu is characterized for its high investment growth. In 2009, it multiplied 3.5 times its annual investment through the acquisition of Intermarché's store network in Spain. This operation was concluded on February 2010, with the purchase of Inmomerca SAU, which fully owns Interbacaco SLU.

With this operation Bon Preu acquired 54 stores, some of which they had already planned to sell, as explained further on. Of these 54 stores, 28 are in Catalonia and the rest are located in other provinces such as Castellón, Valencia, Alicante, Murcia, Huesca, Zaragoza, Guadalajara, Cuenca, Ciudad Real and Jaén (see Figure 9). The negotiation process for acquiring these 54 stores included a one-to-one arrangement with 49 of the stores, as they were franchises. While some belong to the same owner, the majority belong to different owners.

<b>Autonomous Communities</b>	<b># Stores</b>	<b>Square Meters</b>	<b>% Square Meters</b>
Catalonia	28	29.086	51%
Murcia	6	6.533	11%
Valencia	6	5.722	10%
Andalucía	3	3.548	6%
Aragón	3	3.747	7%
Castilla-La Mancha	8	8.485	15%
<b>TOTAL</b>	<b>54</b>	<b>57.121</b>	<b>100%</b>

**Source:** 2009 Annual report of Commercial Distribution in Catalonia, Department of Innovation, Universities and Enterprises of the Generalitat of Catalonia

**Figure 9.** Intermarché Ibérica, SA stores in Spain

The Intermarché Ibérica acquisition had the following financial conditions:

- **Financing:** The financing of the operation was via long-term debt issued by the seller, Intermarché. Although the increase of debt was potentially risky for Bon Preu, they took into account their ability to generate cash flow and that their real estate had more than 200 million euros in capital gains. These gains are mainly due to the reevaluation of properties, which are accounted at historical value. The average interest rate of all loans stood at 2.25% per year which is lower than the market interest rates.
- **Divestment:** Given the commitment of the group to operate only in Catalonia, the 26 stores located in other regions were sold. The sales were made mainly to Lidl, Dia and Mas y Mas. Among the reasons for this decision was that the

business model was designed for the Catalan consumer and the company believed it was not ready to jump into other territories.

In Figures 10, 11 and 12 you can find Bon Preu's audited financial statements and some financial ratios. Keep in mind that all these companies have audit reports with favourable opinions.

In short, this is an innovative family business committed to Catalonia that contains multiple brands, is investment-minded and has reasonable prices.

The challenge for the coming years is to continue to grow. Essentially, the group is betting that its supermarket format has a promising future and that they are poised to lead in this industry that they know best.

	2006	%	2.007	%	2.008	%	2009	%
<b>Non-Current Assets</b>	<b>175.248.431,34</b>	<b>78,42%</b>	<b>192.403.616,56</b>	<b>80,04%</b>	<b>221.691.593,48</b>	<b>78,26%</b>	<b>358.445.197,90</b>	<b>75,48%</b>
Inventories	23.217.124,10	10,39%	26.975.551,13	11,22%	27.565.235,64	9,73%	34.142.028,00	7,19%
Customers	118.187,49	0,05%	98.052,20	0,04%	113.943,96	0,04%	202.893,03	0,04%
Other debtors	3.164.419,35	1,42%	1.421.690,71	0,59%	602.018,48	0,21%	4.450.710,51	0,94%
Short term financial inv.	37.359,30	0,02%	76.907,07	0,03%	7.096.519,07	2,51%	38.162.632,59	8,04%
Other current assets	13.863,27		-68.259,54		14.461,89		13.533,69	0,00%
Cash and cash equivalents	21.676.259,67	9,70%	19.483.327,02	8,10%	26.180.531,83	9,24%	39.461.474,96	8,31%
<b>Current Assets</b>	<b>48.227.213,18</b>	<b>21,58%</b>	<b>47.987.268,59</b>	<b>19,96%</b>	<b>61.572.710,87</b>	<b>21,74%</b>	<b>116.433.272,78</b>	<b>24,52%</b>
<b>Total assets</b>	<b>223.475.644,52</b>	<b>100,00%</b>	<b>240.390.885,15</b>	<b>100,00%</b>	<b>283.264.304,35</b>	<b>100,00%</b>	<b>474.878.470,68</b>	<b>100,00%</b>
<b>Equity</b>	<b>41.165.669,69</b>	<b>18,42%</b>	<b>49.008.259,99</b>	<b>20,39%</b>	<b>57.770.302,45</b>	<b>20,39%</b>	<b>68.790.530,21</b>	<b>14,49%</b>
<b>Net profit</b>	<b>8.175.492,35</b>	<b>3,66%</b>	<b>8.656.109,58</b>	<b>3,60%</b>	<b>11.031.177,67</b>	<b>3,89%</b>	<b>11.984.641,27</b>	<b>2,52%</b>
Other income	717.279,17	0,32%	781.626,18	0,33%		0,00%		0,00%
Minority shareholders		0,00%		0,00%		0,00%		0,00%
Long-term loans	66.337.369,59	29,68%	68.323.327,07	28,42%	85.282.173,06	30,11%	206.621.356,24	43,51%
Other long-term debts	773.640,11	0,35%	436.377,55	0,18%	2.075.770,94	0,73%	6.692.337,29	1,41%
<b>Non-current liabilities</b>	<b>67.111.009,70</b>	<b>30,03%</b>	<b>68.759.704,62</b>	<b>28,60%</b>	<b>87.357.944,00</b>	<b>30,84%</b>	<b>213.313.693,53</b>	<b>44,92%</b>
Short-term loans	17.230.689,26	7,71%	20.817.388,28	8,66%	30.612.883,44	10,81%	56.503.676,23	11,90%
Suppliers	73.896.240,94	33,07%	79.648.936,39	33,13%	77.808.830,82	27,47%	99.662.200,84	20,99%
Other short-term loans	15.179.263,41	6,79%	12.718.860,11	5,29%	18.683.165,97	6,60%	24.623.728,60	5,19%
<b>Current liabilities</b>	<b>106.306.193,61</b>	<b>47,57%</b>	<b>113.185.184,78</b>	<b>47,08%</b>	<b>127.104.880,23</b>	<b>44,87%</b>	<b>180.789.605,67</b>	<b>38,07%</b>
<b>Total liabilities + Equity</b>	<b>223.475.644,52</b>	<b>100,00%</b>	<b>240.390.885,15</b>	<b>100,00%</b>	<b>283.264.304,35</b>	<b>100,00%</b>	<b>474.878.470,68</b>	<b>100,00%</b>

