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Mercadona: From operational excellence to strategic expansion

Alejandro Serrano
Albert Girbal Puig

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By 2025, Mercadona's leadership could look back on the company's achievements with satisfaction. Having opened 60 stores in Portugal to date, the retailer was nearing the end of its expansion across the Iberian Peninsula (Spain and Portugal).[1]

With this stage almost complete, the company's senior executives were faced with a new question: should Mercadona continue expanding into other countries, or focus on consolidating its operations in Spain and Portugal? Were they to choose the path of expansion, Italy stood out as a potentially attractive market. But would the same operational model that had worked so well in Spain be successful there, too? What were the risks of trying to replicate that model elsewhere? Mercadona was well aware that other Spanish companies in similar situations had failed in their attempts to go international, hence the gravity of these issues. If the company instead chose to consolidate, should it work to increase its already impressive 28% market share in Spain? (Osorio 2025). If so, how could it accomplish this: by opening new stores or through acquisitions? The reality was that, for the first time since its expansion began, Mercadona's growth in Spain had plateaued: in 2024, it even closed 18 stores. (Mesa 2025).

Origins and expansion

Mercadona's story began in 1981, when the five Roig siblings purchased their parents' eight small grocery stores. A year later, it became the first company in Spain to use barcode scanners at checkout. By 1993, it had 150 stores and 10,000 employees. That year it unveiled its *Siempre Precios Bajos* (Always Low Prices) sales strategy, modeled on Walmart's Every Day Low Prices

[1] Most of the data cited in this case come from Mercadona's annual reports for 2023 and 2024. A special note is provided where this is not the case.

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approach. This strategy set the supermarket chain apart from most other retailers, who relied on constant deals and discounts. Although this decision led to short-term losses, it ultimately proved to be the right course of action (Audicana 2002). In 1999, Mercadona completed the process of making all its employees permanent staff, a policy it has continued to this day.

In 2006, after 25 years in business, Mercadona opened its 1,000th store in Alicante. The following year, it launched its first automated warehouse in Ciempozuelos, Madrid. This cutting-edge facility was equipped with 70 stacker cranes, a case-storage system capable of holding 500,000 trays, and fully automated palletizing, depalletizing, and wrapping machines (Telemadrid 2013).

In 2014, Mercadona opened its 1,500th store in Santander and established a data processing center (DPC) in Valencia to manage information flows between suppliers, logistics centers, and stores. For example, the DPC's systems automatically converted each store's daily checkout scanner readings into replenishment orders for the following day.

Two years later, Mercadona began renovating its stores using a new, more efficient model that was estimated to reduce energy consumption by 40%. This model also introduced several innovations, such as in-checkout weighing for produce and bakery items, as well as dedicated meat preparation stations (see Exhibit 1). Two years after that, Mercadona opened La Colmena, its first warehouse devoted exclusively to online sales, in Valencia. This allowed the company to extend home-delivery hours until 10 p.m. and enabled customers to choose their preferred one-hour delivery window. That same year, it began piloting a new in-store section called *Listo para comer* (Ready to Eat), where employees prepared dishes to order while customers waited.

In 2024, Mercadona began relocating its headquarters from Tavernes Blanques to Albalat dels Sorells, two municipalities in Spain's Valencian Community. The company expected to finish the move by 2025. Construction of the new headquarters represented a €200 million investment and would accommodate 2,600 employees (Mercadona 2022). With a workforce approaching 110,000 and an average annual growth rate of 6.4% over the previous 15 years (see Exhibit 2), Mercadona generated nearly €39 billion in sales across its 1,674 stores, 1,614 of them in Spain. The company posted profits of close to €1.4 billion and invested €1.045 billion in upgrading its facilities and supporting new projects. Notably, the company had turned its attention to enhancing and expanding its online sales operation, which accounted for only about 2% of total revenue. In its annual reports, this channel was referred to as "the Mercadona of the future" (see financial statements in Exhibit 3).

Thanks to this remarkable growth, Mercadona ranked among the world's top 50 retailers and was one of the two largest in Spain, close on the heels of Inditex.

Market and main competitors

In 2023, Spain was home to just over 23,000 supermarkets and superstores, with a growth rate of less than 1% per year. Expansion was occurring only among large-format stores spanning more than 1,000 square meters (see Exhibit 4). Total sales in the mass-retail sector reached €122 billion (Mesa 2025).

As of late 2024, the top supermarket chains in Spain were Mercadona (with a market share approaching 28%), Carrefour (9.4%), Lidl (6.6%), Eroski (4.2%), Dia (3.7%), and Consum (3.4%) (Kantar 2024). Mercadona had overtaken Carrefour in 2009 as Spain's leading grocery retailer and had continued to grow steadily ever since, bringing its share close to 28% by early 2025.

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The company's growth had also brought increased profitability. The sector was known for thin margins; for example, the average net margin in the United States was 2% in 2024 (CSI Market n.d.). Nevertheless, Mercadona posted a 3.6% net margin that same year. Bank debt was negligible because the company had financed its expansion with its own resources. Meanwhile, its cash holdings exceeded €5.6 billion. Some smaller competitors in Spain, such as Lidl, continued to grow rapidly and remained profitable (€182 million in 2023), while others operated with more modest levels of profitability and growth.

Business model

Mercadona's business model rested on five pillars: the customer (referred to internally as "the boss"), the employee, the supplier, society, and capital.

The boss

The customer was Mercadona's constant point of reference. Any major decision was carefully considered in terms of its potential impact on "the boss".

Sixty-five percent of customers in the sector said they chose where to shop based on the price-to-quality ratio of the products on offer, making it the single most important factor (Kantar 2024). Recognizing this, Mercadona implemented its Always Low Prices policy and made a bold decision for the industry: offering almost no promotional deals. Unlike its competitors, who used loss leader products to drive store traffic, Mercadona focused on making price reductions permanent rather than temporary. At the same time, it doubled down on private-label products (such as Hacendado, Deliplus, Bosque Verde and Compy) more than any other competitor, without compromising quality. In fact, analyses of the food products most important to customers consistently ranked Mercadona near the top for quality. By way of example, its extra-virgin olive oil placed third out of 23 products tested in 2024 (OCU 2024).

Mercadona made a deliberate effort to listen to the "voice of the customer", gaining firsthand insight into evolving preferences and adjusting its product selection accordingly. To accomplish this, it operated 20 co-innovation centers located next to select stores. There, specialists invited customers to share their needs and test potential new products. Through blind tastings and trials, these customers collaborated with Mercadona and its suppliers to design future products (see Exhibit 5). Each center focused on a few categories, such as breakfast items, hair-care products, or pet supplies. In 2024 alone, Mercadona conducted 11,000 co-innovation workshops, 1,000 of which were held in Portugal. This resulted in 220 product improvements, 330 new items, and 23 innovations. Among other actions, the company added corn tortillas and cookie-dough-coated ice cream bars to its shelves that year and upgraded its redfish fillets. Back in 2018, Mercadona organized 8,000 workshops for over 100,000 consumers and received nearly one million suggestions via its customer service hotline (Mercadona 2019).

Another unusual decision for the sector (discount chains like Lidl and Aldi being the main exception) was to offer only around 8,000 items in its stores, both physical and online. This was far fewer than retailers such as Eroski, Carrefour, Alcampo, and El Corte Inglés, each of which sold more than 20,000 products in their online supermarkets alone. Similarly, the average number of items in U.S. supermarkets rose from approximately 14,000 in 1980 to over 30,000 in 2023 (FMI 2025).

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