In early 2016, Paula Hortinha, the Managing Director of Jerónimo Martins Distribuição de Produtos de Consumo (JMD), was reviewing the company’s goals and challenges for the year. Some of the company’s current channels were seen as potential opportunities to grow. HoReCa channel was thought to be one of those cases. Despite the reorganization done in the channel in the previous year, JMD was convinced that a more focused analysis could be useful to define an adequate growth strategy for it. To help JMD solving this challenge, Hortinha revealed her interest to try a new methodology, the Value Creation Wheel (see Exhibit 1). Accordingly, JMD hired the VCW team to define a growth strategy for HoReCa channel.

Company Overview

JMD is part of the Portuguese Group, Jerónimo Martins, which operates in four main areas: Food Distribution, Food Manufacturing, Services and Agro Business. JMD, comprised in Jerónimo Martins Groups’s Services area, was founded in 1985 and its core activity is the representation and distribution, on an exclusive basis, of national and international brands in Portugal in the fast-moving food market. JMD serves different segments, including Modern Trade, Food Service and Impulse. According to the segments, JMD’s route-to-market can be direct, indirect or through partnerships and distributors (see Exhibit 2). Besides, JMD also operates in the export market, trading with around 13 countries.

JMD has a crucial role in building and developing brands in Portugal, being responsible for their marketing, implementation and distribution strategies. JMD’s positioning is attained through the combination of brands’ reputation and the company’s expertise regarding marketing and sales, allowing a service of excellence throughout the value chain. The Unique Selling Proposition of JMD is focused on long-term relationships, market coverage, brand management and trade relevance.

JMD’s brand portfolio comprises more than 30 brands, spread in categories such as Grocery, Confectionery, Beverages, Milk and Soy Products (see Exhibit 2). In 2015, JMD’s sales in the domestic market achieved the historical growth of 5,2%. The two categories that grew the most were Dairy Products and Snacks, which experienced a positive variation of 21% and 15%, respectively. All the other categories also grew with the exception of the cereals’
category. The brands introduced in 2015, Barilla, Patak’s and Amoy jointly represented 2.3% of total sales.

**Initial meeting: Understanding the VCW and its potential to create value at JMD**

With the aim to continue growing in 2016, JMD’s Managing Director decided to rely on VCW to develop a project focused on HoReCa channel. As such, by the mid of January 2016, Hortinha scheduled an initial meeting with the VCW team and the New Business Manager of JMD, Marta Lopes, to establish the agenda for a 5-months project to get innovation and strategic planning advice. First, the model was explained as well as each of its phases. Followed, the VCW team asked Hortinha and Lopes “What were JMD’s plans to grow?” and “How could JMD achieve planned growth?”. Hortinha and Lopes focused on different routes, which were mainly based in the Ansoff Matrix. Therefore, these included strategies for product development, market penetration, market development and diversification. In contrast, the VCW was introduced as a tool that breaks rigid barriers and eliminates trade-offs, which surprised Hortinha and Lopes. An important point mentioned in the meeting was related to JMD’s experience in past projects, where they concluded that ideas’ effectiveness usually was higher when generated outside the company. Accordingly, VCW was seen as a breakthrough framework since it promotes creativity by equally valuing the views of multiple stakeholders, and non-excluding any idea before being presented to the key decision makers.

In the end of the meeting, it was realized that JMD had not decided which alternative to pursue. Consequently, and in order to exploit the paths with the highest potential, it was important to establish a clear research question. Accordingly, Hortinha and Lopes became in charge of developing a new research question to be answered by the VCW team. After an in-house discussion, the final challenge became: “Which new businesses can JMD develop, outside its current role as a distributor/representative of brands, that allow risk diversification and value creation, not only for the company but also for the Group?”.

**VCW Phase 1 - Discover Value (Tap): Understanding JMD’s business model, market space and the challenge**

The implementation of VCW at JMD was divided into 5 different phases: 1) Tap, 2) Induce, 3) Analyze, 4) Ground and 5) Operate. Although these phases are sequentially presented, it is important to remind that VCW’s flexibility is one of its main advantages, being possible to
review and incorporate input throughout the process, and if needed to restart at any of its stages.

