

# Lesson from Spanish grocer Dia

BY LUKE TUGBY

The boss of Spanish discounter Dia believes big grocers can create a better local offer by handing over the reins of smaller stores to franchisees.

In response to a question about what the UK grocers can learn from its model, Dia chief operating officer Amando Sánchez-Falcón says putting franchisees in charge of smaller stores helps give retailers a “strong local presence” and a “good understanding of consumer”. And he encourages British retailers such as Tesco, Sainsbury’s and Morrisons to employ a similar tactic in their convenience stores.

Tesco does own the 750-store One Stop franchise but it is operated as an independent subsidiary.

Dia, which is the second largest grocer in Spain with 9% of a fragmented market, has 7,306 stores across Spain, Portugal, Brazil, Argentina and Shanghai. Of those, 3,085 are franchises.

Its portfolio will expand further later this year with the acquisition of 160 stores from Eroski and Caprabo.

Speaking to *Retail Week* after Dia reported gross sales of €9.4bn (£6.9bn) in 2014 – up 8.4% on the previous year – Sanchez-Falcon insists the strategy is “the best and

most efficient way” to run smaller stores and understand local markets.

“Food retail is a very local business. You have to have a strong local presence and a good understanding of the consumer, so every market is very specific,” he says.

“We think that having a local entrepreneur running the store for us has been a key element of success in terms of efficiencies and in terms of knowing your customer. The last part of that supply chain, we believe, is better handled by local franchisees.

“We have been growing the number of stores that are managed by local men and women and we believe that is something that is behind our success.”

## Loyalty scheme

Sánchez-Falcón also points to advances in Dia’s loyalty scheme as an area in which UK grocers are playing catch-up.

Dia is testing a smartphone app that will send tailored vouchers to each customer, enabling them to plan their purchases in advance and redeem paperless vouchers in-store.

It is the only discounter in Spain with a loyalty programme. It started back in 2006, but the scheme’s

**3,085**

The number of Dia’s 7,306 stores worldwide which are franchised



Amando Sánchez Falcón thinks UK grocers could benefit from Dia’s franchise model

expansion online is something Sánchez-Falcón believes will take off in the UK.

He says: “We have a very unique loyalty programme, a very developed programme, something that is quite rare for a discounter. In Spain it’s a hugely successful programme and it gives us a lot of insight into our customers.

“Whenever people show the card, they are eligible for different prices on certain items in the store and they also get coupons every month that are individually targeted to a customer’s behaviour and purchases.

“The Dia Card will also allow them to plan their purchases ahead and we think that’s a very good advance to the scheme.

“We believe that knowing your customer is something that is very helpful as a good way of improving your proposition and improving your business. Obviously there are very successful retailers that have never run a loyalty programme and

I’m not sure the discounters in the UK will do it, but it has worked for us and could work for them.”

## No UK expansion

Sánchez-Falcón says Dia is focused on taking advantage of the “consolidation” of the grocery market in Spain and insists the discounter has no plans to expand into the UK. But he does leave the door open for partnerships with existing UK retailers.

He says: “We have never considered a presence in the UK.

“We are now an independent company, we have clearly stated to our shareholders that our focus is to concentrate in the markets where we are already present.

“Having said that, we do believe that now being an independent company, looking for opportunities to partner up with people, whether it’s commercially, providing specific services or even looking at joint opportunities in different markets, is something we should do.”

**“Food retail is a very local business. You have to have a strong local presence”**

**Amando Sánchez-Falcón, Dia**