Plenia Locatel Group: Globalizing from Venezuela

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May 2009 (revised December 2009)

CISR WP No. 376

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Title: Plenia Locatel Group: Globalizing from Venezuela
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Date: May 2009 (revised September 2009)
Abstract: In 2009 the founders and top executives of Plenia Locatel Group, a retail business in Venezuela specializing in health care products and services, were planning a global expansion of the business. Founded by two close friends in 1994, the business grew through franchising and customer focus to 46 stores in Venezuela and 12 more in Colombia, Mexico, Miami, and Russia. As a basis for their globalization, the founders and executives sought to formalize and introduce structure in operations and management and had recently implemented an ERP for operational transactions. A basic issue was how to replicate business success and brand image, built over years of personal involvement and franchisee relationships, without losing the customer service focus in each store.

Keywords: globalizing from emerging economy, ERP implementation, retail franchising
Plenia Locatel Group: Globalizing from Venezuela

It was hard for anyone around the table of top executives of Plenia Locatel Group to get the attention of his colleagues. No sooner would one offer a point than another would change the subject, or a cell phone would be answered. Luis Ruah, one of the two founders, interrupted a chain of interruptions and brought the subject back to the reason for the meeting:

“We must devote this time to the future of Plenia Locatel. We cannot continue to focus only on today’s issues or today’s problems all the time. I am more guilty of this than anyone. That’s why John (John Levy, co-founder) and I are valuable to each other. I just want to get on with it. He reminds me of the big picture and risks of growing fast without good foundations. But now I am convinced we must pause and reflect.”

Plenia Locatel Group, started in Venezuela as Locatel, a privately held company. Established by Luis Ruah and John Levy in 1994, it offers healthcare products and services to consumers through franchised stores. In 2009, in addition to 46 stores in Venezuela, there were 12 in Colombia, Mexico, the United States, and Russia under the two brands “Locatel” and “Plenia”. The team of Luis, John, and six key executive directors had decided to halt growth outside Venezuela to plan for globalization.

The team believed that Plenia Locatel success came from adhering to basic values and principles, of customer attention and customer service, plus commitment and long hours of hard work. Through a combination of the partners’ personalities and skills, such as intuitive decision making and a passion for customer contact by Luis, and a thoughtful, analytic approach by John, the pair had built a hugely successful business. Franchising enabled leveraging of the partners’ capital. Franchisees—most of whom had been personal friends of the founders—became trusted business associates and practitioners of the values in their own stores. The exemplary customer-oriented store behavior by employees, known as “Plenia Locatel Way,” was seen as the key reason for the Plenia Locatel powerful brand recognition, industry admiration, customer loyalty, and financial success.

The eight executives were keenly aware of the need to continue the Plenia Locatel Way in stores while enabling growth with more formal strategy, structure, franchisee selection, and
systems. Only a few of them had actually created or worked in such business conditions. For their part, both founders realized their operational involvement and expertise must give way to the next generation of leaders. The six other senior executives included three sons and a daughter of the founders.

Plenia Locatel Group had recently installed an information systems platform, consisting of SAP transactional systems and a point-of-sale system. Once fully stabilized, this platform was intended to enable the enabler of rapid expansion of stores, support proven business practices, and be a source of timely operational reports.

The questions facing the executives in 2009 were:

- Exactly what new forms of business, in terms of strategy, reporting structure, business and operational models (especially franchising), and systems, should be adopted to ensure continued success with globalization?
- How could formalization and systemization be introduced while extending customer-oriented, values-based practices, the Plenia Locatel Way, down to the store level in widely dispersed countries with different laws and cultures?
- What new roles, assignments, and skills would be needed for existing executives, and would any new outside talent be needed?
- How and when should further changes be introduced, and in what order?

**History: Lessons and Legacies**

**A Partnership Is Formed**

In 1971 Luis Ruah invited his childhood friend and brother-in-law, John Levy, to come to Venezuela and form a business partnership. Levy, with two advanced degrees, the latest an MBA from Columbia Business School in 1969, was working in the United States at Merck, Sharp, and Dohme. Luis and John had always wanted to be in business together. John remembers saying to his wife, “Why don’t we try it for two years? We can always go back to France or the US. Let’s see how it goes.”

