

“Hard Discount Retail Opportunities in Colombia: An approximation to French and European Hard Discount Retailing and consumer behavior”

The role of French culture for French a retailer strategy

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EXECUTIVE SUMMARY

World class sectors like French Retailing can be useful for shaping what is today world retailing panorama. The present thesis goes deeply into retailing sectors in France and in Colombia, as well as explains the Hard Discount formats and tries to approximate it into Colombia, a country where it is not present yet but has a huge growth potential due to the social and economic conditions.

The two questions this study tries to answer are:

- 1. Is Colombian retailing ready to adopt the French Hard Discount model?**
- 2. What are the differences between Colombian and French consumers?**

In the other hand, this present study deals with cross-cultural consumer behavior aspects affecting the presence of people and companies strategies' all around the world.

In order to answer the second question, two market studies were taken into account: one, containing information about a primary information study conducted in Colombia about the hard discount sector in low income segments; and second, secondary information found in Eurostaf (2009) about French consumer behavior and purchasing habits.

To sum up, the result of this study found that the first and the second questions where positively answered: first, a hard discount chain in Colombia would be viable; and second, in spite social and economic differences French and Colombian consumers are not very much different.

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“Hard Discount Retail Opportunities in Colombia: An approximation to French and European Hard Discount Retailing and consumer behavior”

1. INTRODUCTION

1.1. Introduction:

All around the world, retailing is one of the biggest, most important, and most dynamic economic sectors. European companies have emerged and nowadays very known groups (Groupe Carrefour, Aldi, Lidl, Tesco) control retailing not only in the continent but also in several countries of the world. As a response to the traditional retailing models which demanded high resource engagement, as supermarkets and hypermarkets, new models have arisen and gained important shares of market: Hard Discount Stores (Français: Maxi Discount).

Colombian retailing sector is mainly leaded by French retailing groups (Casino’s Exito, and Carrefour), but despite its big revenues and developed models, ‘formal retailing’ controls only around 50% of the total market, the other important share is still in the hands of small disorganized convenience, or neighborhood stores. There are not major (even any) hard discount retailers in the country and nearby economies, so **WHAT WOULD HAPPEN IF ANY HARD DISCOUNT CHAIN IS CREATED AT A BIG SCALE?**

All of the above is the fuel for the present work, what are the implications of French and European retailing in a country like Colombia. And the most important: how can hard discount retail replace the actual model based on a higher price per unitary product offer, displayed by the convenience store (‘les arabs’ in France / ‘cigarrería’ in Colombia)?

In the other hand, **WHAT ARE THE DIFFERENCES BETWEEN COLOMBIAN AND FRENCH CONSUMERS?** Cross-cultural issues aiming to explain consumer behavior and ethnic differentiation in order to answer to the previous question. The use of different primary and secondary market studies will help to clear the differences between

both consumers, and to understand better the potential for a hard discount chain in Colombia, knowing the experience in France and other European countries.

Two basic questions to answer:

- 1. Is Colombian retailing ready to adopt the French Hard Discount model?**
- 2. What are the differences between Colombian and French consumers?**

1.2. Objectives:

1.2.1. Main Objective:

To assess the opportunities and disadvantages of the establishment of a hard discount chain in Colombia, followed by the French and European retailing experiences. To explain the differences between French and Colombian consumers.

1.2.1. Specific Objectives:

- a. To study the actual situation of French retailing sector, more specifically hard discount.
- b. To analyze the present situation of Colombian retailing. Why aren't there any hard discounters?
- c. To briefly approach the two countries' customers: Colombian and French.
- d. To advise the actual needs of a hard discount chain implantation project in Colombia.
- e. To understand the cross-cultural issue a company deals with when installing in foreign countries.
- f. To clear out the differences between the Colombian and French consumers.
- g. To understand further consumer behavior aspects related to hard discount discovered in different market studies.

2. FRENCH RETAILING AND HARD DISCOUNT SECTOR

2.1. French Context: Actual State of retail Sector (EUROSTAF, 2009)

Inside the food French retailing it is ‘Les Grandes Surfaces Alimentaires’ (from now GSA), or the Supermarket and Hypermarket sector, the dominating forces. They attained in 2008 almost two third of the gross revenue of the total industry, which in turn was due to the big amount of points of sale and references sold. Nevertheless, that important share has been decreasing, in part thanks to the incursion and ascension of new formats, like the hard discount.

TABLE 1: Market share of the GSA among the food retailing sector

Year	Market Share
2004	68,10%
2005	67,60%
2006	67,30%
2007	67,50%
2008	67,30%

Source: Self made, collected Data XerfiPRO Sector

According to the **economic structure** of the sector, in France there were in the year 2009 1,667 hypermarkets, 5,437 supermarkets, and the core of this study, 4,531 hard discount stores. Even if the total revenue did not grow significantly in the given year, the number of hypermarkets kept on stretching, with 73 new outlets opened. Such tendency was followed by the supermarkets and the hard discount stores, which added some stores to their already extended park.

One of the most distinctive features of the **industrial structure** of the sector is the high concentration of the property. It is composed mainly by six big groups with national origins: Auchan, Carrefour, Casino, E. Leclerc, ITM Entreprises and Système U, which accomplished almost the 85% of the total sales of the industry.

TABLE 2: Sector Concentration

	Market Share
Groups	
GSA	84,50%
Others	15,50%
TOTAL	100,00%

Source: Self made, collected Data XerfiPRO Sector

On the other hand, the period 2009 was particularly difficult due to several reasons, being one of the most important the fact that food consumption decreased for the second year in a row in -1,7%, which means, in a certain given basis, that the households switched in terms of game and shop amount. Besides, the decrease in the turnover of the GSA (hypermarkets and supermarkets, food retailing) was higher in the year 2009 (-1,8%) compared to that in the 2008 (-1,0%). It is easy to perceive the hypermarket as being the epitome of the ‘hyper consuming’, which in turn, favored other smaller formats: hard discount, ‘supérette’. (XERFI Pro’ Sector, January 2009)

TABLE 3: Household food consumption.

Year	Index	Variation
2004	100,2	-0,50%
2005	101,3	1,10%
2006	102	0,70%
2007	103,2	1,20%
2008	103	-0,20%
2009	101,3	-1,70%

Source: Self made, collected Data XerfiPRO Sector

TABLE 4: Sales of the GSA

Year	Index	Variation
2004	104,7	0,70%
2005	106,7	1,90%
2006	107,8	1,00%
2007	109,7	1,80%
2008	108,6	-1,00%
2009	106,6	-1,80%

Source: Self made, collected Data XerfiPRO Sector

2.2. Hard Discount MODEL in depth

2.2.1. The Hard Discount, an answer to established hyper and supermarkets

Created for the first time in Germany in 1962 with the opening of the first ALDI store, it arrived in France almost only two decades later. It differs with the ‘normal’ retailing models thanks to three main milestones:

1. **Always low prices:** Proposed products are sold in average 30% to 50% cheaper than national brands (commercial brands i.e. Tropicana, etc) and 20% to 30% cheaper than Marques de Distributeurs (MDD) or own brands.
2. **Simplified Offer:** the principle of “one need means one product” takes special importance in this aspect, the assortment of each store is narrow and often shallow. Each product counts with one or two references, and each outlet sells in total and average of 700 to 3.000 references. Compared to a hypermarket (50.000 references) and supermarkets (an average of 10.000), this represents a visible difference, thus, the offer is limited to own brands and/or brands of products of basic prices without national widespread.
3. **Proximity:** Each outlet has in average a sales surface of around 676 square meters (in 2007) compared to tens of thousands in hypermarkets.

4. **In the other hands, hard discounters created a revolution in several aspects of retailing:** it was the first format that combined small sales surface and low prices, joining proximity and economy they would defeat the paradigm of ‘neighborhood’ stores and/or convenience stores, in which the consumer always had to pay higher prices. They changed the idea that a high assortment means a high level of service to the customers, compared to other retailers, they saved the buyer time with a limited offer.

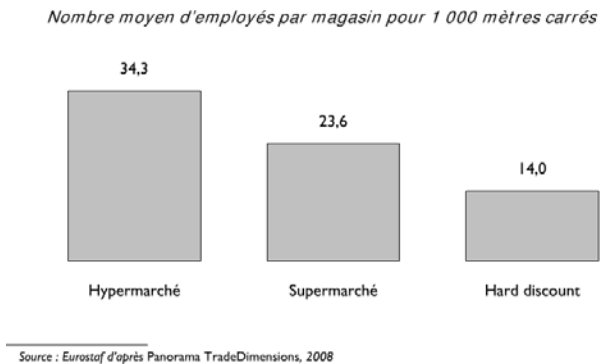
2.2.2. An effective and profitable model

A business model highly relying on a low cost policy during the entire chain value: from the production up until the point of sale. ‘Cost compression’ is reflected on the following:

- **A reduction in production costs:** products are built up according to a different level of requirements to those of average retailers, which means they interfere directly in the cost of every ingredient of a process, and the perceived value for the customers. Three basic aspects are treated: cost of ingredients and raw material (little or no costly ingredients), production processes (big lots), and packaging and labeling. In the same way, hard discounters make long term commitments allowing suppliers to plan correctly their production means. On the other hand, and differing from classical retailers that charge their suppliers with different fares linked to the marketing of their products (flyers, salespeople, etc) hard discounters do not.
- **Mass procurement and logistic processes:** Taking into account the small assortment, it is easier to the company to negotiate with the suppliers. The structure of the offer allows the companies to shrink their logistic costs, in part thanks to a reduced number of suppliers, and optimized warehousing.
- **Reduced operating expenses:** Different core processes for the companies are highly centralized, in some cases, only dealt by the headquarters. I.E. all of the purchases done by Lidl France are done directly in the German headquarters. A distinctive feature of the hard discount outlets is the in-store modest furnishing (products are displayed directly on their original cardboard box, reduced number of cashiers, absence of cold chambers). Staff developing multiple tasks minimizes the

medium number of employees per store. According to different sources, a hypermarket employs 2,5 more people than an average discount store.

GRAPH 1: Average number of employees per store per 1000 square meters.



Source: Eurostaf, 2009

- **Optimized Logistics:** Among discounters, it is often normal that logistics are entirely left on the hand of the industrial suppliers. They must assure an optimal level of service (the rate of availability of each product on the aisle, over a period of time), and some of them count on entire logistics departments entirely available to their clients. In exchange, discounters assure an extremely regular purchase level. Thus, order forecasting is somehow trustworthy, thanks to stock optimization.

2.2.3. Profitability

Regarding classical food retailers (hypermarkets and supermarkets) discounters count on higher levels of profitability, thus, this model is successful in:

- Profitability measured by the ratio of operating profit/total income reaches high levels thanks to cut out costs and expenses and a highly own brand assortment.
- Profitability measured by the ratio of operating profit/Invested capital can be somehow maximized by smaller investments and reduced floating assets (smaller number of references allowing a higher turnover, higher flows).

If it was to compare discounters to classical retailers, they obtain a less, weaker gross profit/margin (thanks to low prices that do not respond some times to reduced costs) but a higher, more elevated EBIT due to a reduction in expenses and lower investments.

2.2.4. The Evolution from Hard Discount to Soft Discount

It is undeniable that roughly, world hard discount leaders are the German-based groups Aldi and Lidl, but French classical retailers did not long much before coming up with their own proposals: Carrefour's Ed, and Casino's Leader Price. With their soft discount proposals they took rapidly over the market, and differ highly from the original German discounters because of:

- More elaborated merchandising, the assortment is presented in aisles such as those in classical retailers, not imposed circulation sense, among others.
- Larger and deeper offer with bigger presence of fresh products.
- Larger than 1500 square meters sales surface, offering more space to the consumers than normal discounters.