To understand JMD’s business model, the VCW team was invited to attend a presentation organized for the effect and started conducting primary and secondary research in order to collect data about the market space. Soon, it was realized that the research question was too broad since there were multiple incremental businesses into which JMD could enter and diversify risk. However, within the current businesses, there was still space to grow and to improve operations and processes.

Consequently, new business ideas such as the acquisition of facilities to be responsible also for production, ended being not considered the expected outcomes for the project. Accordingly, the research question was reviewed and reformulated to the following: “Which is the best strategy to grow in HoReCa channel?”. This represented a much more focused question to guide VCW team’s efforts. From here it became imperative to understand the characteristics of the channel and JMD’s position in the same. Primary and secondary research allowed the VCW team to gain insights and to characterize the channel as presented in the next section.

**HoReCa Channel and JMD Position**

The term HoReCa results from the contraction of the words Hotel, Restaurant and Café (or Catering or Canteen). This channel comprises establishments and companies that prepare and serve food, meals and drinks, as a rule, to be consumed outside home. This definition was validated with Marta Lopes and Daniel Maia, responsible for JMD’s sales in new channels, which includes Food Service (HoReCa and Kiosks & Others) and Impulse (Vending, Gas Stations, and Airports) segments. Also, they decided that Canteens would not be studied.

The VCW team was able to recover data for the Consumer Food Service segment in Portugal as a whole. Nonetheless, this was not considered a problem as its sub-segments go hand-in-hand with each other. In 2013, Consumer Food Service sales in Portugal registered a value of 6,1 billion euros, 44,4% accounting for food and 55,6% accounting for drinks. The segment was largely impacted by the economic crisis, which modeled new patterns of consumers’ behavior. As a result, Euromonitor’s projections for the period 2013-2018 record a decrease of 2,7% in Consumer Food Service sales. Nonetheless, it is expected a positive growth rate in sales’ value of 2,2% between 2016 and 2018. For the period 2013-2018, the
number of outlets and transactions is estimated to increase by 5.3% and 3.3%, respectively (see Exhibit 3).

To reach as many Food Service establishments as possible usually, the sale of food brands in the segment is ensured by distributors, responsible either for a local, regional or national coverage. An analysis by category foresees that the number of food packaged categories with negative volume performances will decline between 2013-2018 (see Exhibits 4 and 5). Key trends in Consumer Food Service market denote an increased demand for domestically-produced packaged food and local production. The boom witnessed in the demand for healthy products is expected to influence Food Service operators’ offers towards healthier, modern and more convenient food options. Parallel to the domestic trend it has also been verified an increased interest in ethnic flavors. Moreover, online transactions in the segment and the number of chained outlets are predicted to increase (see Appendix 13).

To better comprehend the channel and JMD’s business model in HoReCa channel (see Appendix 14), the VCW team interviewed Daniel Maia. His position was created in April 2015 and besides sales in the channel, it includes the monitoring and visiting of clients. Although sales in HoReCa channel amount to less than 10% of JMD’s sales, this interview confirmed the fact that JMD is paying a lot more attention to the channel. Distribution is made indirectly through distributors and partnerships, which have been rising and currently number around 60 (see Appendix 15). JMD’s growth in the channel is highly conditioned by HoReCa clients’ specific needs, for instance, in terms of formats. Relationship with clients is one of the factors that highly influence the establishment of contracts, a point confirmed with the creation of Maia’s position, as sales have been rising significantly since then.

Competitors’ strategy in HoReCa channel was not easily traceable due to lack of available information. Among the major players in the channel the following were listed: Nestlé, Pepsico and Sumol+Compal. Visiting competitors’ websites, the VCW team found that many have a specific section to HoReCa customers with a specialized catalogue, and a dedicated team of vendors in the field. Furthermore, some JMD’s distributors also represent and distribute brands in Portugal, having their own portfolio.

Closing this phase, the market research and knowledge acquired by JMD about HoReCa channel, supported the belief that sales could increase in this channel.