The partners began by importing novelty clothing and accessories, selling door-to-door. Luis pored over catalogues, looking for the next item that would catch the fancy of hotel travelers or others. John kept the books (see Exhibit 1). In 1979 they formed Galaxia Medica to import a variety of products including medical equipment to sell to wholesalers and doctors. There was no working capital. They occupied a tiny office, sat on wooden boxes, and used a cotton bale for a table. But from the beginning they were committed to customer service. When necessary, they delivered items in a taxi to doctors’ offices, even if it meant losing money on the sale. As they both agreed in retrospect, “We knew we had to give impeccable service, to be better than the competition, and that’s what we did.”

A turning point in the business was “Viernes Negro” (Black Friday) in 1983, one of several events that made the partners keenly aware of the volatile political and economic environment of Venezuela. Facing runaway inflation and weakening currency, the government devaluated the Bolivar by 40% and imposed severe restrictions on imports. (For recent annual Venezuelan inflation rate and exchange rate for the Bolivar, see Exhibit 2.) The partners considered emigrating, but family advice changed their minds:

> I told my Uncle Leo, “With the new regulations it is very difficult to import. We want to leave the country.” He said, “Everyone is thinking that way. Why don’t you forget your fear and take advantage of the situation? Do what no one else is doing.” So we took his advice and focused on importing only for the health market, which had been spared from the import restrictions. —Luis Ruah

**Health Equipment and the Health Supermarket**

In addition to health product importing, the partners began renting medical equipment. They reasoned that few wanted to buy wheelchairs, crutches, or walkers for a short recovery period, and there was no competition for this in Venezuela. They called the new business “Locatel,” French for *Location par Téléphone* (rent by telephone, also an innovation in the
country). The reputation of the partners among doctors helped. The business grew quickly.

In 1993 the partners bought a building for offices and inventory in an industrial area of Caracas. There was an empty floor which, as John remembered, “We didn’t know what to do with.” Mike Ruah, Luis’s oldest son, had written his undergraduate thesis, at Universidad Metropolitana in 1992, on the family business, and included recommending the opening of a pharmacy. The pharmacy was intended to be a secondary business, to attract rental and equipment customers. Pharmaceuticals were priced at a 20% discount to customers who joined a membership program. In 1994 the one empty floor became the first “Locatel Automercado de Salud” (Health Supermarket).

The results astounded John and Luis. From the opening day there were lines into the streets waiting to get in. Contrary to expectations the store attracted customers from far outside the neighborhood, including many from upscale parts of Caracas.

After experimenting with the pharmacy, and seeing the crowds coming in, we understood that healthcare should be the core of the business. Then we said, “Why don’t we add related services?” So we set up optometrist services and sold prescription glasses and then blood testing. —John Levy

The new type of store was marketed aggressively and creatively. A particularly successful decision was to buy TV advertising in the middle of the night and early morning, when they were available cheaply and when a large percentage of viewers might be doctors, nurses, and sick patients; exactly the target market. Soon two more stores were opened, in different parts of Caracas, with rapid success.

Franchising and Growing

To grow and leverage their capital, John and Luis decided in 1999 to go to a franchise model. Until then the only franchises in Venezuela, such as McDonalds, were headquartered elsewhere. There were no local laws or regulations restricting what might be done. To convey their personal values and principles, John and Luis were rigorous about the terms of the contracts and in selecting franchisees.

From 1999 to 2004 the number of stores grew from 6 to 37 (Exhibit 1). At one point, stores were being opened at the rate of one per month. Stores were almost universally successful. Most achieved breakeven in the first day of operation, compared to similar businesses in the United States which required over four years. Store sales grew from $10 million to $221 million. During this period, Locatel, through its stores and supply and wholesale business, became the number one player in the medical equipment market, and the number two player among the pharmacy retail chains, accounting for 5% of total sales of medicines in Venezuela. At the same time, Locatel was able to maintain a uniformly high quality of store appearance and service. Ratings by large suppliers and third-parties showed Locatel’s brand image and consumer reputation were the best in its industry in the country.