Other classical French retailers have come out with the what can be called evolution of the hard discount. A mid-way between the normal hard discount and the supermarket; these actors are Auchan, and its Simply Market, and E. Leclerc's Leclerc Express. In example, Simply Market handles around 7.000 to 8.000 references; the offer is no longer limited to MDD (own brands) but also national and renown brands; and a larger than 1.000 square meters sales surface.

2.3. A highly concentrated market

The market share analysis brings out four big chains of discounters:

- The German Lidl leaders the French hard discount market with a share of about 34%.
- 13% below Lidl a second group, the Challengers, obtain market shares between 16% and 22%. They are Leader Price (France), ED (France), and Aldi (Germany).

- The fifth operator is Netto, which remains with a weak market share not bigger than 6%, the sixth one is Le Mutant with an even smaller share, oscillating between 3 and 4%.

TABLE 5: Market share per year of the biggest discounters

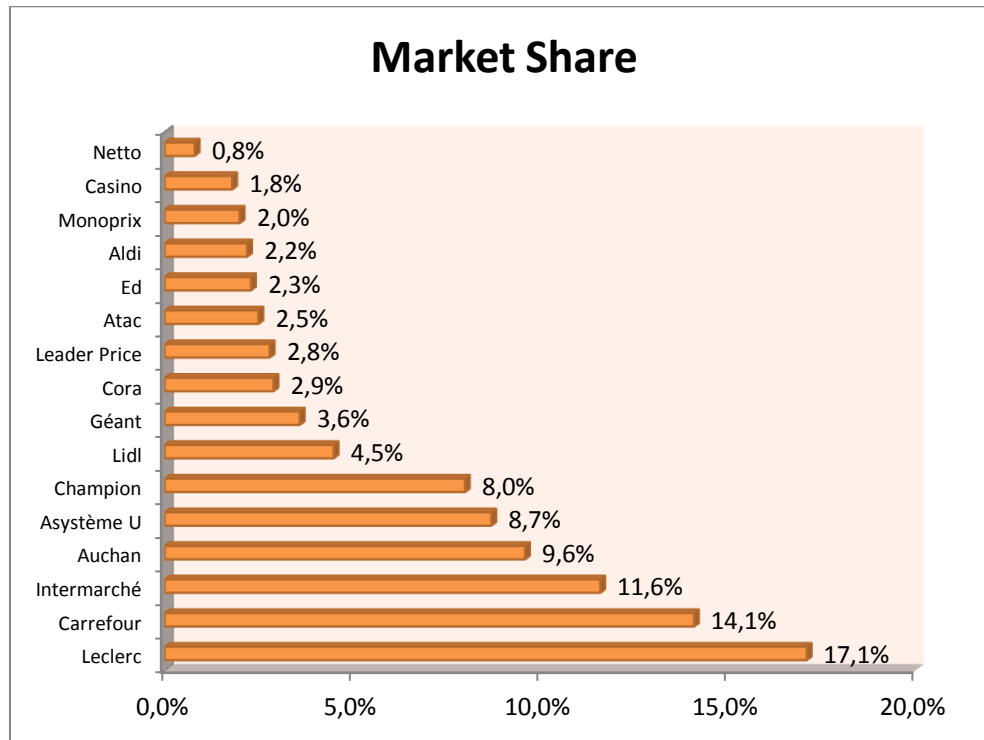
	Company	2005	2006	2007
The Leader	Lidl	30,1	31,3	34,1
	Leader Price	25,6	23,7	21,2
	ED	16,5	17,6	17,4
	The Challengers	Aldi	15,8	16,8
	Netto	5,3	5,3	6,1
	The followers	Le Mutant	5,3	5,3
The new comers	Simply Market, Leclerc Express, etc			

Source: Self elaboration with Eurostaf DATA

The hard discount sector in France, this way, is a highly concentrated market, only the first four companies hold about 90% of the total revenue of the market (only the first three chains account with 65% of the share).

In the overall market of food distribution, the maxidiscount chains are still very far from reaching the sales level or the strengths more traditional companies have had in France for decades.

GRAPH 2: Market Share



Source: Self elaboration with Eurostaf DATA

2.4. CONCLUSIONS

The Hard Discount retailing is still a market with potential growth in a mature market like France. It is possible that discounters in bigger economies like Germany achieve to dominate the market regarding the classical retailers, but in France the homework is still unfinished. Even in the country that has one of the most developed retailing sectors in the world, and having present all kinds of formats, it is unbelievable to think that still there are people who assume that shopping in a discount store is only meant for low income people (40% of the customers come from above the median income), still hard discount chains need to become the main store and not that for the repurchase of products, something I would call the ‘second dish in the meal’.

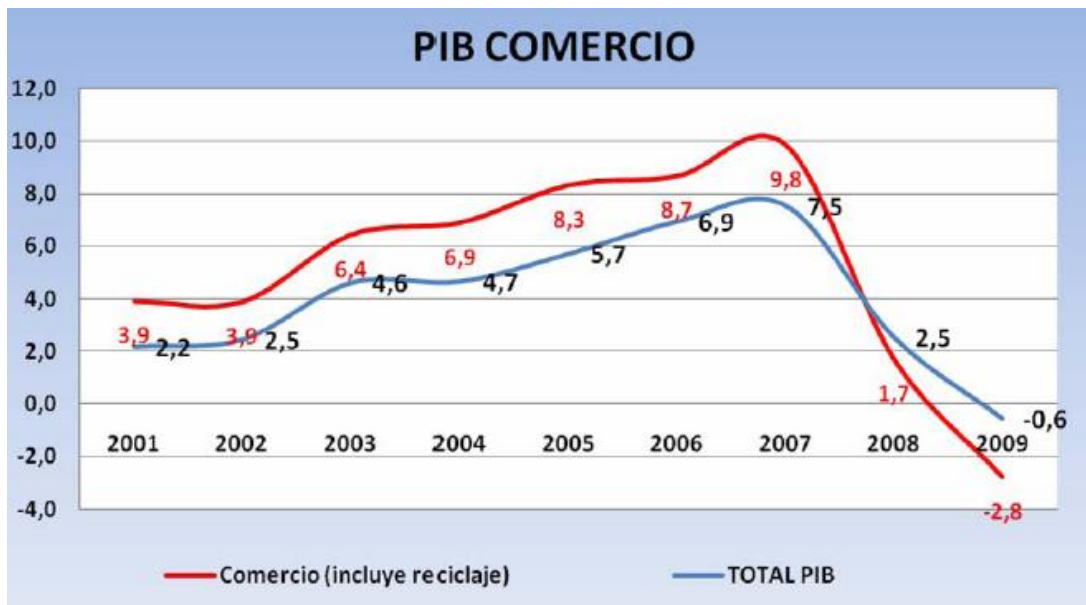
A highly concentrated sector, in which only 6 companies hold up almost 90% of the total sector revenues, an outstanding increase in the penetration of hard discount: having increased in 25% the number of shoppers who in 2007 entered at least one in a discount outlet. More than 15% of the total revenue of the retailing sector goes to hard discount, being a far lower percentage some years ago. French Hard discount is a world class sector waiting to unveil all its power and sophistication, otherwise it wouldn't be for any reason that French companies are establishing hard discount formats in abroad subsidiaries, like Casino's Exito in Colombia, opening Q'Precios.

3. COLOMBIAN RETAILING AND HARD DISCOUNT SECTOR

3.1. Colombian Context: Actual State of Retail Sector

In order to talk about the actual state of the retail sector, it is important to highlight that as well as other economies in the region, the country had had a big economic growth during the period 2001-2007 on an average of 7% per year, a figure slightly higher than that of the national GDP growth. However, and due to the world financial crisis, in 2008 and 2009 the country went onto and economic slowdown showing annual and quarterly growths reduced, showing a fall in 2,8% during the first trimester of 2008 (compared to 2007), and 1,7% during the first quarter of 2009 compared to the year before.

GRAPH 3: Change (in %) of Colombia's National GDP, and retailing sector GDP.



Source: DANE and BPR Benchmark and Associates

GRAPH 4: Annual revenue growth of hypermarket and supermarket retailers.



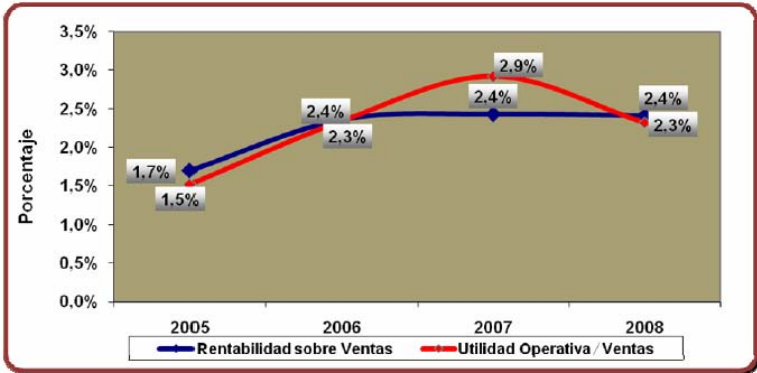
Source: BPR Benchmark

However, and due to the retailing of ‘comercio minorista’ in Spanish is a broad industry encompassment in Colombia (ranging from food distribution up to Car parts), the sales of the food distribution chains actually grew in a higher proportion compared to other sectors. An explanation to that is the presence of new and stronger international retailers and the opening of new outlets and formats in big and intermediate cities.

3.1.1. Financial Evolution

- **PROFITABILITY:** The operational profit was situated in 2,3% for the year 2008, shrinking form 2,9% on 2007. In the other hand, the Net Profit (Net Profit/Total Revenue) was 2,4% in 2008. It is common in Colombia, as well as all around the globe, to see these particular low margins, during the last four years the figures did not achieved margins over the 3%.

GRAPH 5: Operational and net profit



Source: BPR Benchmark

- **ASSET INCREASE:** In the fourth quarter of 2008, the big supermarkets and hypermarkets increased, as well as during the same for the same whole year, an increase of 7,4% of the sales surface compared to the same period in 2007. The accounted 22.245 thousands of sqm in total available sale surface. The companies with the biggest assets value are ALMACENES EXITO S.A. owned by the French CASINO, with \$5,93 Billion COP (2,51 billion EUR) 5,7% higher; GRANDES SUPERFICIES DE COLOMBIA S.A., owned by world’s second biggest retailer the French CARREFOUR 1,31 Billion EUROS, with a yearly increase of 3,1%; and the Colombian SUPERTIENDAS OLIMPICA 622 million EUROS with a yearly increase of 24,6%.

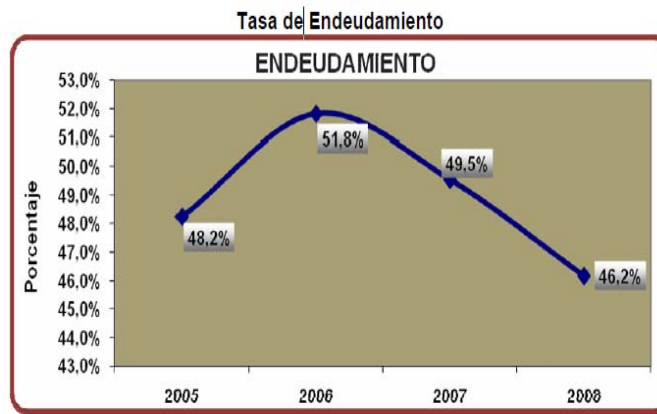
GRAPH 6: Average Asset increase rate



Source: BPR Benchmark

- **DEBT:** in the last three years the debt ratio has been decreasing. It could be easy to infer that the generalized expansion policy the retailers are carrying out in the Colombian context is leveraged by own resources rather than debt.