VCW Phase 2 - Create Value (Induce): Collecting Solutions and Filters
The second phase was divided into two distinctive steps: 1) brainstorming of solutions and 2) brainstorming of filters.

Ideas’ generation was encouraged through the realization of interviews, questionnaires, workshops, brainstorming and focus groups sessions, where diverse stakeholders participated. Two brainstorming sessions were organized at JMD with 10 workers, responsible for distinct business areas. External sessions and workshops involved around 13 students of the Master’s degree in Management of Nova School of Business and Economics (Nova SBE), 15 students from MIT Portugal and 20 members of Nova SBE’s Clubs, including Nova Consumer Goods Club, Nova Junior Enterprise and Nova Marketing Club. Interviews were conducted with some industry-related stakeholders, ranging from companies as Torrestir to Vila Galé Hotéis, and also 2 Academic Professors, both with experience in the distribution industry. A focus group session was realized with the start-up Uduni. From these exercises resulted 40 different ideas.

Moreover, 15 questionnaires (see Appendix 16 and 17) were made to HoReCa’s establishments to comprehend how they acquire products to be sold as well as their relationships with distributors. Online surveys (see Appendix 18 and 19) were also used to understand HoReCa final consumers’ perception regarding the availability, diversity and easy to buy food products in the channel. For this survey, 106 answers were obtained, which, combined with previous data, guided the VCW team to create 10 new ideas. Each idea derived either from a market-pull or from a technology-push perspective (see Appendix 20 and 21). Following the first, the VCW team took an outside-in view and defined the needs of the target market that JMD might satisfy in the future. For the second, an inside-out view allowed the team to determine the attributes of the product/service and to assess their value to each target market.

For the second stage, brainstorming of filters, the VCW team’s list was based on filters applied in past VCW projects and on the records from past interviews and exercises, where important discussions were held. Moreover, in some of the previously mentioned workshops and brainstorming sessions, the VCW team specifically asked participants to think about potential filters. By the end of this process, the VCW team collected 70 filters, which were grouped into 4 categories: Product/Service/Technology/Person, Market/Competition, Team/Company and Environment. In order to enhance exercises’ efficiency, stakeholders were invited to play the Poker Method, developed by Lages and Hartmann (Lages, 2015), as this is a systematized way to validate, review, multiply or disregard existing solutions and filters.
VCW Phase 3 - Validate Value (Analyze): Feedback from JMD’s Executive Committee

On April 7, a meeting with the Executive Committee (see Exhibit 6) was scheduled, with the aim to present, discuss and validate the final ideas and filters gathered during the previous phase. However, the VCW team felt that an important piece was missing to complete the Induce phase: the ideas and filters created by the Executive Committee. As such, the meeting was structured to start with an initial brainstorming of filters, where the key decision makers were asked to answer the question “Which do you consider to be the key criteria to select/exclude ideas to be implemented in the next phase?”. Subsequently, the VCW team exhibited the filters collected and opened the discussion with the aim to briefly assess key decision makers’ initial feeling about their importance. The deliberation between the Executive Committee members and the VCW team allowed the clarification and complement of some filters as well as the creation of new ones. At this point, the Executive Committee suggested that some of the filters should be considered as qualifiers, criteria that should be met initially otherwise the project would not proceed.

The same scheme was adapted for solutions, with the Executive Committee being asked the question “Which ideas do you suggest to solve this challenge?”. After, ideas collected were exhibited and the key decision makers were asked to share the ones that they recorded the most, in an attempt to evaluate their initial potential. The Executive Committee revealed its surprise with some of the ideas, but also found curious the fact that ideas generated in other sessions organized in the company, as Design Thinking workshops, did not appear. As such, ideas mentioned during the meeting, as the one to introduce a brand of deserts, were registered to be listed. At this stage, the Poker Method was fundamental to validate, review, multiply and eliminate both solutions and filters.