The founders and executive directors maintained ownership and management of the first store, just below their corporate offices and were fully active in day-to-day operations and local expansion. Luis continued to look for new items and ideas, attending trade shows in the United States and Europe and regularly visiting the stores and talking with customers. In 2002 nutritional advisory services, vaccines, oxygen therapy, and oncology products were added to the Locatel store offering. Whenever a patient received a direct treatment in a store it was as a result of a physician’s advice or from a consultation. Not all innovations were successful. Supplying dentists directly, for example, did not work out and was stopped after two years.

Luis, John, and Locatel executives were aware of the visibility of their brand and felt a responsibility to the larger community. In 1999 Venezuela suffered one of the worst natural disasters in its history. Torrential rains associated with a hurricane caused massive landslides on the coastline, killing an estimated 100,000 people and disrupting transportation and relief
efforts. Locatel stores were one of the few places where people could buy products, and facilities were provided for donations. In 2003 Locatel created “Fundailusion,” a foundation to provide terminally ill children the fulfillment of their dream travel experience. Locatel initiated the annual “Mes de la Salud” (Month of Health) in 2004, with in-store promotions and events in which the public engaged in sports activities. Participation reached 50,000 in the closure ceremony of the 2008 Mes de la Salud. In 2004 +Salud was introduced (39,000 copies), a high-quality magazine of over 100 pages, featuring custom-written articles on health for the consumer. Published every two months, +Salud was available in doctors’ office waiting rooms and for sale in Locatel stores. It was edited by Vanessa Levy, John’s only daughter. In 2005 the Company issued its own credit card, which the holder could use to pay for any health-related expense. Locatel executives were proud of these initiatives and felt that company visibility and public image were enhanced by them.

In 2004 the executive team felt confident about the continued growth in Venezuela, where the concept of Locatel had proven itself, but their ambitions and some pragmatism inclined them toward globalization. The first store outside Venezuela was opened in 2004 in Miami, Florida, United States by a consortium of investors and existing franchisees. The same year in Colombia, a store was opened by a franchisee whom the founders knew well and who had been COO of a major retailer in Colombia. By 2009 there were six stores in Colombia. Then in 2007, stores were opened in Mexico and in Russia, both by franchisees known personally by the executive team. In Mexico the name “Locatel” was replaced by “Plenia” to avoid conflict with a Mexican institution, and because “Locatel” was usually associated with a telecom business. The official corporate name became “Plenia Locatel Group”. In June of 2009, the brand image was renewed by changing the logo and store appearance, and consensus was reached that “Plenia” would be the brand used for future stores in new countries.

**Approach to Management**

The Plenia Locatel organization corporate organization in Venezuela, at the founder and executive team levels, was a mixture of individual responsibilities and informal teamwork. (See Exhibit 3 for the overall company organizational structure and Exhibit 4 for the country corporate level structure. These charts were adjusted in 2009 for the purpose of this case study.) Informality was enabled by the executive floor office layout. On one side was a long office in which John sat behind a desk at one end and Luis behind a desk at the other end, facing each other. Other offices were arranged around two other walls. It was unusual for a door to be closed. There was a consensus that more formality was needed, particularly as a basis for going global at scale and with rapid pace. In particular, Luis and John made efforts to delegate more of the day-to-day running of the business to the executive directors.

**Franchising in Practice: Enabling Growth and Leverage**

**The Formal Side of Franchising**

The idea of franchising originated with Luis and John. To instill values and principles into all stores, the formal rules and contracts were rigorous and explicit. Franchisees were carefully selected, with the intention of building trust. Important features of the formal franchise arrangement were the following:

- Franchisees put up 100% of the capital for construction, stocking, and completion of the store. (An opening in Venezuela averaged $4 million on top of construction cost.)
- Each store paid a royalty of 3% of revenue to Locatel Corporate, on a monthly basis.
- Each store was expected to contribute to marketing expenses of the corporate entity, amounting to 1% of sales.
- “Never stock out!” Stores were expected to carry inventory in excess of what might appear necessary, to sustain the reputation of Locatel for always having what a customer needed. This was particularly true for pharmaceuticals and prescription drugs. Inventory
represented about $2 million for a new store. (The policy, in stark contrast to many competitive stores and other businesses in Venezuela, was believed by Plenia Locatel executives to be the key to the popular success of Locatel.)