GRAPH 7: Indebtedness.



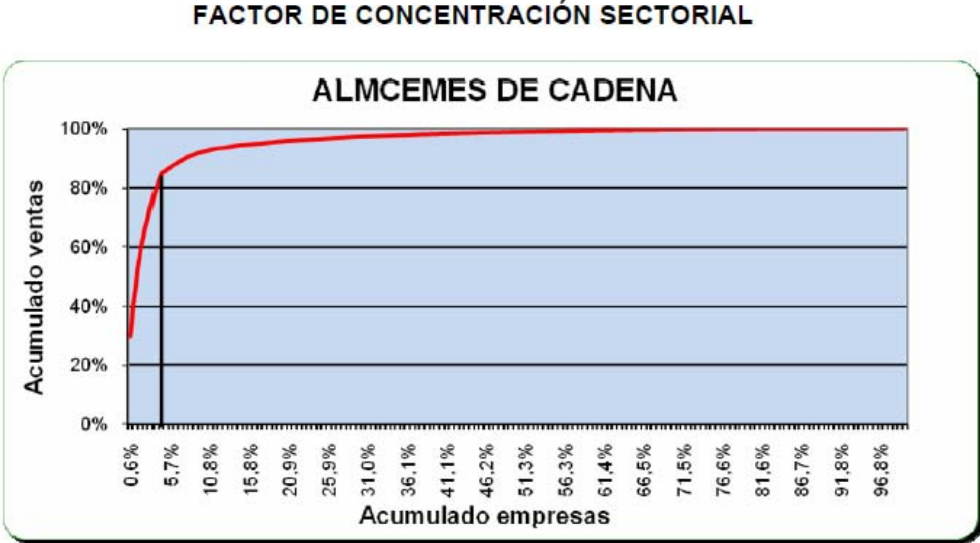
Source: BPR Benchmark

3.2. SECTOR CONCENTRATION

The overall total income of the sector is generally tied to the behavior of a certain number of companies that account over the 80% of the total sector. Unless Colombia y a country in which the SMEs achieve to create and hold most of the employment force of the country, the big organizations are those that dominate the market. The small ‘neighborhood’ stores present in low income areas (a model widespread all over Latin America) and competing

directly against big organizations are generally owner-ran businesses that do not account for significant revenue.

GRAPH 8: Sector concentration factor



Source: BPR Benchmark

According to the study “Almacenes de Cadena (Real – Comercio al por mayor)” conducted BPR Benchmark, a sample was conducted choosing 158 of the overall universe of companies in the sector. As an example of the high concentration, the first 6 retailers, or only the 3,8% of the sample account for the 79,5% of the total sector revenue. The companies with the highest amount of sales are:

1. Almacenes Exito S.A. (CASINO). Sales of 2,51 Billion EUROS, 21,7% higher than the year before.
2. Grande Superficies de Colombia S.A. (CARREFOUR), revenue of 1,34 Billion EUROS, 41,5% higher than the year before.
3. Supertiendas y Droguerías Olimpica. Sales 1,05 Billion EUROS, (16,4% higher).

GRAPH 9: Top ten retailing companies in Colombia by revenue in 2007

Nº.	NIT	RANZON SOCIAL	Ventas Netas	Acumulado Ventas	Acumulado empresas	Utilidad Neta	Rentab. Vtas	Rentab. Patr.	Endeudam.
1	890900608	ALMACENES EXTO S.A.	5.930.680	29,8%	0,6%	153.322	2,6	4,5	42,8
2	830025638	GRANDES SUPERFICIES DE COLOMBIA S A	3.169.285	45,7%	1,3%	113.159	3,6	5,8	37,5
3	890107487	SUPERTIENDAS Y DROGUERIAS OLIMPICA	2.479.577	58,1%	1,9%	52.611	2,1	8,2	56,5
4	890900943	COLOMBIANA DE COMERCIO S A	1.616.175	66,2%	2,5%	35.139	2,2	7,4	45,8
5	860002095	CARULLA VIVERO S.A.	1.429.718	73,4%	3,2%	22.682	1,6	3,9	36,3
6	800242106	SODIMAC COLOMBIA S A	1.218.340	79,5%	3,8%	41.876	3,4	14,7	63,9
7	890300346	ALMACNES LA 14 S.A.	992.027	84,5%	4,4%	20.646	2,1	5,6	56,7
8	900017447	FALABELLA DE COLOMBIA S.A.	280.112	85,9%	5,1%	-3.926	-1,4	-4,7	68,1
9	890900138	CACHARRERIA MUNDIAL S A	242.188	87,1%	5,7%	4.810	2,0	4,7	22,2
10	900067125	FRIGORIFICOS GANADEROS DE COLOMBIA S	202.989	88,2%	6,3%	4.596	2,3	4,9	41,8

Source: BPR Benchmark

Among the 82 economic sectors in Colombia, the retailing is the most concentrated one. The **Concentration Factor**, defined as the average accumulated sales index over the average accumulated number of companies, is 20,94. It is important to highlight that according to the Principle of Pareto, a score of 1 is granted to an economic sector with absolutely no concentration.

3.3. Different formats present in Colombia

In 2005 Panesso defined the retailing sector in Colombia as a sector with an incredible growth potential. Unless its structure is pretty much similar as that in the United States, there were a few formats that were not present in the country, now, that some formats and brands are being introduced by the world-class retailers, the overall sector's structure resembles more (regardless the relative small size) to those in more 'industrialized' countries: more formats, more brands, more international presence, but always more offer to the customer.

There were two types of retailer definitions: 1. By type of store, and 2. By store format.

1. BY TYPE OF STORE:

- Food stores: any type of outlet with food within the overall offer. Perishables, canned food, plus any type of non food line offering.
- Supermarket: Any food auto service store with an established minimum level of sales and size.
- Convenience Stores: Any type of auto services of edible products offering a line of high convenience products. Easy access and generally opened for long period of time.
- Independent: an operator with less than eleven outlets.
- Chain: Operators with eleven or more outlets.

2. BY STORE FORMAT:

- Conventional Supermarket: the original supermarket format offers a complete line of edibles, meats, among others. Average number of references of 15.000. An example is Carulla Vivero S.A. (now, part of ALMACENES EXITO (Casino)).
- Superstores: a bigger version of the supermarket, with at least 40.000 square feet of sales surface, and 25.000 references. Superstores regularly offer big varieties of non food products.
- Drugstore and Food: a combination of a drugstore and superstore under a single roof. An example, Olimpica.
- Super warehouses: A big amount format, aimed to supply small retailers and institutional clients. And example in the country is Makro, not a widespread model.
- Hard Discount: an unexplored model in Colombia with a huge growth opportunity. A couple of years ago, Exito explored the segment with Q'Precios, which has not gained yet any mass awareness.

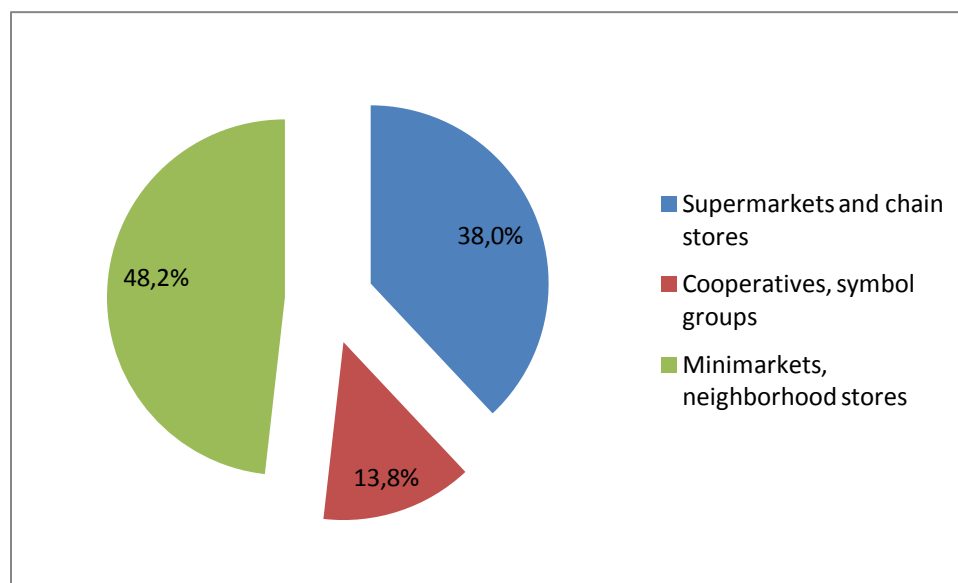
- Convenience Stores: as already explained, small stores with high margin products, new actors are being introduced to the market, like the newcomer Oxxo from Mexico.

Panesso did not state the ‘neighborhood stores’ or the high margin small size stores highly widespread all around the country serving low income neighborhoods (Panesso, 2004) which are going to be explained later in the present work.

3.4. The Real Core of the study: HARD DISCOUNT IN COLOMBIA

Since Colombia is a country in where almost 40% of the population live in poverty levels and nearly 15% (7'000.000) live beneath the poverty line, the need for low prices and competitive food is overwhelming (Naranjo, 2010). In 2003 48.2% of the total retailing market was dominated by the small stores and minimarkets generally independent and owner-run (Panesso, 2004). The main reason because of this format is that successful and is a leader in the market remains in the fact that as having the population a low income, the opportunity for long term food shopping is less likely.

GRAPH 10: Market share according to format



Source: self made with data from “Comercio de Distribución Masiva” Panesso

Among the other major reasons this format in Colombia is far from being displaced are the low level of assets and investment needed to operate, the low level of staff required: most of the times these stores are served by their own owner and family members. They offer the delivery services, even available on Sundays and after working hours; have a simpler less 'dramatical' relationship with suppliers: paying in cash and receiving big discounts. In some cases costumers prefer small stores because of their convenient location and the opportunity for them to obtain credit from the storekeeper.

Thus, the opportunity for hard discounters is huge in a country where price is an important reason for purchase: in Europe and according to Eurostaff most of the times one can save up to 30% in these stores compared to big chains. As the size of the stores is not as extensive as bigger outlets like hypermarkets or superstores, the penetration into densely populated areas may not be a significant problem. Recently the Colombian subsidiary of the French Casino, Almacenes Exito opened a new chain denominated Q'Precios, that even if not directly classified into the hard discount format, their characteristics unveil them: sales areas of less than 400 square meters, little references, and the most important: the presence of Marques de Distributeurs (MDD) or own brands (Leader Price) (Revista Dinero, 2010). There are also present very scattered small chains with few outlets, but anyone with a significant market share or even awareness in the consumer mind.

In conclusion, the most important barrier a hard discounter has to overcome is the customers paying methods. Even if neighborhood stores margin in big proportions, the opportunity for the costumer to buy a single product or smaller units or the products makes the multiple and/or big packaging typical retailers offer. As power purchase in Colombia is very much lower than that in developed countries, low income customers cannot afford to buy for long periods of price, or even weeks in some cases, so the need for more repetitive purchases. In further parts of the present document the market study conducted in low income customers (target) mentioned that some of the times they preferred to shop in neighborhood stores due to the credit given by the storekeeper, a proof of the previous statement.

There are more than 320.000 minimarkets and neighborhood stores in the country (at least legally established, the figure can be far high including informal stores), but regardless all the effort big chains are putting on them the market share remains constant. An exceptional way to try to break that tendency is, in my opinion, the hard discount format, whether if they are national or foreign chains (Aldi, Lidl, ED, DIA%, etc) the ones responsible to penetrate the market. It would be a big relief to the customers purchase and a great chance to dominate the retailing market of the fourth biggest economy in South America: Colombia.