After the meeting, the VCW team had the task to purify the list of solutions and filters and to incorporate the latest input. The final list sent to the Executive Committee had 59 ideas and 75 filters (see Appendix 22 and 23), which was required to classify the ideas in a “Low-Medium-High potential” scale. For filters, it had to perform the same assignment and also rank the ones classified as medium or high potential from the most important to the least important. Besides, the filters regarded as qualifiers should be marked and quantitative filters should be given a numerical range to guide the work of the VCW team in the Value Creation Funnel (VCF).
It was agreed with Hortinha and Lopes that the weights reflecting decision power would equal 13.5% for each member of the Executive Committee and that the remaining percentage of 5.5%, would be given to Lopes. Such division was then used to measure the potential of ideas and filters, depending on their weighted average. From this task resulted 15 possible solutions and 17 filters, ranked accordingly to the feedback given by the Executive Committee (see Appendix 24 and 25). Moreover, 5 filters were considered as qualifiers.

**VCW Phase 4 - Capture Value (Ground): Identifying the Final Solution**

With the 17 filters that resulted from the previous phase, the VCW team built the VCF in order to find the idea with the highest potential. In total, 7 levels of filters were used in the VCF, since in the final list of 17 filters, some were equally ranked by the Executive Committee. As such, the second, the fourth and the sixth layers in the VCF included more than one filter. The VCF started with the most important filters and went down with the least important ones. From the initial list of 15 ideas, 7 passed through all the filters and would be presented to the Executive Committee.
### List of Ideas with the Highest Potential

1. **JMD Food Service Team:**
   - Create a team focused on this channel;
   - Segment the channel either by type of Client, location or product;
   - Institute a Door-to-Door strategy (increase market coverage);
   - Benchmark how other players in the market approach this channel (e.g., Nestlé, Makro, Mondelez, PepsiCo, Gordon Food Service, Gira Foodservice);
   - Define KPIs according to the segmentation done;
   - Promote the visit of the assistants, key accounts or managers with know-how of the products to the different points of sale.

2. Create incentive programs to distributors;
3. Shopping centers in order to supply restaurants and cafés of that shopping (e.g., chained groups such as Starfoods, Multifoods);
4. Exploit new product opportunities with established Chains (e.g., Padaria Portuguesa);
5. Create receipts, products, menu options that include JMD’s brands products (e.g., Tabasco Hot Spicy Pizza with Domino’s Pizza or Lindt Chocolate Milk at Starbucks);
6. Within the current brands develop the product line/assortment;
7. Gourmet burgers restaurants (e.g., Hamburgueria do Bairro, Honorato, Gutsy, H3);
8. Healthy Lifestyle Promotion:
   - Look for brands that are focused on the promotion of a healthy lifestyle;
   - Add products in the category of healthy food to JMD’s portfolio.
9. Offering Sunquick to fast food restaurants taking advantage of the growing healthy trend;
10. Market niche: large hotels in Algarve;
11. Partner with other brands with or without their own distribution network. Create complementarities between products. For beverages partner with companies such as Bacardi-Martini (e.g., cocktails mixed with Sunquick);
12. Search for brands with adequate assortment/formats to include in JMD portfolio;
13. Agreements/Partnerships with the main players in the channel to distribute/sell JMD brands:
   - Caterplus and other representative distributors in the channel;
   - Distributors that cover points of sale non visited by JMD (e.g., Delta);
   - Mars, Nestlé, PepsiCo;
14. Design with the brands different menus to sell in Cafés (e.g., breakfast menu sponsored by Kellogs). Support HoReCa with more than just the product;
15. Create events for the brands in Restaurants.