- Each store ordered all but a few items through Locatel Corporate or Galaxia Medica, enabling bundling of orders and negotiation of better prices with suppliers (see Exhibit 5). Shipping and payment were generally between the suppliers and the stores, a feature Locatel Corporate felt insured transparency and trust on the part of the franchised businesses.
- Franchisees were required to be managers of their stores. While a single franchisee might own an interest in several stores, the manager in each store had to have an ownership interest in that store. Store owners were expected to be physically present during most store hours.
- In the Caracas area, each franchisee was assigned to a “zone,” and his/her business could open other stores within the zone. This mechanism was seen as a prototype of what might be done internationally in multi-country regions and within a country.

A franchise was typically a family business itself. It was expected that all franchisees would meet with the corporate executives regularly. Other rules and expectations, particularly reflecting the values of customer service, were set out in the “Ten Commandments” which franchisees agreed to (Exhibit 6).

**Franchising: The Informal Aspects**

The first franchisee was a long-time friend of the family. The number of individual investors in franchises grew to 471 by 2009, including 366 in Venezuela (203 in Caracas), and the rest in Colombia, Florida, Russia, and Mexico. There were more than 50 franchised companies. By 2009, the minimum investment for an individual was $250,000, which went for real estate and construction, store setup and working capital, and other capital to carry the store to profitability. Only one franchise was terminated, for reasons of poor store management and potential damage to the Locatel brand. The franchisee had not been a personal friend of the founders, and the experience was seen in retrospect by the executive team as an indication of the need for in-depth due diligence in franchisee selection.

Franchisee meetings, with the corporate executive team, were held at corporate headquarters in Caracas every three weeks, with members of the corporate board of directors and the executive team present. Attendance invariably included the most senior member of each franchise business, or his/her immediate second. The meetings were used to announce policies and report and exchange progress reports, but also to discuss planning and direction for marketing promotions and to share ideas on store management.

We consider this group of franchises to be trusted business associates and in most cases personal friends. Their commitment to adhering to our values and policies, and hiring, training and motivating employees is of course the essential reason for our continued success while growing. As we look to future growth outside Venezuela, one of our major concerns is to find the right partners to fulfill our concept.

—John Levy and Luis Ruah

**Using and Testing the Franchising Model**

The business value of the franchise group and its trust and faith in the founders and executives of Locatel were illustrated by the decision to experiment with a store in the United States. Luis and John brought existing franchise owners and close friends together to present the business case and offer the opportunity to invest in the Florida venture. As Luis described it:

John, I, and others showed them the numbers for the Florida store, showed them the consultants’ findings and recommendations, which Walter (Cohen) had obtained, and then I told them how important it was for the future of Locatel, if we were to achieve our dream of becoming a truly respected and valued world brand and business, to
learn how to compete and to be successful in the US. Then I said, “My friends, I cannot promise you this will succeed. I tell you in all honesty I think there is a 20% chance for full success, 50% chance of utter failure and withdrawal, and 30% we will have to do something radical to save the life of the patient, with no assurance of success at that point. Of course John and I are in.” When it came to pledges, every one of them signed up. So we now have 25 individuals or businesses who invested in our US venture, a total of $12 million.

—Luis Ruah

The store was opened in Hallandale, between Miami and Fort Lauderdale, under the leadership of the Locatel USA CEO, who had ample management consulting experience, and Walter Cohen representing the Plenia Locatel Group executive team. Walter had an MBA from the MIT Sloan School of Management and experience working at McKinsey. Shortly thereafter, two other stores were opened, also in the Miami area. One of these had to be closed, due to poor market conditions and the aftermath of hurricane Wilma. As of March 2009, the first store had not reached break even, but was on target compared to competitive stores and was expected to break even within a few months. Walter reflected on the learning:

We chose the first location aware that it was a very competitive setting. Nearby was a Walmart, CVS, Walgreens, Winn Dixie supermarket with a pharmacy, and two long standing independent pharmacies. We deliberately avoided the Latin American areas of South Florida. While this decision made sense for proving our concept in the US market, it also made business more difficult than it might have been. We also decided too quickly to open an additional store, which stretched us too thin, and the location was not the best. We learned enormously from the mistakes made...