3.5. Conclusions

The total GDP (Gross Domestic Product) of the retailing sector in the country since the year 2007 suffered from a slow down tendency, in 2008 the yearly growth was of about 1,7% and in 2009 a fall of 2,8% was evidenced. The total sales of the big retailers and hypermarkets reported to the DANE (Colombian National Administration Department of Statistics) showed a total revenue of COP \$9,77 billion in 2008 (not the whole sector).

As well as other sectors in the economy the retailing saw a slow down, unemployment, and household purchase power also dropped, which, in parallel did not reflect in the revenue of the three biggest actors in the Country. In 2008 Exito, Carrefour, and Olimpica managed to increase their total sales. However, in 2009 the second biggest retailer of the country increased its income due to the introduction of new formats and new brands present in the world but unknown in the country, such as the retailer's wholesaler Atacadao.

4. CROSS CULTURAL CONSUMER BEHAVIOR

4.1. Why : Cross cultural consumer behavior (looking with other eyes)

One of the most important aspects when dealing with cross cultural consumer behavior has to be with: looking with other eyes. It is not just about having varied perspectives of the environment; it refers mainly to how culture influences consumer's behavior. Looking things with the same perspective (with the same eyes, to follow the idea) means that all the theories, models, studies, motivations, needs, and general aspects related to consumer behavior, are in fact: universal and general to everybody. That is the main objective of this part, to try and use different perspectives to given situations, perhaps, it can be an easier way to understand issues regarding culture.

According to Usunier and Lee (2005) there is an easy way to understand whether if consumers and their consumer's behavior is universal or specific, the authors suggest four different perspectives that do not complement nor dismiss any of them:

1. **Global Perspective:** it is referred to Globalization as a process and a phenomenon actively implemented worldwide, and more, reproduced (SINGH, 2004), that in its purest form is not so widespread and makes, mostly sense in specific cases where consumers do interact widely with different cultures along their lifetime. In the other hand, the *global perspective* is, and has been, highly used for designing profitable and successful marketing strategies. It is not difficult to see in the streets how companies around the globe use same products and services to different cultures and countries. But what is successful in some countries may not be in some others. For example, initial Red Bull energy drink, as response to the globalization strategy implemented by the company was introduced to China exactly as it had been done elsewhere and it market's answer was a lot poorer that forecasted: Chinese people did not like the original recipe (Lee & Usunier, 2005).

2. **Imported Perspective:** the offers are custom made to local markets but the basic theories and perspectives are not changed. They allow marketers to recognize important differences in consumer behavior that mainly have to do with cultural issues and require some type of adaptation (Lee & Usunier, 2005).
3. **Ethnic consumption perspective:** usually, for what has been observed all around the globe in countries with high rates of immigration, immigrants tend to carry with them their values, habitudes and behavior. This can be one of the main aspects of the cross cultural consumer behavior issue, because of the introduction of modifications in consumption patterns by ethnic consumption into affected countries; and many ethnically related products have managed to gain universal awareness by being adopted in lots of countries, due to some reasons such as migration or tourism. Or who hasn't seen a Mexican restaurant in a small town in Europe, among others (Lee & Usunier, 2005) .
4. **Cultural meaning perspective:** as being marketing a process in which communication and exchange interact, usually when consumers buy objects acquire meanings too. One of the clearest example can be French luxury fashion retailing: if a woman can buy a \$1 dollar watch why would she spend thousands in buying a Cartier? There is an underlining meaning (very powerful in some cases), as well as for thousands of other situations: cars, furnishing, fashion, and even food!

4.2. Culture and consumer behavior

According to Lee and Usunier (2000) Culture has very important components among consumer behavior, even if it still counts on several universal aspects. How cultural influence on the way consumer behaviors can be explained by the following:

1. Needs hierarchy
2. Individualism and collectivism, referring to values touched by cultural values, and differing regarding which actors are involved.
3. Some important aspects influencing consumer behavior: Institutions, social conventions, habits, and customs.

4.2.1. Needs hierarchy

Generally, culture has a high influence in the Maslow's 'Hierarchy of Needs' on two levels. The first and most important one states that it is not true that every need has to be exceeded in order to pass on to the next one. And in the second hand, that needs that may resemble could be satisfied by totally different kinds of products.

According to Maslow's pyramid, the physiological needs encompass the most basic ones: air, water, food, and sleep. In order to reach the next stage in the hierarchy, safety, they have to be completely overcome. Safety needs refer to those in which the individual shelters from physical and emotional harm from the environment. Next level, Social Needs, intends to clear out that only after meeting lower level one's higher level motivators awake. They refer to friendship, love and group belonging. Esteem needs is the desire of respect from others. And the last, and superior level is the Self-Actualization, it refers to the quest of reaching one's full potential as a person (truth, justice, wisdom, meaning) (Envision Software, 2007).

GRAPH 11: 1943 Maslow's hierarchy of needs.



Source: Envision Software

The influence of economical development is people's needs satisfaction is very strong. In low income countries, people strive to fulfill the lowest levels in the pyramid, the survival ones. Although some cultures encourage people to fulfill higher need levels, like self-actualization, even if the normal standards are not completely satisfied according to every western person's eye. In other cultures, like the Latin American one, people deprive from

shelter needs (like paying the monthly rent) in order to purchase typical higher status goods, like known brand clothes.

Thus, it is not true from a cross-cultural point of view that every need in the hierarchy has to be overcome before passing on to the next one: the cultural background has to be highly studied and analyzed before intending to launch any strategy in a different culture to the western one. (Lee & Usunier, 2005)

4.4.1. Individualism and collectivism, referring to values touched by cultural values, and differing regarding which actors are involved.

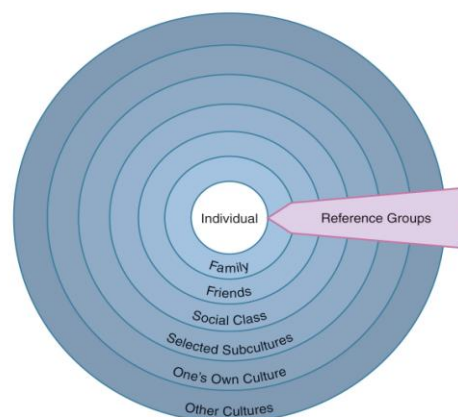
Mostly all marketing literature refers to an individual consumer making his own decisions. Individualism is still the core of the marketing theories, social intentions emerge in marketers imaginary. It is stated that usually when individuals pretend to make a personal decision it is a group that has some influence in them, that may be called as a ‘we-intention’. The cross-cultural issue comes when to the same activity it is the groups that influences differently in the individual’s performance.

Another important are that has been depicted is the special attention paid on industrial marketing and the family decision making. Industrial is as simple as everything concerning a organization’s purchase process; while the family decision making process can be slightly more difficult: Families were known before as a set of completely set of individuals, whereas the *organic* vision of the family refers to a group, or an organic entity that not only live together and share interest but is a potential influence among the other family members. In the early 2000s a Renault marketing campaign in Colombia depicted the influence of children in a car purchase; probably one of the most important purchases a person does in his entire live is influenced by their young children. Although that example reflected the important of family in the western culture, it is much more interesting the presence of an ‘organic family’ in eastern cultures: Japanese, Chinese, Vietnamese, etc, value in a higher level their family in order to take decisions that were initially supposed to be personal ones (Lee & Usunier, 2005).

In the other hand, there is the important presence of the INDEPENDENT and the INTERDEPENDENT self. When people buy things they usually give values to their purchase: they can be either totally personal or influenced by their surrounding values. In the more western point of view, the INDEPENDENT SELF, can be more explained by the slogan ‘Be yourself’, which means to try to encourage the person over the group (however decisions, even in western cultures, are not usually completely taken by the individual alone, there is certain outer influence). In the INTERDEPENDENT self, more present in eastern cultures is based on the assumption of collectivism, which means that decision taking processes are highly influenced by family and social members.

According to Dalla Pozza (2010) and Echeverry (2008), consumers in their social and cultural settings have several actors applying some direct or indirect pressure on them: Reference Groups, Social Class, Subculture, and Culture. In the reference groups, a person or a group serves as a point of comparison (or reference) for an individual in the formation of either general or specific values. Where as in an Indirect Reference group, it is and actor with whom a person identifies but does not have direct face-to-face contact, such as movie stars, sports heroes, political leaders, or TV personalities (very present nowadays in world-class advertisement campaigns).

GRAPH 12: Schiffman & Kanuk’s Major Consumer Reference groups



Source: Consumer Behavior Lecture, Illaria Dalla Pozza, 2010

According to the graph above, it is important to highlight the importance of the family on individual decision making, it is the first influence the individual has: parents impart to children the basic values and modes of behavior consistent with the culture (such as moral and religious principles). Parents influence 'consumer socialization', the process by which children acquire the skills, knowledge, attitudes and experiences necessary to function as consumers. (Echeverry, 2006)

4.4.2. Some important aspects influencing consumer behavior: Institutions, social conventions, habits, and customs.

Institutions have always had a huge influence in the marketing environment. One has only to stand in a sidewalk in a crowded city and it wouldn't be difficult to see that patterns of people's behavior repeat, even if each actor can differ from each other. Every country, city, and culture is influenced by more transcendental beings: in the African and Muslim world the influence of God even in the way the country is ruled is not highly, is THE most important thing: in some of those countries homosexuality is a felony that has to be paid with capital punishment. On the marketers side, it would be impossible for Diageo to market and sell their products in Saudi Arabia, not only because the laws forbid alcohol consumption, but also because Islam forbids their believers to ingest alcohol.

Habits and customs are also one of the most important aspects of consumer behavior, they are somehow the key to being successful in a market. For example, it is curious to see how North American people when getting to Latin American countries tend to get slightly out of habit: for them the lunch is a quick moment in which a simple sandwich fills the expectations. For Latin Americans, lunch is a moment of the day (even if lunch breaks are shorter than in Europe) in which lots of prepared food are consumed and it represents a short break of social interaction.

4.3. The Influence of culture on selected aspects of consumer behavior

There are certain aspects of consumer behavior that are influenced by cross cultural issues. They are mainly but not limited to: perception, motivation, learning and memory, age, self-

concept, group influence, social class, sex roles, attitudes changes, decision making, purchase, post-purchase, among others. For example, regarding age, the cultural differences refer to the knowledge of people about their exact physical and mental age, the values of younger and older people in societies (in Japan people in their fifties are still very important to the labor market, they are valued and respected, in Latin America, mature people in their fifties, are considered as obsolete), influence processes across age groups, and finally how is purchasing power distributed across generations. (Luna & Gupta, 2001).

In the other hand, there are important aspects that cultural issues have big impact on, they are: loyalty, consumer involvement, and legal marketing environment.

- **Loyalty:** There are two main types of consumers regarding loyalty, loyal consumer, and disloyal consumers. Loyal, are those that repeat their purchases on a regular basis, buying the same product, or the same brand, or at the same store, or at the same webpage. Doing that, would narrow their chances to try new and probably better products that the competition may offer. However, disloyal consumers are those that try new products, which shift from one brand to the other, and that regularly do not stay with the same brand for a long period of time. Being loyal is more characteristic of a collectivist culture, the Asians, as a lot of aspects about the product and the buyer himself dominate the spectrum. Reference groups are still important for them, they buy the same products their families try and feel comfortable with. Loyalty however is not that common for western cultures: Americans respond immediately to sales and promotions, it is actually normal for them to switch brands and products, and companies expect that from them.
- **Consumer involvement:** The involvement of consumers regarding products and purchase vary between cultural backgrounds. For Americans for example, the purchase of domestic electrical appliances (refrigerator, stove, etc) represents a low involvement purchase, as they go to an average store and purchase them. For low income Colombians, the purchase of a fridge can represent a life changing experience, as there is a fewer money to spend, there is a high level of purchase involvement.