### Ranked Filters (1-Most Important; 17-Least Important)

1. Alignment with JMD’s Strategy
2. Which brands/products --> Only relevant brands in this channel?
3. Business model
4. Need for a specialized structure
5. Follow consumers’ trends
6. Competitive prices of JMD’s brands/products
7. Distribution Efficiency/Service Reliability (Lead times, OTIF)
8. Brand’s willingness to expand their operations to Portugal
9. Credit/Financial condition of Clients
10. Willingness to create a team specialized in the channel
11. JMD growth goals for the channel
12. Supply chain structure/Logistics
13. Market Coverage
14. Willingness to include new brands in JMD’s portfolio
15. Distributors’ portfolio
16. Ability to develop with brands specific strategies for this channel, namely regarding the adaptation of formats (does this fit with brands’ strategy, values and identity?)
17. JMD know-how/expertise in the channel
VCW Phase 5 - Consolidate Value (Operate): Ideas’ Prioritization and Discussion

In this phase, a final meeting with the Executive Committee was scheduled with the aim to present the final ideas and to decide their pathway based on a Go, No-Go or Check evaluation. To attend the presentation, the Executive Committee invited external stakeholders, which confirmed its intention to involve as many participants as possible in order to guarantee unbiased feedback.

First, the VCW team looked for the Executive Committee’s opinion regarding the number of ideas considered suitable to be implemented. Since the Executive Committee considered the 7 final ideas as non-exclusive but rather complementary, it decided to Go with all of them, but grouped into 4 big ideas. As such, jointly with the key decision makers, the VCW team defined the 4 final solutions, as illustrated in Figure 2. Under these 4 solutions, minor ideas were allocated, namely the introduction of a Healthy Food category, in line with JMD’s portfolio development.
Since the Executive Committee decided to Go with the implementation of these 4 ideas, it was time to prioritize them, a topic that raised discussion. Some elements regarded JMD’s route-to-market as the most important point since this would allow JMD to improve its performance in the whole segment, by redefining partnerships and getting feedback from the market. In contrast, others considered JMD’s portfolio as the major weapon to grow in the channel. Without an attractive portfolio, with more categories of products, good partnerships would be difficult to establish.

Similarly, some deemed the creation of a specialized team as a third step, only worth after developing the channel and the portfolio. Nonetheless, some argued that without such a team it would be difficult to assess market’s needs and gaps to tap into, in order to differentiate and to compete in the channel. Otherwise, JMD would be just a follower.

Furthermore, key decision makers debated the composition of the Food Service team, which was thought to include people from Sales and Marketing. Besides, some considered that recruiting people from outside, with experience in the channel, would be fundamental as JMD’s focus is mass-market.

Also, time frame constraints were perceived as an important factor to take into account when prioritizing solutions, since portfolio’s development was seen as a more complex and slow process than channel’s improvement. This was because the first requires JMD to study the market, contact brands, establish contracts and strategies for the Portuguese market. Likewise, it was claimed by some members of the Executive Committee that route-to-market improvements should be conducted upfront in order to maximize sales in the channel with

**Source:** Developed by the VCW team
the current business model, while portfolio’s development should be an ongoing process. Moreover, the idea for a Food Service team was considered by some as a decision prior to the others, which were seen as projects to be developed in the channel. After all, the ideas to review the route-to-market and the portfolio were viewed as interrelated and hence, it was difficult to rank them. Distribution efficiency was also stated as a key factor to grow in the channel.

Regarding the fourth idea, the same resulted from a redefinition of the idea to target shopping centers, as centralized chains might be located in shopping centers or not. The discussion was open and the Executive Committee should decide how to progress with ideas’ operationalization. Accordingly, the Executive Committee was asked to vote individually in each of the solutions in a scale “Low-High Priority”. From higher to lower priority, the result of the voting was the following: 1) JMD Food Service team, 2) JMD’s portfolio, 3) JMD’s route-to-market and 4) Centralized Chains.

**Which Direction to Take?**

The Executive Committee acknowledged the relevance of the solutions presented and praised VCW’s contributions. Pedro Castro, Sales Director, claimed that “VCW, being a rational and systematized tool, guided decision-making and promoted discussion in the company of frequently spoken views and opinions”. Moreover, Hortinha added that “VCW promoted the involvement of multiple parties within the company that otherwise probably would not be called to participate in the discussion”. Roque Ferreira, Export Manager, mentioned the fact that “interesting ideas created in the initial phases of the process could be Check and incorporated in JMD’s future projects”. It was asserted that the 59 ideas generated in the previous phases would be kept in a bank of ideas to be later reviewed. Also, the Executive Committee considered that VCW accelerated the decision process, allowing to define key solutions and decisions for the challenge. Likewise, VCW was regarded as an innovative approach that allowed the company to assess its resources and capabilities with the aim to improve company’s growth potential.