—Walter Cohen

As they looked to a potential future of many new stores in new countries, there was consensus among the executive team not to expand outside Venezuela during 2009. The approach and overview for planning were expressed by John Levy:

What we have done in each country so far is either know a franchisee and trust that he will do well, or conduct a conscious experiment, like Miami, to test the concept and learn how to globalize it. Once we consolidate in Venezuela we can expand here to the point of doubling the stores at a rapid rate, but we will do it carefully. We have proven the concept and should have the structure and systems to support the growth. We must be very, very careful not to expand as rapidly as we might be able to in all countries. When you grow, you have to build up behind it with structure to support the expansion. We regularly get inquiries for potential franchisees elsewhere. We are talking about Central America. Europe will be difficult due to national restrictions, although Spain may be opening up, and so on... So we have a dream. Financial growth is just one part of it. We want to build something unique, and we want to serve the communities.

Information Systems: Investing in a Platform for Growth

A Big Step Toward New Technology

In 2004 Plenia Locatel Group signed contracts with SAP for an Enterprise Resource Planning (ERP) system, with IBM Services for assistance in integration and implementation of the system, and with IBM Venezuela for the purchase of a new Point of Sale (POS) system. Stanley Ruah (Luis Ruah’s youngest son), Walter Cohen, Ruben Bretto, and Ari Levy (John Levy’s youngest son) had studied the problem and the options and made the recommendation to John, Luis, and the board of directors.

In their study, the team quickly confirmed the urgency for a new integrated administrative system which had to cover transactions in the
Plenia Locatel product cycle from end-to-end. They wanted a system that digitized and optimized purchasing, inventory management, financials, store and corporate reporting, and more. The existing system was home-grown, and its maintenance was dependent on its creator, who worked full-time for Locatel Venezuela. Luis recalled the founders’ position at the time:

*John and I don’t understand computers. We wanted a fix to all the problems we were having just doing the business, to the complaints and annoyance of our store managers. I told the team, “Go find somebody like IBM or some big vendor that understands this stuff and that I can call to complain to and expect it to get fixed!”*

The team knew by the end of 2004 that system replacement was an opportunity to introduce a technology platform that could enable and support scaling and operations on a global basis. In discussions with SAP and IBM, the team remembered the vendor representatives being surprised when they suggested they wanted a contract commitment for as long as ten years. A primary consideration, which turned into a significant problem for implementation, was that the system had to replicate and support specific and somewhat unique practices that had evolved in the business and in relationships between Corporate and the franchisees and stores. Both SAP and IBM assured the team that the system was adaptable and recommended that Locatel change certain business practices in the stores to minimize customization of the ERP package.

The total contractual commitment of $12 million was the largest single capital commitment in Plenia Locatel Group history. Franchisees would be expected to contribute license and implementation costs and a monthly fee for hosting and license maintenance. When the proposal was presented to John and Luis, they were stunned. But the team answered all their questions and obtained their consent.

Once the contracts were signed, the study team went to work on implementation. Also, Alejandro Planas was hired to lead the POS project and provide a focus on IT. He had been a franchisee/owner of the second franchise, in 1999. He described how he became committed to Locatel:

*I was working as an engineer for a high tech company in San Diego, California and studying for my Masters. My mother was ill in Caracas, and on a visit home in 1999 I went across town at her request, not really knowing why she wanted me to go so far, just to buy her medicines. When I walked into this store, up a flight of stairs in a dingy neighborhood, I realized this was a different phenomenon. I went back a few times. I was intrigued. Then a friend of mine who knew the Ruahs and Levys contacted me in the US and asked if I would partner with him to buy a franchise. I dropped everything and changed my career and my life. I have never regretted a moment of it.*

In 2004 I was offered the opportunity to join the corporate group, to become head of IT. They have a bunch of bright people at corporate, of course, and a lot of family members who are familiar with the style of the business, but I would be the only one with a specialty in IT and actual hands-on, day-to-day store management experience.