- **Perceived risk:** there are several types of perceived risk, present on every stage of the consumer's being: physical risk, financial risk, social risk, etc. Cultures and countries have more dispositions regarding certain risks: in countries where there is high political stability, investing in sovereign papers can be considered as a low financial risk (without taking into account the inherent risk of security trading).
- **Legal Marketing environment:** marketing has to be always aware of what kind of product is trying to promote and at which type of consumer it is addressing to. The marketing of toys and products for children and babies has actually to be more responsible because they are aiming a target that cannot defend by their own means. In the other side, and as explained above, it is vital to understand the moral values of the country: it can be considered immoral to use a woman in bikini in a TV ad in Iran, but not in Mexico.

4.4. Ethnic Consumption

4.4.1. The integration in a foreign culture

Ethnic products and consumption have gained lots of attention in the last years and becoming an important reality in the modern consumption culture. The international aspects of ethnicity result in two parts: 1. the international flow of people, through migration, and 2. those migrants introduce new consumption opportunities.

Berry (1987) proposed a model of adaptation and adjustment process in the acculturation of migrants, which led to four different strategies:

1. **Assimilation:** the migrant acquires the new culture and does not maintain his original one.
2. **Integration:** Is to acquire the guest culture and still maintain the home culture.
3. **Separation:** rejecting the host culture but still maintaining the original one.
4. **Marginalization:** rejecting the two cultures, the new one and the home one.

One of the reasons of adding this part to the present work is because of the two countries the analysis y being done, Colombia and France, the second one has been touched highly

by immigration. It is not only to see in the whole country more than 6 millions of Moroccans (nearly 10% of the total population) adopting either one strategy of the four stated above, or to know that after the second half of the XX century a big wave of immigrants came from other parts of Europe. But the importance of this part remains in the evident and increasing power of purchase immigrants have in France (also in other countries of Europe, like Spain) and also the huge importance these groups are giving to corporations in order to market products. It is not weird to see Hallal food filling up the aisles in E. Leclerc, or to see aisles entirely dedicated to Asian food in Carrefour. Companies around the globe are striving to create new products and services to incoming populations in foreign countries, and also encouraging people to increase their share of ethnic products in the purchases (Trompenaars & Wooliams, 2004) (Lee & Usunier, 2005)

4.4.2. The acculturation strategy

It may not be correct to classify members of a certain ethnic group to a specific market segment. When studying in depth, it is clear that various cultural influences result in mixed cultural values and behaviors. That is, it is possible to see the integration and the assimilation strategy. For example, Jewish immigrants in nearly all cultures managed to adapt to host cultures while still maintaining their strong cultural background (integration strategy). In the other hand, and to reflect a case of assimilation strategy, the Middle East immigrants in Colombia (Lebanon, Palestine, Syria, etc) acquired entirely the host culture while keeping very few aspects of their original cultures.

Assimilation is evidenced when some areas such as the following occur: consumption patterns, employment, having acquaintances different from the ethnic community, and marriage with host culture's people, among others. Assimilation process count on two mechanisms in order to happen: the first one, when it is compulsory to adopt the host country's costumes and habits, driving in the right side in the United Kingdom. The second one, when the change can be left to the willingness to change and adopt the new culture .

4.4.3. Ethnicity as identity

Usually the assimilation process is fully completed after the third or fourth generation of residents in the new country. However, Usunier and Lee (2005) state that there is a resurgence of ethnicity, the identity evolves rather than does the historical identity.

As ethnic consumption is considered such a complex and unstable reality, when dealing with it, some point must be overcome:

1. Special attention to translation or spelling mistakes, those can be found as offending by the ethnic group.
2. The claim of being different is central and.
3. The level of acculturation influences ethnic consumption.
4. Identification needs are 'reversible' and can create ambiguous and contradictory demands: ethnic communities struggle to being integrated in the new society but still look to strongly keep their original culture.

4.5. International Channels of Distribution: Culture and negotiation

To continue with the cross-cultural issues concerning marketing, it is very important for the retailing core of this study to assess the culture and negotiation aspects in international channels of distribution. Nowadays, it is increasingly obvious the evolution traditional distribution channels have had and the advent of new channels crafting the entire business structure. Internet has arisen and it is encouraging a fast development of new infrastructure and competitiveness. Innovation in marketing of new services is the fight for creating services that did not exist before, thus, the need for a rapid evolution of traditional channels and the need to differentiate from one to each other is quite outstanding.

In the other hand, the challenges of current marketers adapt, extend or even success in the international distribution market is huge, therefore the need of understanding briefly the culture and negotiation area. Otherwise, who hasn't ever heard about the American business man who wasn't able to manage a huge negotiation in Saudi Arabia because he was asked what he thought it was a commission?

The 'self-reference criterion', which means the transference of issues of values of one's own culture, if not correctly undergone, can create conflicts on ethical issues. Stone & McCall (2004) mention corruption as being a cultural issue that when put in different cross-cultural contexts can be understood in very different ways. In many parts of the world (Black Africa, the Middle East, among others) the use of family, friendship and acquaintances in a necessary and widespread mean of doing business. Besides, the use of agents and distributors raises the question of commission and bribery. In their book they state a clear example exposed originally by Muna (1980) in which doing business by and with Arabs is slightly more complicated because of the lack of ability to understand and see the dividing line between commission and bribery (therefore corruption).

It is not to state that business people in either Colombia or France do not work if there is no money in between, it is to expose how important it is to understand the cross-cultural issues of doing business abroad. One cannot try to sell goods in a foreigner the same way one would do in the home country. Still, the use of acquaintances is helpful everywhere (Stone & McCall, 2004).

5. MARKET STUDY

5.1. Colombian Consumer Behavior Survey results: ‘Encuesta Proyecto “No Frills” – Proyectos de Inversión’

The main study this project is relying on was conducted in Colombia during the last months of 2009 as part as project of investment opportunities in no-frills and hard discount stores done for the subject ‘Proyectos de Inversión’ (Investment Projects) in my home university CESA Bogotá. The idea of this primary study was to discover the main motivators customers of low income sectors in the biggest market in the country (Bogota) have in order to shop in ‘neighborhood stores’. Several purchasing vital variables were studied: main shopper in a household, as well as price, place, and products bought when food shopping.

Methodology:

Target:

- People belonging to socioeconomic levels 1, 2, and 3. In Colombia according to the place of residence socioeconomic levels (ESTRATOS) divide the population depending on several variables, being 6 the wealthiest, and 1 the poorest.
- Age: 20-65 years old
- Gender: Male and Female

Technique:

- Face to face surveys
- Surveys conducted to target in highly dense populated areas
- Surveys conducted by personal interception of the target

Size of the sample:

A random sample was made in districts where the socioeconomic level was 1, 2 and 3 in the city of Bogota (Bosa, Engativá, Kennedy, and Ciudad Bolivar). The size of the sample

for a finite population of N=3.498.036 people, with an statistic of Z=1,64 for a trust level of 90%, a variance of 0,25 and an error margin (E) of +/- 5%. Resulting in an n=269 surveys.

GRAPH 13: Calculation of the size of a sample for a finite population

$$n = \frac{\sigma^2}{\frac{E^2}{Z^2} + \frac{\sigma^2}{N}}$$

Source: Estadística para Administración y Economía, Pearson.

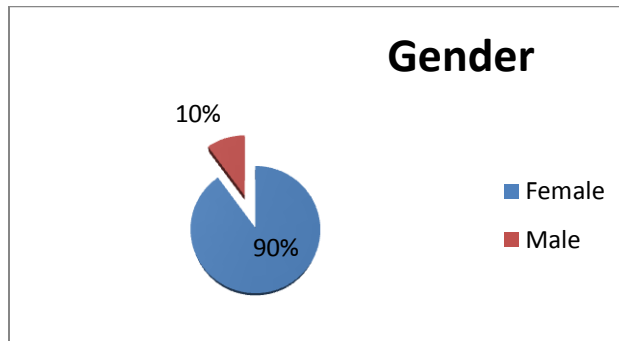
5.1.2. TABULATION OF PRIMARY DATA

According to the type of question and variable wanted to be find out, two types of analysis are going to be performed: univariant and bivariant analysis. Depending on the question and the original variable the conductors of the study believed to be consistent, an analysis of the same variable was made ‘crossing’ it with another one. The first part of the study was the Demographic variables tabulation, then the univariant, and finally those single variables crossed with others (bivariant). The format of the survey translated into English can be found on Exhibit 1.

Demographics

- **Gender:** 238 women were surveyed and 26 men, following the idea that it is generally the female who shops for food in a house hold. The proportion was a 90/10.

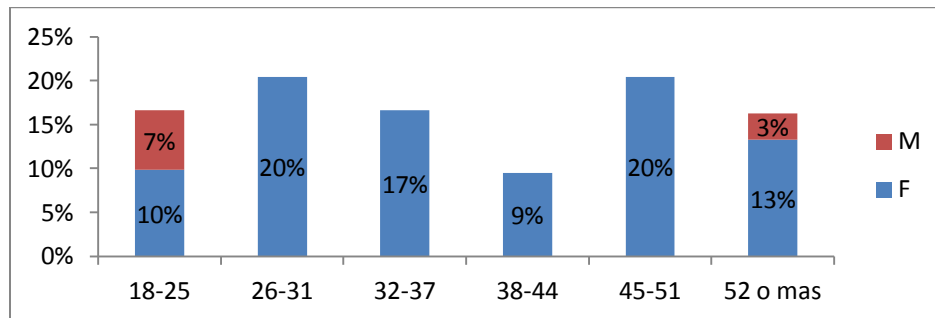
GRAPH 14: Gender of those polled



Source: Self elaboration

- **Age:** The poll was designed with ranges of aage of the target of about 6 years. Being the first range from 12 to 17, and the last one 52 +. The response that repeated the most was from 26-31 and 45-51 with nearly 40% of the total.

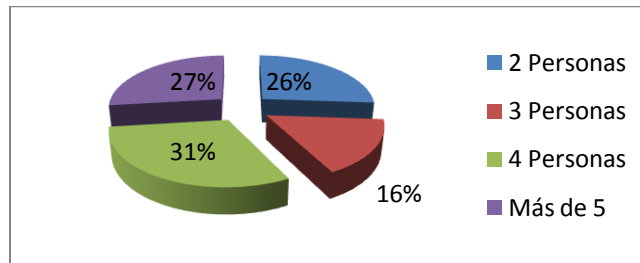
GRAPH 15: Age of those polled, by gender



Source: Self made

- **District or locality:** unless an important part of the study was conducted regarding different localities of the city of Bogota, for the case of the present paper it is not important to expose in detail each zone of the city, as the aim is to compare two countries (Colombia and France), and not different zones of it, as it was originally intended.
- **Question 3: How many people make up your family group?** In the sample 58% of the people surveyed belong to households with 4 or more members. This is important in part to understand and to design the offer to the store.

