

Spain Case Study

Shane Sudyka-Paris, Jenny Nguyen, Siu
Miranda-Chang, Leslie Tran, Nathan Reinsmith



- Spain is an incredibly diverse Southwestern European country located in the Iberian Peninsula
- Spain has an estimated population close to 47 million
- Spain shifted to democracy in 1978 through *La Transición*
- *La Transición* was the Spanish governmental shift into a democratic system that included the creation of a new constitution
- This brought the ability to engage in a modern market economy while changing how Spain does business domestically, regionally, and globally.

Spain

Introduction



Political Landscape



- Spain is a constitutional democracy
- There are 17 autonomous regions, including: Catalonia, Basque Country, and the Canary Islands
- Spain is currently experiencing a years-long shift in political power, that has left Spain's government without a congressional majority
 - Several socialist parties and far-right parties causing instability
 - Several elections from 2015-present
- Member of the European Union
- Catalan push for Independence

Legal System



- Spain first enacted strong laws regarding corporations in June of 2010 with “OA 05/2010”
 - OA 05/2010 declared that businesses and workers alike can be held legally responsible for their actions
 - This included holding managers liable for negligent supervision
- Spain’s Judiciary Act also decrees that they can hold their citizens accountable for crimes committed outside of the country as long as they have not already been charged
- Spain recently aligned their white collar crime laws to align more closely with the EU’s

Economy: Numbers & Challenges

- Spain's Gross Domestic Product for the year 2020 was 1.28 trillion dollars
- In Spain, services (67.54%) are the leading component of their GDP, followed by industry (20.58%), manufacturing (11.17%) and agriculture (3.16%)
- The service sector is Spain's current strongest industry with tourism being its most popular source of income.
- Spain has a price-sensitive market due to not having customers with brand loyalty
- COVID-19 - thousands got laid-off, work hours were reduced
- One of the highest poverty rates in Europe, 55.2% of people are struggling to meet ends meet
- Unemployment rate at 15.67%, possible cause is the country's overall low level of education - highest high school drop-out rate in Europe
- Overcrowding of immigrants at detention centers, leading to poor health conditions

Sociocultural Factors



- Birth rates and population: around 46 million
- Local lifestyle trends: fixed eating schedules
- Dominant religion: Catholicism
- Social corporate policies: maternity leave



Guidelines for Doing Business

- Spain utilizes many types of business, such as limited liability, joint venture, venture capital, and permanent establishment, among others.
- Some businesses pay corporate income tax (CIT) in Spain if they are businesses incorporated in Spanish law, their registered office is in Spain, and their management is primarily in Spain.
- The “Impuesto Sobre Actividades Económicas”, is a periodic tax on business activity that is paid based upon the municipality it takes place in
- In order to attract more foreign investment, Spain participates in helping investors access programs, such as European Aid Programs and Financial Aid to help with costs of business.

Multinational Company: Costco



- Costco is a multi-billion dollar membership warehouse company that focuses on the wholesale of many basic products
- It has successfully introduced itself in many countries such as, Canada, Mexico and Spain.
- In 2014 they opened their first location in Spain in Sevilla. This was their first entry into a European market.
- Their membership prices are cheaper than in the U.S. The Gold Star membership is 30 Euros (\$34.35) and the business membership is 25 Euros (\$28.63)

Mission and Expansion Strategy

- Costco's mission statement:
 - **"To continually provide our members with quality goods and services at the lowest possible prices."**
- Intensive growth strategies focused on market penetration and market development
- Aggressive marketing strategies allowed them to appear as a very attractive market



Strategic Analysis–Hofstede's Cultural Dimensions



- **Masculinity**
 - Costco: collaborative effort favored in Spain
- **Power Distance**
 - Costco: Spain is accepting of strong, top down culture
- **Individualism**
 - Costco: perfect fit for collectivist Spain
- **Uncertainty Avoidance**
 - Costco: pay and benefits fit well with risk averse Spain

Strategic Analysis–SWOT

Strengths

- High cost efficiency through wholesale and “no touch” methods
- Customers are comfortable spending a lot because of the generous return policy

Opportunities

- Expansion, Spain and Europe as a whole have very few equivalent stores
- Shipping: Costco has chartered its own vessels

Weaknesses

- Largely only sells in bulk
- Price barrier to entry (membership)
- More narrow product selection compared to competitors

