



Application 8.13

THE INTERNATIONALISATION OF LLAOLLAO.

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In 2009, Pedro Espinosa, a member of a family with an ice cream tradition decided to start selling frozen yogurt after tasting it in the United States. In that year he opened his first store in Dénia (Alicante), and the business started with extraordinary success in a city with a strong competition in this sector. Just a year later, the first Ilaollao. franchise was established. On November 19, 2020 Ilaollao. has a great implementation in Spain, with stores in 14 autonomous communities, among which the Community of Madrid with 39, the Valencian Community (20), Andalusia (16) and Catalonia (10) stand out.

The important tourist attraction in the area where the company began its activity made the product quickly known and tasted by a significant number of people from other countries, with a similar success to that amongst Spanish consumers, as the product is suitable to different cultures and habits. This fact led the founder of the company to almost immediately consider the options for an international expansion of the business.

The first store of Ilaollao. located abroad was opened in Portugal in 2011. Soon it was followed by new stores in another nearby country (Morocco). However, the following international adventures of the Spanish company took place much further from the national borders, in countries like Myanmar, Brunei, Australia, Kuwait or Guatemala. According to the company, in November of 2020 they are operating in more than 25 countries, with more than 130 establishments located abroad.

The nature of the product, a catering service, makes exportation impossible as a method of entering new countries. Likewise, direct investment in foreign markets would imply costs and would require valuable resources from the company, especially in the beginning. Additionally, Ilaollao. may lack the necessary knowledge of local markets to ensure its success. In this way, cooperation can be considered the ideal method, if not the only viable one, to carryout this process of international growth. Thus, the franchise and the master franchise have been the methods used in this development.

Through the master franchise system, that is used prioritarily in its expansion to other countries, Ilaollao. grants its international partners the exclusive exploitation of the brand in certain territories, where they often franchise in turn the business to smaller companies. This has been the growth method used when entering the United States (specifically, the state of Texas), Iraq, Singapore or Australia. As the company's founder stated about entering the antipodes' country, "when we started to develop the brand, taking our frozen yogurt to the other side of the world seemed to us the greatest challenge, and our first place in Australia is now a reality. Furthermore, we go on focusing on the expansion of the firm in one of our main markets, Asia, and in Central Europe where, we consider, Ilaollao. can have a spectacular reception and evolution".

This process of international growth has not taken place without difficulties derived from differences of criteria with the partners of the company in some countries. Z Franchises, one of its reference partners in the expansion through Asia (the most important market of the Murcian company) revealed several problems, such as the parent company trying to contact directly with the establishments, ignoring them; the change in the logistics company, which caused a significant increase in costs; or the demand of





Ilaollao. to communicate with them in Spanish, which made it difficult for both partners to understand each other. In other countries, local master franchisees have sent Ilaollao. to the courts for contract terminations prior to their expiration dates.

However, the recent entry of Ilaollao. in Austria or Brunei corroborates, the international growth of the company seems unstoppable. They continue to use other development strategies, implementing formats such as the popular foodtrucks, which allow greater flexibility in location. Even during the crisis generated by COVID-19, as Pedro Espinosa once again states, "the trust that our franchisees and master franchisees place in us is being fundamental to be able to continue carrying out this ambitious expansion plan in such a turbulent year as the one we are going through".

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Date of application: November 2020