GRAPH 16: People per household



Source: Self Elaboration

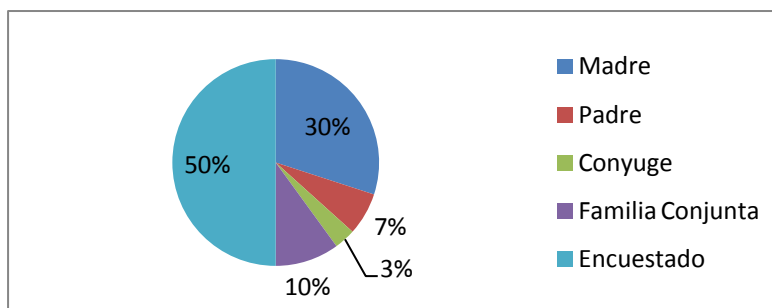
UNIVARIANT

- **Question 5: Who makes the food shopping in your home?**

To the question of who shops in the home, 1 out of 2 answers were given by the surveyed himself (or herself taking into account the vast female majority). In the second place it was the mothers those who shopped.

The answers in order of appearance: mother, father, spouse, the whole family together, and in last place, the surveyed himself.

GRAPH 17: Who makes the food shopping at home?

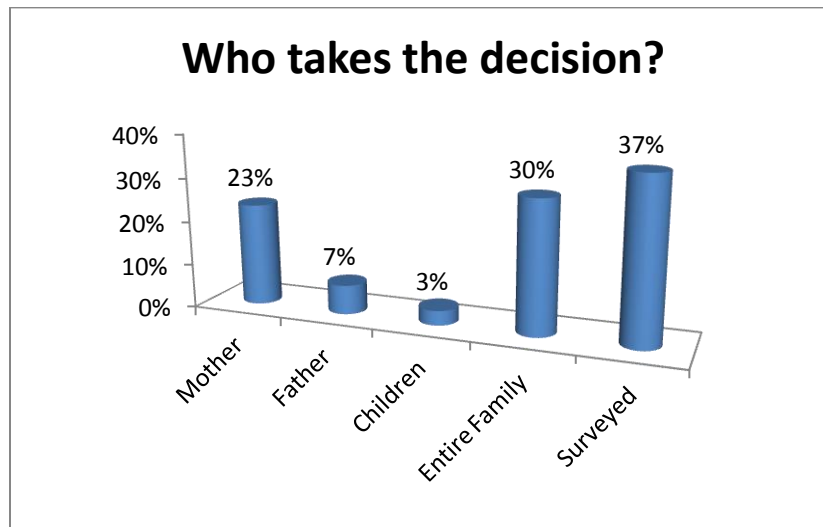


Source: Self elaboration

- **Question 7: At your home, who takes the purchase decision of the food shopping?**

With an overwhelming 37% of the total answers, it is the surveyed themselves who decide what to buy and what not to buy. Most people are influenced at the moment of the purchase by the entire family (30%), or the mother whose children decide what to buy (23%).

GRAPH 18: Who takes the decision?



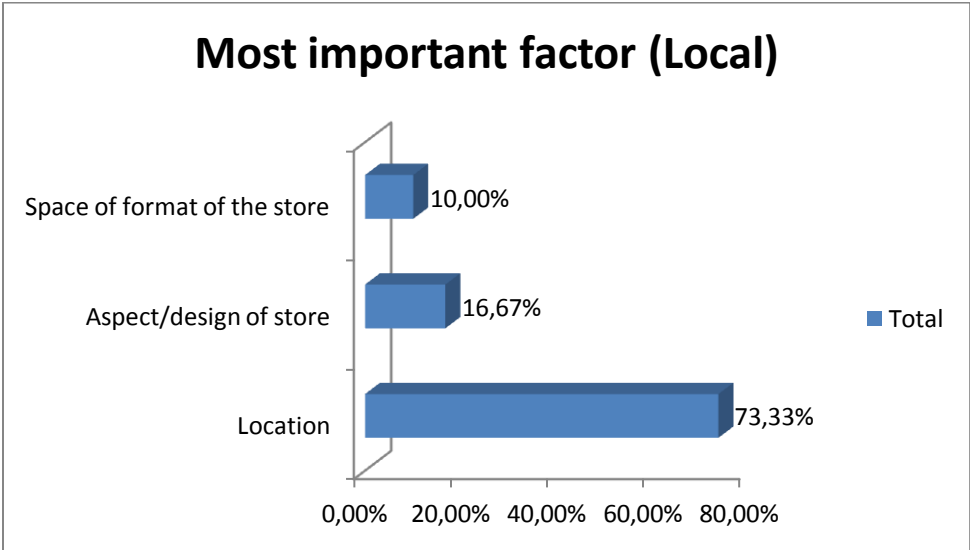
Source: Self Elaborated

- **Question 9: Which is the most important factor when you choose your store?**

Regarding the store's infrastructure this question was querying which the customer's preferences were. According to the following graph, the 73% of the total surveyed choose the store based on their accessibility and location. From that the importance in the opening of numerous outlets in several urban areas of the major cities and towns. As part of the comments many people answered when being polled, some of them said that even if there were stores no matter its format with really low prices, they would not go if they had to pay for a taxi or an expensive mean of transportation (it would be useless to save in the food shopping but spending the saves in the cab, they replied). In conclusion, the simple austere

and plain décor and infrastructure of the European-like hard discount stores would fit appropriately.

GRAPH 19: Most important factor when purchasing

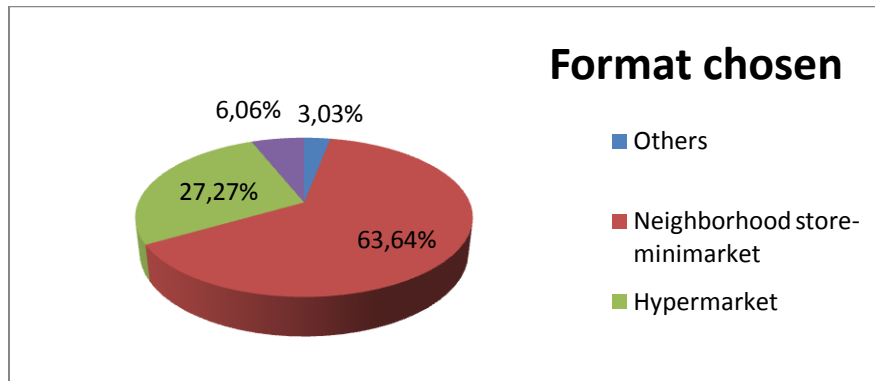


Source: Self Elaboration

- **Question 10: Which format do you prefer to shop in?**

It is no surprising to see how in these socio-economical level, the sample behaves according to the market statistics of low income customers shopping in neighborhood stores. In the other hand, hypermarkets have and important market share but not as predominant as in France, only counting with 27% of the answers.

GRAPH 20: Which format do you choose when shopping?

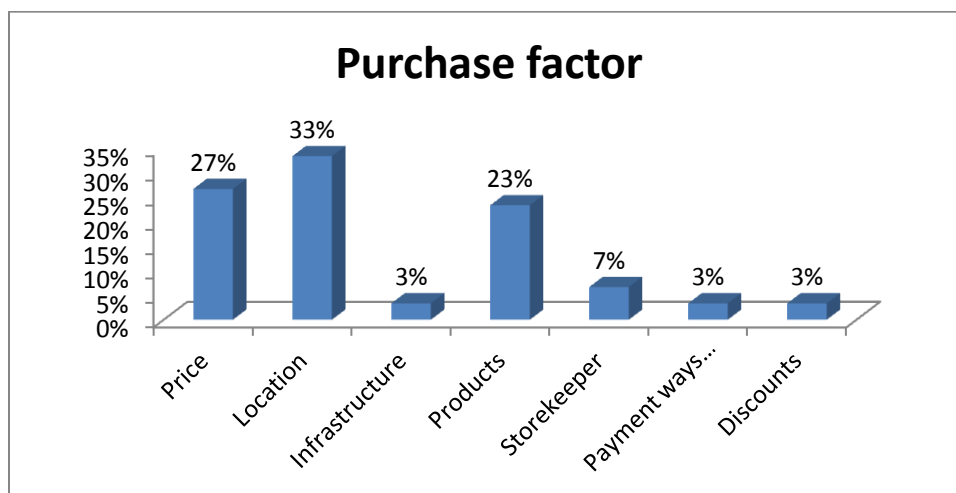


Source: Self Elaborated

- **Question 11: What is your motivation when shopping in the previous format?**

In this question the aim was to query about the factors the customers preferred when buying in the format chosen in question number 10. One third of the answers matched the location. The second factor was the price. However and contrary as explained above, only 3% of the surveyed people chose payment means as the predominant factor when purchasing.

GRAPH 21: Purchase Factor

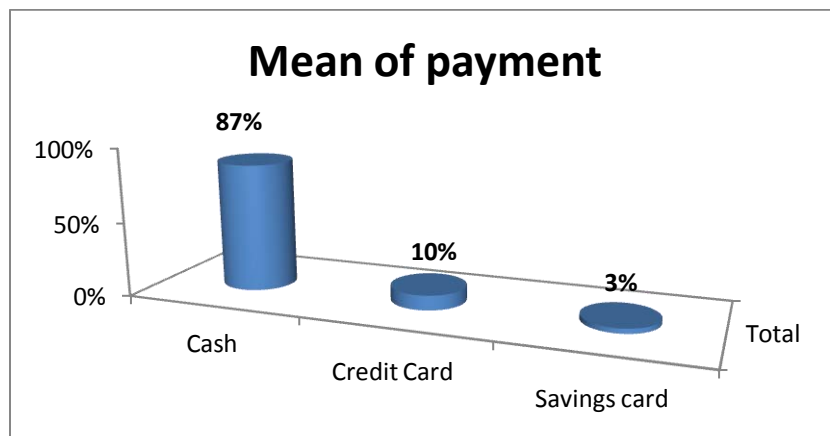


Source: Self elaboration

- **Question 12: What payment mean do you use when shopping?**

Not surprisingly the first mean of payment proposed was the most chosen one: cash. This is a clear evidence of the low levels of access to financial people of poor people in the country, where the rate is not higher than 40%. In the other hand, the 10% of the sample chose credit cards, more specifically the loyalty cards retailers offer in joint venture with banks or other companies, in most of the times offering discounts only when paying with them.

GRAPH 22: Mean of payment chosen

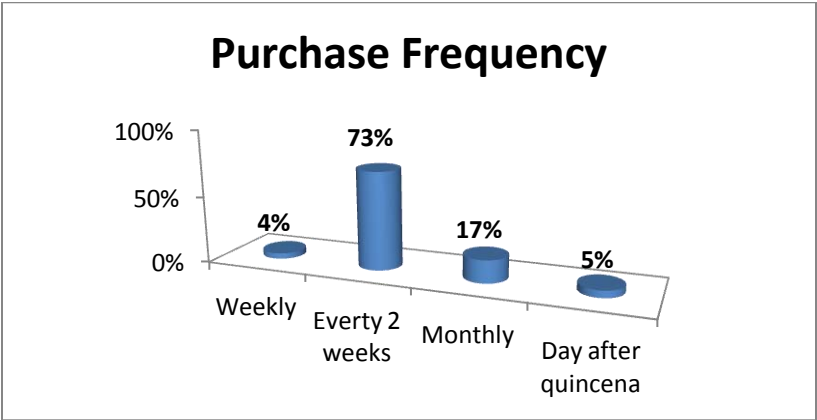


Source: Self elaboration

- **Question 13: How often do you shop?**

Regarding the answers the 78% of the surveyed people show every 15 days, according to the day in which wages are paid in Colombia. It is explained that way because it is the day people actually have cash in their pockets and do not have to turn to other means of financing like borrowing money from someone else or asking the storekeeper for credit. There were questions referring to weekly shopping, monthly or even every three months.

GRAPH 23: Purchasing frequency.