Implementation of the systems took two full years. Some discussions between the IBM consultants and process owners resulted in positive changes in the system while others took longer than expected and achieved no evident result. The system was cut-over in phases, beginning in June 2006 with Galaxia Medica, the Locatel Venezuela corporate entity for purchasing and distribution and the most standard and controlled operation. This was followed by the first owned store in October and progressed until all Venezuela stores had a new POS hardware and system, and a new back-office system, in March 2007. The good news was that not a single day of store shut down was necessary during the implementation, despite
the usual startup glitches, delays, and occasional need to run the stores with manual systems.

The Bad News: It Isn’t Over

During the project, the cutover and installation required Ari Levy and a team to work around the clock. But it didn’t stop there. After implementation Stanley, Alejandro, and Ari spent hours with IBM and SAP trying to get to the bottom of persistent stoppages, slow response time, and errors. They found that the operational servers had been undersized, and therefore had to be upgraded earlier than expected. This resulted in an unexpected increase in hosting fees. Implementation of the POS system was intended to be in parallel with the ERP transactions systems from SAP, but by 2007 it only supported the basic operations in SAP. Nevertheless, with the basic systems apparently stabilized, the team declared victory with a celebratory party in September, 2007. IBM produced a press release entitled, “Locatel builds global retail franchise with SAP and IBM,” (see Appendix) in which it quoted Ari and Stanley making positive comments about the project and stated:

> With a complete suite of SAP applications in place, Locatel has been able to define and control its business processes. The fully integrated SAP applications allow managers to view the business from end to end—from sales order to goods delivery, with matching financial reporting.

But problems with the system, annoying but never fatal, persisted. Some processes seemed inflexible and less efficient than before. Response time was slow for key transactions like purchasing, apparently due to some system customizations. After several months, the Plenia Locatel team came to the conclusion that fundamental processing problems existed in the software. Regular complaints to IBM led to little progress. SAP was largely immune, as they had not been contracted to provide consulting assistance. There was a growing sense that the expertise available from the vendors was not up to the task. Stanley, Alejandro, Walter, and Ari paid a visit to the head of SAP for Latin America in his office in Miami and laid out the issues. These were:

- Are the current interfaces (mainly with POS) adequate?
- Why is Locatel Venezuela not using a standard purchasing process?
- Could the SAP replenishment process be used for in-store inventory?
- What kind of retail promotions could SAP address?
- (Most important) How could the time for creating a new store be reduced from the current four weeks? Could the store opening process be automated?

Within a month, one of SAP’s world experts in retail implementations, with a team, visited Caracas and went to work with Alejandro and his IT people. After a week of meetings and discussions, potential solutions were presented by the SAP visitors. Most recommendations would require a project. In April 2009, in order to continue the transition to a fully integrated platform, Locatel Venezuela implemented cost accounting and fixed assets SAP modules. Nevertheless, most of the issues that had been presented to SAP were still unresolved.

Reflecting on the experience, Plenia Locatel executives did some rough calculations of IT capital investments to date and going forward. The $12 million, ten-year program initiated in 2005 had been expected to represent all the capital investment necessary to achieve the new IT platform for ERP transactions and POS. The executives estimated that the actual investment to date was $7.4 million, including an overrun of $1.6 million compared to intended investments, or a 13% overrun. Looking forward, and including new functionality and investment as well as overrun, they estimated that total investment by 2015 would reach $17.5 million, 46% over the originally planned $12 million.

Despite these large numbers the Plenia Locatel Group executives had no regrets about the decision to adopt the SAP and POS systems. Luis and John were beginning to trust and rely
on the daily reports of sales and other key information from the stores. There was general acknowledgement by the executives that the platform could serve to support stores and growth for globalization. A list of specific opportunities for process changes possible with the platform is in Exhibit 7.

**The Store Experience**

Locatel Corporate had an active and involved strategy not only for instilling the Plenia Locatel Way, but also for assisting franchisees and their stores to achieve sustained profitability.

