



## **Chapter XXI**

# **Inca Foods: Reaching New Customers Worldwide**

J. Martín Santana  
ESAN, Peru

Jaime Serida  
ESAN, Peru

Antonio Díaz  
ESAN, Peru

## **EXECUTIVE SUMMARY**

*This chapter describes the evolution of electronic commerce at Inca Foods, the largest supermarket chain in Peru. In 1997, it launched its virtual store as an additional way to improve customer service. The new service represented a challenge to the firm because Peru has a low Internet penetration rate and Peruvian people are used to shopping only in stores through face-to-face interactions. However, an unanticipated consequence of going online has been the response Inca Foods has been getting from Peruvian communities overseas. Because of the difficult economic situation in Peru, many people have left the country in search for new opportunities. Most of these people regularly send money to support their families in Peru. Now, Inca Foods provides them with an alternative way to do that. Inca Foods expects to achieve a high level of sales through this channel and is getting ready for it. This will help the firm to consolidate its leading position in the market, and it will constitute a new model for physical distribution of goods sold worldwide through the Web.*

## INTRODUCTION

In an increasingly global world, technology undoubtedly provides the underpinnings for integrating a gamut of players in the cross-border trade game. Information technologies, and particularly the Internet, put organizations before unforeseen challenges, creating both threats and opportunities.

This chapter aims at describing and examining the international expansion of Peru's largest supermarket chain through a virtual shop. What is noteworthy in this case is that orders unexpectedly started arriving from abroad. A study of these orders revealed Peruvian residents abroad had placed them who, instead of wiring money to their relatives residing in Peru, chose to send their financial aid by purchasing local goods and food from the supermarket's virtual shop.

This internationalization process has very peculiar characteristics, because instead of the company going global for selling and distributing its products around the world, as is the case in a typical Internet business, the company becomes international to sell worldwide, but keeps distribution in the local market for reasons that will be explained below. This peculiarity cuts the cost and complexity of international distribution logistics and so emerges as an interesting business opportunity for Latin American retail companies.

It is necessary to explain that the virtual shop's launching was due more to the company's commitment to permanent technological innovation than to the quest for short-term returns, even more so because Peruvian consumers are not used to remote purchasing and because of low Internet penetration in Peru (INEI, 2000). Likewise, the virtual shop was conceived as an additional marketing option that did not seek to replace the existing stores, so it can be considered as a typical case of *click-and-brick* organization.

## BACKGROUND

The nature of a virtual organization allows for a competitiveness analysis approach, not only from the real or traditional value chain standpoint (Porter, 1985), but also from a new analysis perspective, mainly based on information, that has been recently named virtual value chain (Rayport & Sviokla, 1995). The first model considers information only as a support element within the process of creating value in organizations, but not as a source of value in itself. Company managers are obliged to explore the electronic market to find new business opportunities in which information is a value-generating source. Coordinating both value chains is what characterizes growth companies.

According to Rayport and Sviokla (1995), value generation through the use of information implies three phases: visibility, replication, and creation of new relationships with customers. Visibility, the first phase, implies the use of information technology to control business operations. The replication phase implies replacing virtual processes for existing ones to create a value chain in the electronic media. In the third and last phase, information is used to create new relations with customers.

As opposed to the real value chain, in the virtual one, value is extracted from information by sequentially executing five activities: collection, organization, selection, synthesis, and distribution. By combining these tasks of the virtual value chain with

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