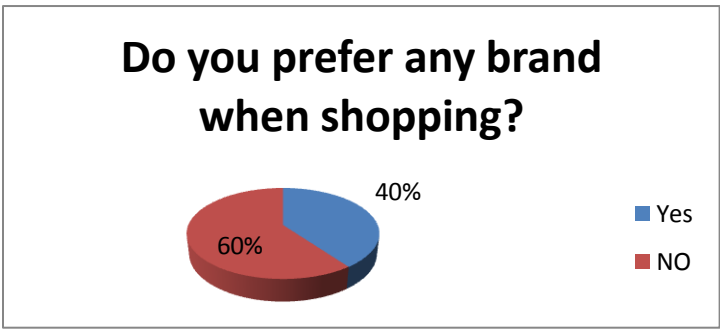


Source: Self elaborated

- Question 16: do you have any preference in the brands you usually shop?**

Most of the people in the sample answered that they did not have any preference of brand and that they could buy products without minding what company/brand produced them. A big number of people answered they indeed shopped Own Brands or ‘Marques de Distributeurs’ because of the affordability and general good quality. It is a big opportunity for the hard discount sector in a matter of being a format mostly based on ‘unknown’ brands and/or MDD whose introduction would not affect people with strong preferences to big brands, like those customers in hypermarkets.

GRAPH 24: Preference for brands

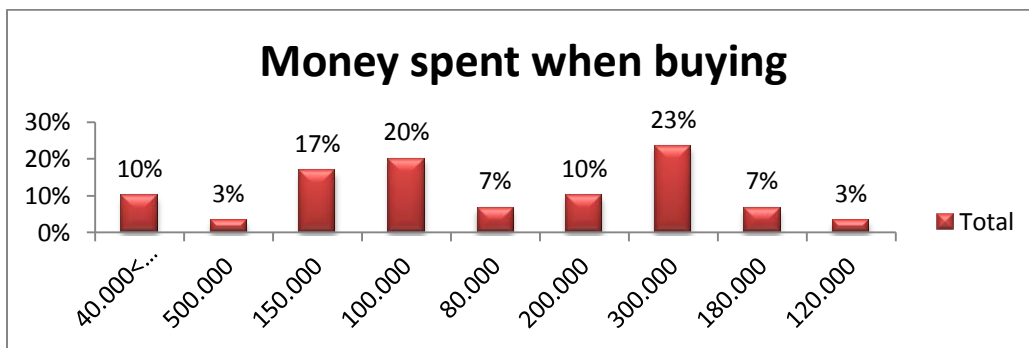


Source: Self Elaborated

- **Question 17: approximately how much do you spend when buying food?**

Before polling the sample about this question the expectations of how much people spent when buying food were very low as we were surveying the lowest socioeconomic levels in the economy. Most of the people declared to be workers and most of them as well declared to live in households of various member in which not only one person would contribute. After proposing several ranges of amount of money spent to people, the most common answer was COP \$300.000 (EUR 130). That would reflect in various national surveys in which it is stated that the item in which people spent the most of their salary was food.

GRAPH 25: Amount of money spent when buying food



Source: Self elaborated

BIVARIANT ANALYSIS

As well as studying each question alone it can be useful to draw some conclusions when crossing variables to see how they would behave. In order to validate the variable crossing it is needed to verify statistically whether if both variables have any relationship or they do not. Otherwise it would be possible to draw conclusions from crossing variables with mathematically absolutely no relationship. The Test chosen is the CHI SQUARE TEST, which is considerably widespread in this kind of demonstrations.

- **Question 14: in proportion, which products are the most cost significant when shopping?**
- **Question 15: Which is the most important type of products for you and your family?**

People were asked to make a supposition: if they would spend \$100.000 COP (43 EUR), in proportion in what would you spent the most money? The answer was meats with one half of the poll (50%), followed by personal hygiene products with more than a quarter of the answers (27%), showing that in the consumer mind those are the two groups of products with the higher prices.

In the other hand, and opposed to the economical value, for most of the people it is fruits and vegetables the most important products (40%) followed by meats (27%). Products of beauty and personal hygiene, even if they are the second most expensive products, are not that vital for the sample. There were people that complained about the high prices of shampoo, toothpaste, soaps, etc.

TABLE 6: Personal importance vs. Economical value

	Personal Importanc				
More economic value	Meats	Grains	Fruits Vegetables	Beauty/Personal Hygiene	Total general
Meats	17%	0%	0%	10%	27%
Grains	7%	10%	3%	3%	23%
Fruits Vegetables	23%	3%	7%	7%	40%
Beauty/Personal Hygiene	3%	0%	0%	7%	10%
Total general	50%	13%	10%	27%	100%

Source: Self Elaborated

Statistical Test:

Chi Test h0= variables are independent with each other

1,6675E-14 h1= variables are dependent

This way we reject the first hypothesis h0 and accept the second one h1, agreeing that both variables have a statistical relationship.

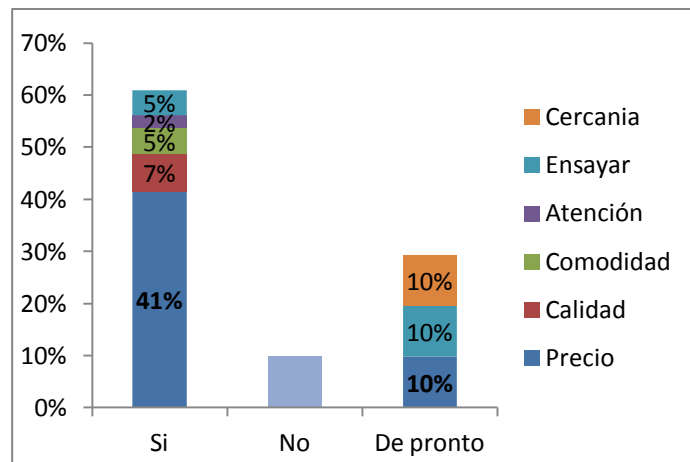
- **Question 18: would you be able to buy in a new low cost chain?**
- **Question 19: What could be the reason of that decision?**

To the first question the 61% of the sample answered automatically YES, while only 10% of them preferred to stay loyal to their current stores and do not try new offers. A third of the sample (29%) answered MAYBE depending on certain factors.

By the way, when asking about the factors of the decision in question 18, 51% of the people chose price as their more relevant factor. While 15% of the said that they would go to new store only for TESTING, and the 10% left, for the LOCATION.

This question is important because this stores are seeking to offer products at lower price levels, and because of being a new comer in the market they have to build on customer loyalty for the first visit (15% of those who would actually try out). In the graph factors from the first to the least one: In the Y axe Location, Trying, Customer Service, Comfort/convenience, Quality of products, Price. In the X axe: YES, NO, Maybe.

GRAPH 26: willingness to buy in new stores vs. motivation



Source: self elaboration

Statistical Test:

Chi Test h0= variables are independent with each other

2,2342E-60 h1= variables are dependent

This way we reject the first hypothesis h_0 and accept the second one h_1 , agreeing that both variables have a statistical relationship.

5.2. FRENCH CONSUMER BEHAVIOR RESULTS

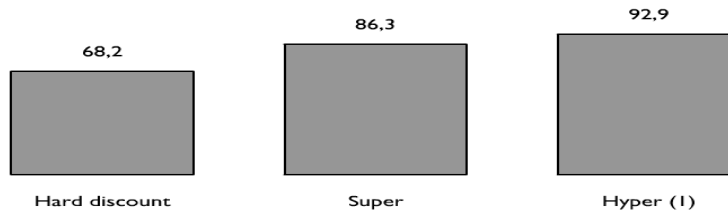
From the beginning of the format in France shopping in hard discount outlets was limited only to low income people belonging to the least wealthy social classes. Up until the 90s shopping in these stores was considered prestige-less and only limited to those with modest income. A decade later, from the 1990s up until almost the first half of the 2000s new types of costumers were recruited, like seniors, or CSPs looking for cheaper food, in what the economic purchase would then be considered as the 'smart purchase'. From the second half of the present decade until now, the smart purchase becomes something less innovative and a bigger base of clients was present, more appropriate to the general clientele of the retailing sector.

- **Circuit Frequentation:**

In 2007 almost 70% of the costumers evaluated did agree when asked about if they had visited during the year a hard discount store, unfortunately a figure way below what hypermarkets and supermarkets showed. However, in less than ten years the hard discount managed to gain 25% reaching almost the 70%, something remarkable, making the maxidiscount sector key in the overall French Retail (EUROSTAF, 2009).

GRAPH 27: Penetration rate per format in 2007

Comparaison du taux de pénétration par format en 2007 (en %)



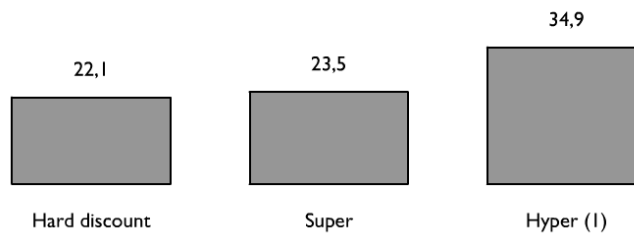
Source: Eurostaf

- **With average money spend per basket...**

Despite the low prices, the hard discount in France shows an average basket of 22 EUR per every visit, close to those in supermarkets, but inferior to hypermarkets (34,9 EUR). That shows that the hard discount is not being considered as the main store but only as the secondary store used for multiplying the products already bought somewhere else: that is the main goal for the future, to become the principal shopping store of the population.

GRAPH 28: Average money spend per basket

Comparaison du panier moyen par format en 2007 (en %)



Source: Eurostaf

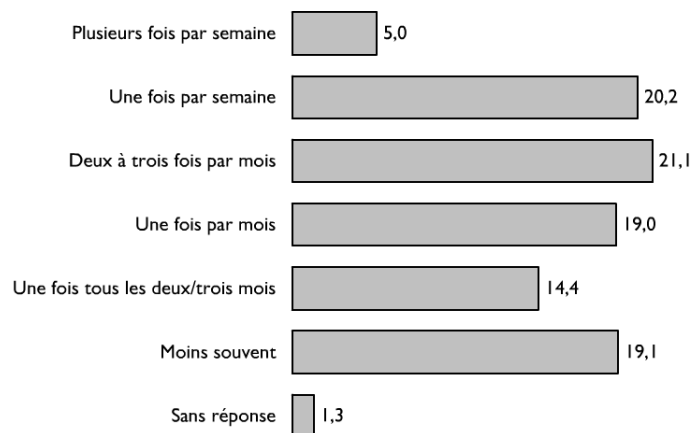
Adding to it, according to TNS Worldpanel, in 2006 the hard discount stores accounted for 19,6% of the total rate of food shopping per format, compared to 56,0% of the hypermarkets. There is a big difference in this part regarding the Colombian market, because in low income socioeconomic levels people tend to buy in greater proportions food instead of cleaning of personal hygiene/beauty or other non edible products, but in France

almost 80% of the sales of the Hard Discounts were dedicated to non food (EUROSTAF, 2009).

- **Number of visits to the store** (EUROSTAF, 2009):

In terms of visits frequency, a French household attends an hypermarket or a supermarket 36,8 times per year, or, on a daily basis, every 10 days. Whereas the hard discount results in 19,8 times in the year or in days, only one visit every 18 days. The hard discount is still considered as a complimentary format to other retailers: only 1,3% of the customers shop there several times per week, and more than the half of it, every month or longer periods of time. According to the following graph, 54% of the total customers attend a maxidiscount store once a month or longer, a discouraging figure for the discounters.