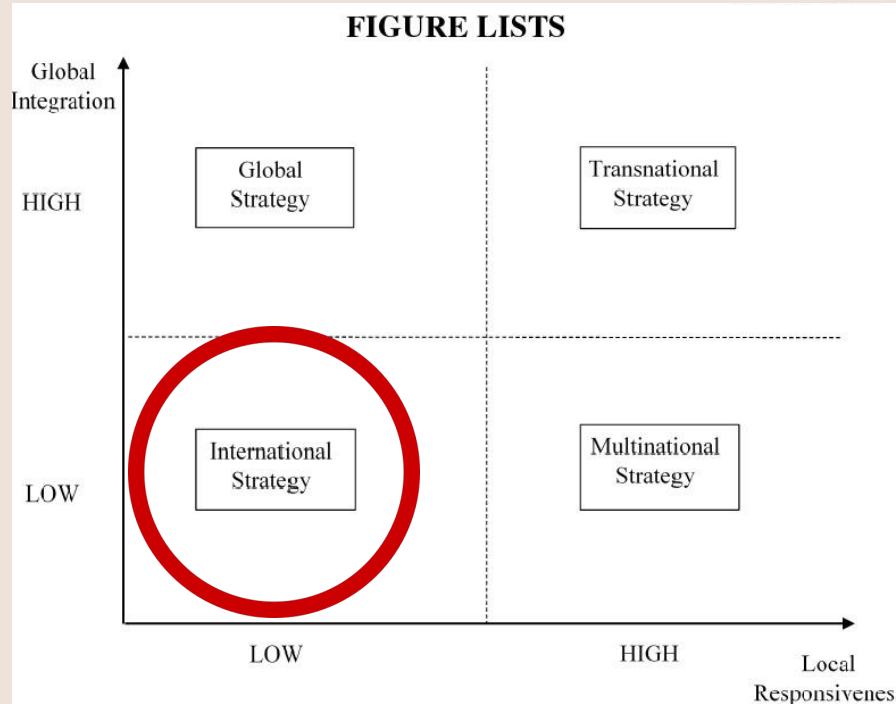
Threats

- Other businesses lowering costs due to R & D
- Convenience/price of Amazon food delivery

Strategic Analysis – PESTEL

- Political: Spain is a constitutional monarchy and also a democratic country. Spain is a part of many important organizations across the globe, such as the European Union, the United Nations, the World Trade Organization, the North Atlantic Treaty Organization, among others.
- Economic: Spain has a significant export market with the United States, according to the International Trade Administration, exports of goods to Spain from the United States was 12.9 billion dollars in 2020.
- Social: Spain is a very touristic country and many international tourists are already familiar with Costco and the membership cards and they are valid internationally.
- Technology: Spain is planning on growing and has adapted a “Digital Strategy 2025” in order to become more technologically advanced by introducing artificial intelligence, stronger cybersecurity, among others
- Environmental: Spain’s struggles with climate change, waste, and air pollution. Spain’s government is trying to implement new regulations in order to shift towards renewable energy.
- Legal: In 2021 the average monthly salary was \$1256.87 (1,108 euros). Full-time workers have a maximum of 40 hours of labor and should be given minimum rest periods of a day and a half consecutively.

Strategic Analysis: Integrative-Responsiveness Framework



Error in Strategic Analysis

- Alphabet Inc, a multinational conglomerate technology company had some trouble doing business in Spain with Google News.
- Google news service was shut down due to Spanish laws that require a payment of a “collective licensing fee” in order for Alphabet Inc and other companies to republish news articles, since they are third parties.
- A change in the Spanish laws allowed Google news to reincorporate with ease. The new changes allowed publishers and the media to directly contact and negotiate with each other.
- Alphabet did not do a proper PESTEL analysis and did not focus on the legal and technological aspects of doing business in Spain.

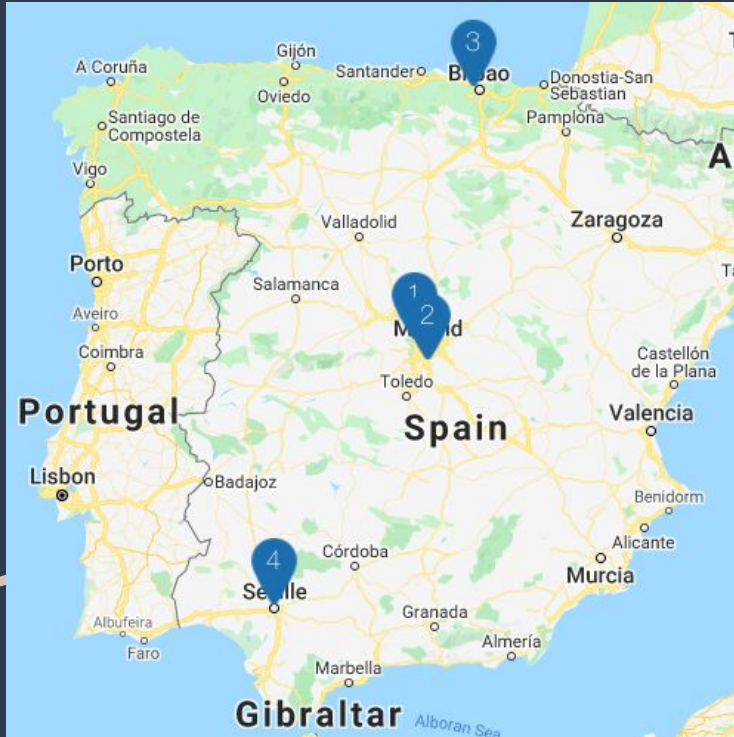


Error In Strategic Analysis

- Another company that made a translation error was beer company, Coors, in their slogan for their campaign “Turn it Loose”.
- In Spanish it translated and was understood as something along the lines of “giving people diarrhea” which was not welcomed by the consumers.
- Coors did not do a proper Hofstede's analysis. Coors did not take into consideration the sociolinguistic differences that exist.



Projections and Plans for Growth



- “No specific goals for any possible future expansions”
- Taking advantage of economic crises as business opportunities
 - Spain Recession from 2008 – 2013,
 - First store opened in 2014, second in 2015
 - COVID-19 Pandemic in 2020 – present
 - Third store opened in July 2020, fourth store plans to open in late 2021, fifth store announced for 2023

Conclusion

- Spain is a challenging place to work but also has many positive aspects
 - Many companies offer work benefits
 - Spain remains under the trade agreements with the European Union
 - Growing disparity between upper and lower classes & rising unemployment rate
- Foreign businesses can take advantage of these factors
 - Costco is a leading example of this
- Costco's success in Spain
 - Kept its core values whilst adapting to Spanish culture
 - Successfully navigated through each national crisis



Thank you!

A dark blue diagonal gradient bar that starts from the bottom left corner and extends towards the top right corner, covering the lower half of the slide.