In its 5-months project, the VCW team completed a Value Creation Radar (VCR) cycle, which permitted JMD to have a first feeling regarding the value of the opportunity studied. JMD should now decide if further VCW cycles, which explore in detail the 15 Is of Innovation, would bring added value and support the company in the next steps towards ideas’ operationalization.
Once ideas were presented, the Executive Committee had the task to decide how to progress with the proposed solutions. Should the ideas be implemented in the sequence defined or developed in parallel? How could JMD redefine its business model in the channel? These questions were among the ones to be solved by the Executive Committee in order to design a structured strategy in HoReCa channel and grow in line with JMD’s perspectives and with Jerónimo Martins Group’s vision.
**Exhibit 1 – The Value Creation Wheel (VCW)**

**Exhibit 2 - JMD’s Route-to-Market and Brand Portfolio**

Source: JMD Internal Presentation, 2016
Exhibit 3 – Portuguese Consumer Food Service Market

<table>
<thead>
<tr>
<th>Number of Consumer Food Service outlets</th>
<th>Consumer Food Service sales</th>
<th>Consumer Food Service transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013: 79,506</td>
<td>2013: 6,1 € billion</td>
<td>2013: 1,2 billion</td>
</tr>
<tr>
<td>2013-2018: 5.3% (expected total growth)</td>
<td>2013-2018: -2.7% (expected total growth)</td>
<td>2013-2018: 3.3% (expected total growth)</td>
</tr>
</tbody>
</table>

Source: Euromonitor International, 2014

Exhibit 4 – Food Service Sales of Packaged Food by Category in Portugal

<table>
<thead>
<tr>
<th>Category</th>
<th>2013 (in millions of tones)</th>
<th>Volume 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baby Food</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Bakery</td>
<td>85.2</td>
<td></td>
</tr>
<tr>
<td>Canned/Preserved Food</td>
<td>38.5</td>
<td></td>
</tr>
<tr>
<td>Chilled Processed Food</td>
<td>4.6</td>
<td></td>
</tr>
<tr>
<td>Confectionery</td>
<td>2.5</td>
<td></td>
</tr>
<tr>
<td>Dairy</td>
<td>250.5</td>
<td></td>
</tr>
<tr>
<td>Dried Processed Food</td>
<td>77.6</td>
<td></td>
</tr>
<tr>
<td>Frozen Processed Food</td>
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<td></td>
</tr>
<tr>
<td>Ice Cream</td>
<td>17.7</td>
<td></td>
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<tr>
<td>Meal Replacement</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Noodles</td>
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<td></td>
</tr>
<tr>
<td>Oils and Fats</td>
<td>125.3</td>
<td></td>
</tr>
<tr>
<td>Pasta</td>
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<td></td>
</tr>
<tr>
<td>Ready Meals</td>
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<td></td>
</tr>
<tr>
<td>Sauces, Dressings and Condiments</td>
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<td></td>
</tr>
<tr>
<td>Snack Bars</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Soup</td>
<td>0.1</td>
<td></td>
</tr>
<tr>
<td>Spreads</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td>Sweet and Savory Snacks</td>
<td>2.4</td>
<td></td>
</tr>
<tr>
<td><strong>Packaged Food</strong></td>
<td><strong>660.9</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Euromonitor International, 2014

Exhibit 5 – Portuguese Juices and Bottled Water Market

<table>
<thead>
<tr>
<th>Portuguese Juices and Bottled Water Market Value: € million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category</td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>Juices</td>
</tr>
<tr>
<td>Bottled Water</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Portuguese Juices and Bottled Water Market Value Forecast: % Growth 2013-2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category</td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>Juices</td>
</tr>
<tr>
<td>Bottled Water</td>
</tr>
</tbody>
</table>

Source: Marketline, 2014
Exhibit 6 – JMD’s Executive Committee

Source: JMD Internal Presentation, 2016
References