GRAPH 29: Frequency of visits to a hard discount store



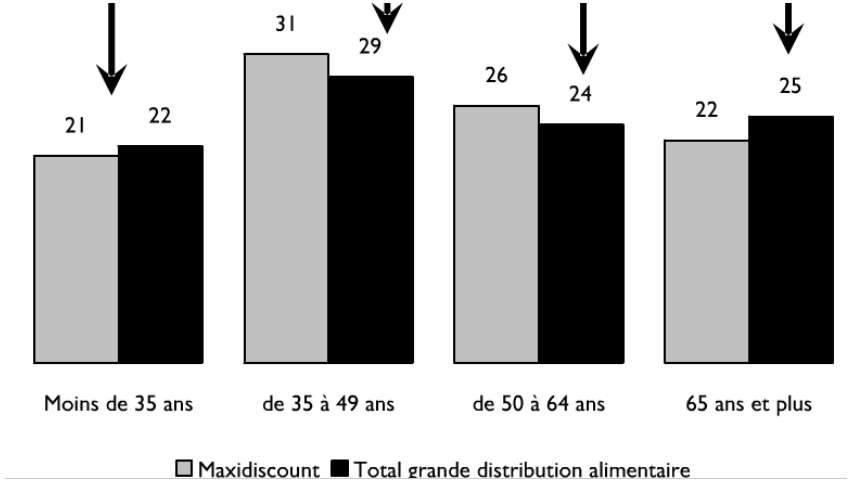
Source: Eurostaf

- **Customer profile** (EUROSTAF, 2009):

Nowadays, the profile of those who shop in a hard discount store are not that different from those who go to the ‘grande distribution’ stores. The heart of the clients are people from 35 to 49 years, and also the 50s until 64 years. In the other hands, the weaker customers are those in the opposed extremes of the age pyramid: those younger than 35 and older than 65. According to the following graph, those in grey are the target of the hard discount retailing

while those in black are clients of the general food retailing. The exterior bars refer to that target needed to capture, while those bars in the middle are the target to build up loyalty on.

GRAPH 30: Differentiation of targets by age and by formats.

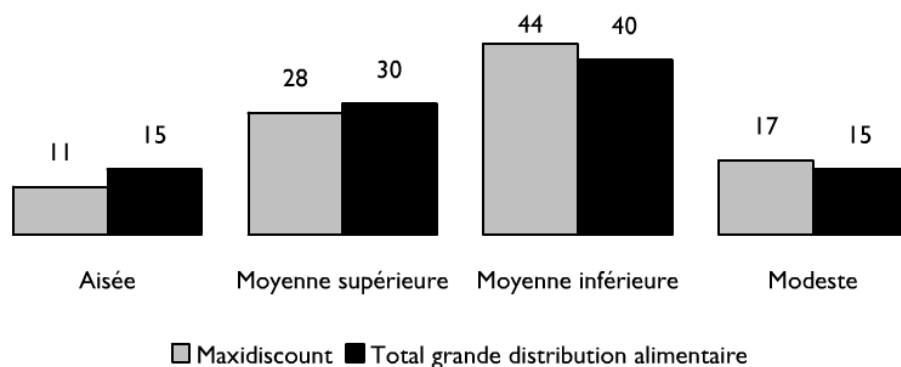


Source: Eurostaf

- Socio-economic level of the customers:**

In terms of income those customers below the mean make up the most important clients, the heart of the demand. In this case, these customers are also the most important ones to the overall retailing sector, but in the hard discount they represent almost 61% compared to 55% of average in the sector. Yet, the hard discount do not only attract low income customers, nearly 40% of the total is composed by people over the income mean, which outlines the attractiveness of the format regarding its low prices strategy.

GRAPH 31: Repartition of costumers levels of income



Source: Eurostaf

- **Motivators and profile of the costumers:**

According to Eurostaf and the study ‘Research International pour l’Observateur Cetelem’ (2005) of all the different purchase motivators those who frequent the format have, the price was the first and most important one.

TABLE 7: Motivators ranking regarding retailing format

In the Classical Distribution		In hard discount	
1	The good quality of products 84%	1	Competitive prices 82%
2	The good ratio price/quality 82%	2	The good ratio price/quality 78%
3	Competitive prices 75%	3	The good quality of products 70%
4	Store Proximity 70%	4	Smart shop 64%
5	How quick I can shop 70%	5	How quick I can shop 63%
6	Clarity in product presentation 64%	6	The chance to avoid unnecessary purchases 60%
7	Social Responsibility 63%	7	Store Proximity 59%
8	Big variety 61%	8	The chance to compliment other purchases 59%
9	Advantages to clients 56%	9	Social Responsibility 56%
10	Promotions Frequency 54%	10	Promotions Frequency 45%

Source: Self elaboration based on Eurostaf data

As well as in Colombia, in the French maxidiscount it is not the wealthiest people the biggest group of consumers, and one of the most important motivators are the competitive prices and the good ratio price quality. However, for the French consumers either in the classical distribution and in the hard discount the proximity comes up only until the fourth

and the seventh position respectively. It is important to see that still shopping in any discount store is still considered as doing an 'achat malin' or a smart purchase, even if it was the rule on the beginning of the decade and now it has become more a normal thing the 'achat malin'.

5.3. THEORETICAL CONCLUSIONS: ARE FRENCH AND COLOMBIAN CONSUMERS ENORMOUSLY DIFFERENT?

To the question posed at the beginning of the current paper: **What are the differences between Colombian and French consumers?** I must say that surprisingly and unless the big social and economic differences, both types of consumers do not differ in such a great proportion.

In the first place because of all the cross-cultural elements exposed before: how aspects dealing cross-cultural consumer behavior enrich or affect cultures and the way people react to different strategies companies undergo throughout the world. It is about localization, globalization, and other perspectives that may affect people in some places, however, in some others do not.

After revising some important elements regarding consumer behavior, like collectivism and individualism, ethnic consumption, and even Maslow's hierarchy needs (really widespread all around the world but differently interpreted), one can infer that culture is not just a series of elements that characterize a similar human group, but it's a concept that can be learned and has to be respectfully dealt with. Other aspects of consumer behavior yet vital to retailing like loyalty, or even ethnic consumption, and the strategies individuals tend to proceed when entering different communities. Why is this important to the present study? Thanks to examples and theories, the definition of Colombian and French consumers can be best connected.

In the other hand, and after looking all of the primary and secondary market studies present in this paper it's just a matter of looking carefully at the figures to know that a mother in Bogota is not that different as that in Lyon. Regardless the big social differences the two countries have: poverty, education, even language, and purchasing power, the results in both studies can enable one to confirm the question at the beginning of the thesis.

Obvious motivation factors, like price, localization, quality in the offered products may help us think establishing hard discount store in Colombia would not be a risky enterprise,

at least culturally talking. After all, the French already dominate the national retailing market, with complete ownership or at least important stakes of Carrefour Colombia and Almacenes Exito.

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EXHIBIT 1: SURVEY

Encuesta Proyecto “No Frills” – Proyectos de Inversión

ENCUESTA NO. ____

SURVEYED DATA (ENC: ASK FOR THEM AT THE END OF THE POLL)

NAME: _____

LAST NAME: _____

PART A: DEMOGRAPHICS

1) Basic Information

CITY		S.E.L.		AGE		GENDER		ACTIVITY	
Bogotá	1	1	1	De 10-17 años	1	Female	1	Student	
				De 18 -25 años				Employed	
Soacha	2	2	2	De 26-31 años	2	Male	2	Independent	
				De 32-37 años				Others	
		3	3	De 38-44 años					
		4	4	De 45-51 años					
				De 52-58 años	5				

2) Which is the district (locality) registered in your utility bills?

3) How many people make up your family group?

- a. 2
- b. 3
- c. 4
- d. More than 5

4) What is the age range of these people? (ENC: READ, CHOOSE ONLY ONE ANSWER)

	De 10-17 Years	De 18 -25		De 25-31		De 32-37		De 38-44		De 45-51		De 52-58	
1	1	1	1	1	1	1	1	1	1	1	1	1	1
2	2	2	2	2	2	2	2	2	2	2	2	2	2
3	3	3	3	3	3	3	3	3	3	3	3	3	3
4	4	4	4	4	4	4	4	4	4	4	4	4	4
5	5	5	5	5	5	5	5	5	5	5	5	5	5

PART B: BEHAVIOR PATTERNS

Shopping habits:

5) Who makes the food shopping in your home? ENC: READ, CHOOSE ONLY ONE ANSWER)

- a. Mother
- b. Father
- c. Spouse
- d. Children
- e. The whole family
- f. Elderly
- g. Others

6) With whom do you go shopping? (ENC: READ, CHOOSE ONLY ONE ANSWER)

- a. Father
- b. Mother

- c. Siblings
- d. Spouse
- e. Elderly
- f. His/Herself

7) At your home, who takes the purchase decision of the food shopping? (ENC: READ, CHOOSE ONLY ONE ANSWER)

- a. Mother
- b. Fathe
- c. Children
- d. The whole Family
- e. Elrderly
- f. Myself

8) What day of the week do you prefer for food sohopping? (ENC: READ, CHOOSE ONLY ONE ANSWER)

- a. Sunday
- b. Monday to Thursday
- c. Friday
- d. Saturday

PLACE

9) Which is the most important factor when you choose your store? (ENC: READ, CHOOSE ONLY ONE ANSWER)

- a. Location
- b. Aspect of the store
- c. Parking spaces
- d. Space format of the store

PRODUCT

10) Which format do you prefer to shop in? ENC: READ, CHOOSE ONLY ONE ANSWER)

- a. Neighborhood store/minimarket
- b. Supermarket
- c. Hypermarket
- d. Local market
- e. Other

11) What is your motivation when shopping in the previous format? (ENC: READ, CHOOSE ONLY ONE ANSWER)

- a. Price
- b. Location
- c. Aspect of the store
- d. Product Offer
- e. Customer Service
- f. Storekeeper
- g. Mean of payment
- h. Discount

12) What payment mean do you use when shopping? (ENC: READ, CHOOSE ONLY ONE ANSWER)

- a. Asking for credit
- b. Cash
- c. Credit card
- d. Savings Card

13) How often do you shop? (ENC: READ, CHOOSE ONLY ONE ANSWER)

- a. Daily
- b. Weekly
- c. Every two weeks
- d. Monthly
- e. Another

14) in proportion, which products are the most cost significant when shopping? (ENC: READ, CHOOSE ONLY ONE ANSWER)

- a. Meats
- b. Grains
- c. Vegetables/Fruits
- d. Beauty/Personal hygiene
- e. Imported products

15) Which is the most important type of products for you and your family? (ENC: READ, CHOOSE ONLY ONE ANSWER)

- a. Meats
- b. Grains
- c. Vegetables/Fruits
- d. Beauty/Personal higiene
- e. Imported products

16) do you have any preference in the brands you usually shop? If so, please fill in the chart (ENC: READ, CHOOSE ONLY ONE ANSWER)

1. YES _____

Product	Brand	Product	Brand

2. No _____

17) approximately how much do you spend when buying food? (ENC: READ, CHOOSE ONLY ONE ANSWER)

- a. <10.000 COP
- b. 10.000<20.000 COP
- c. 20.000<30.000 COP
- d. 30.000<40.000 COP
- e. 40.000 <50.000 COP
- f. Other. How much?

18) would you be able to buy in a new low cost chain? (ENC: READ, CHOOSE ONLY ONE ANSWER)

- a. Yes
- b. No
- c. Don't know
- d. Maybe

19) What could be the reason of that decision (ENC: READ, CHOOSE ONLY ONE ANSWER)

- a. Price
- b. Quality
- c. Convenience of the store
- d. Customer service
- e. Other