Figure 10. Group Bon Preu's consolidated Balance sheets for 2006-2009 (Data in Euros).

	2006	%	2.007	%	2.008	%	2009	%
Income	411.284.952,05	100,00%	481.792.071,71	100,00%	517.042.007,87	100,00%	556.027.380,07	100,00%
Cost of goods sold	316.873.039,52	77,04%	363.085.223,64	75,36%	387.825.896,51	75,01%	414.836.120,55	74,61%
<b>Gross Margin</b>	<b>94.411.912,53</b>	<b>22,96%</b>	<b>118.706.848,07</b>	<b>24,64%</b>	<b>129.216.111,36</b>	<b>24,99%</b>	<b>141.191.259,52</b>	<b>25,39%</b>
Salaries	43.589.525,15	10,60%	52.223.402,73	10,84%	58.243.565,28	11,26%	58.288.429,52	10,48%
Depreciation	12.506.821,05	3,04%	18.050.638,31	3,75%	13.610.687,92	2,63%	14.689.211,81	2,64%
Other expenses	30.443.834,16	7,40%	35.481.160,70	7,36%	37.966.810,88	7,34%	41.835.553,29	7,52%
<b>EBIT</b>	<b>7.871.732,17</b>	<b>1,91%</b>	<b>12.951.646,33</b>	<b>2,69%</b>	<b>19.395.047,28</b>	<b>3,75%</b>	<b>26.378.064,90</b>	<b>4,74%</b>
Financial income	2.729.988,53	0,66%	2.992.427,38	0,62%	1.734.822,63	0,34%	1.637.518,73	0,29%
Financial expenses	2.427.903,46	0,59%	3.566.161,26	0,74%	5.539.322,18	1,07%	11.843.737,19	2,13%
<b>EBT Ordinary</b>	<b>8.173.817,24</b>	<b>1,99%</b>	<b>12.377.912,45</b>	<b>2,57%</b>	<b>15.590.547,73</b>	<b>3,02%</b>	<b>16.171.846,44</b>	<b>2,91%</b>
Extraordinary income/loss	3.606.792,58	0,88%	-23.461,18	0,00%		0,00%		0,00%
<b>EBT</b>	<b>11.780.609,82</b>	<b>2,86%</b>	<b>12.354.451,27</b>	<b>2,56%</b>	<b>15.590.547,73</b>	<b>3,02%</b>	<b>16.171.846,44</b>	<b>2,91%</b>
Income tax	3.605.117,47	0,88%	3.698.341,69	0,77%	4.559.370,06	0,88%	4.187.205,17	0,75%
<b>Net Profit</b>	<b>8.175.492,35</b>	<b>1,99%</b>	<b>8.656.109,58</b>	<b>1,80%</b>	<b>11.031.177,67</b>	<b>2,13%</b>	<b>11.984.641,27</b>	<b>2,16%</b>

**Figure 11.** Group Bon Preu's consolidated Profit and Loss accounts for 2006-2009 (Data in Euros).

	2006	2007	2008	2009
Liabilities / Assets	0,78	0,76	0,76	0,83
(Net Profit + Depreciation) / Loans	0,12	0,15	0,11	0,07
Current Assets / Current Liabilities	0,45	0,42	0,48	0,64
(Current assets - Inventories) / Current Liabilities	0,24	0,19	0,27	0,46
Cash / Current Liabilities	0,20	0,17	0,21	0,22
Sales/Assets	1,84	2,00	1,83	1,17
Stock terms (days)	26,74	27,12	25,94	30,04
Accounts receivables (days)	0,10	0,07	0,08	0,13
Accounts payables (days)	85,12	80,07	73,23	87,69
ROI = EBIT/Assets	0,04	0,05	0,07	0,06
ROE = Net Profit/ Equity	0,20	0,18	0,19	0,17

**Figure 12.** Ratios of Group Bon Preu (2006-2009)

### Requests:

1. Conduct an economic diagnosis for Group Bon Preu's financial year-end of 2009.
2. Evaluate the performance of current investments and financing.
3. Evaluate the performance of the company in the years of the global financial economic crisis.
4. Evaluate the investment policy and long-term financing, in particular, the purchase of Intermarché.
5. Give possible recommendations.