**Assessing and Assisting Stores**

From the early days, it was recognized that different neighborhoods had different capacities to drive sales in a Locatel Venezuela store. Recognizing this, and in order to make comparisons and identify problems with a store, the stores were categorized into one of three types based on sales percentile:

- A type I store was in the top 25th percentile of store sales.
- A type II store was in the range from the top 25th to bottom 25th percentile of store sales.
- A type III store was in the bottom 25th percentile of store sales.

Exhibits 8 and 9 show the income statement and balance sheet for an average store (type II) for 2007 and 2008. Other current (2008) indicators of store performance are shown in Exhibit 10.

Based on comparisons with peer stores, managers and Locatel Venezuela corporate executives would meet on an *ad hoc* basis to determine reasons for weak and strong performance of a store and set a plan for remedial actions. (See the organization chart for a typical store, Exhibit 11.) Involved in these reviews were typically Stanley Ruah for operational matters, Eurice Troya for financial matters, and Alejandro Planas for IT matters. Depending on particular problems, middle managers from Corporate in such areas as training, store layout, or scheduling of employee shifts would visit the store and make recommendations to the store owner/manager.

Business process standards and practices were continually updated in the Franchise Manuals. At the time of the SAP implementation, the manuals were completely rewritten. Plenia Locatel Group executives and consultants had analyzed every single Locatel Venezuela business process, compared it to the SAP “best practices” and created the final optimized processes. This effort required many iterations and resulted, at the end of 2008, in a set of Franchise Manuals totally consistent with Plenia Locatel’s adaptation of the SAP transactional systems.

Corporate executives were generally pleased with the process for remedial action and achieving adherence to the best practices. At the same time, they knew the informal and face-to-face fixes and the busy IT help desk would be impossible to sustain as stores opened farther away and as the SAP platform was extended to regions beyond Venezuela and Mexico. Illustrative of potential problems was an exchange that took place in one of the stores in January 2009. In the meeting room in back of the store, Walter, Stanley, Alejandro, and Ari mentioned that the new manual for store operations was nearly final and would be out to the stores soon. One of the store owners responded with some passion:

*Store Manager:* We don’t need a manual from headquarters to tell us how to run our store. What you should do is come and ask our employees what they do and how they do it. If you get that from all the stores, you will put together best practices of what is actually working...

*Corp. Executive:* That’s exactly what we did do! We sent the consultant around to the stores to talk to employees. Then, of course, we had to marry the best practice with what the new SAP system could support...

*Store Manager:* Well, it hasn’t been communicated to us in that way...

*Corp. Executive:* We will get back to you and make sure there is no misunderstanding and work with you and provide the training so good employees can use the system and still be innovative.
In discussions the next day, the corporate executives speculated that if it was difficult to introduce the system and new processes in Caracas, with store managers and employees they knew personally and could visit in a matter of minutes, how hard was it going to be between Caracas and Moscow or Madrid or Singapore, eventually?

*Have we created a monster? Can an “empowered,” trained, motivated workforce, thoroughly able to please the customer and sell, be created by more formalization and SAP systems? How much formalization do we need to open 20 stores a day around the world? How much trust with franchisees and how much “high touch” training for employees do we need to go with that formalization? (Consensus questions by corporate executives)*

On a related matter, as they looked to grow outside Venezuela, the executives wondered what differences they could expect in the nature of markets, customer socio-economic levels, and national cultural traits and practices. How might these differences alter the successful models of store types, employee behavior, management of employees, supply chain, and comparisons among stores for corrective consultative action? The executives were beginning to absorb some lessons from the experience of new stores in Miami, but that experiment was still new and incomplete.

*Visiting the Stores*

In January 2009, visits to four Venezuelan stores, representing all three types, over a span of three days, led to conversations with store owners/managers, other employees, and several customers, and allowed for the observation of business interactions on current topics of concern between corporate executives and the store managers. Invariably, the stores were brightly lit, clean, and orderly, and there was an employee at the door, greeting every customer, offering to help, and answering questions. The prescription counters consistently had customers standing in line but always had as many cashiers as necessary to keep them served. A visitor’s random conversations with customers and employees were always met with smiles and effusive, positive comments.

A Venezuelan woman on her way from Caracas to Miami was asked if she had heard of Locatel. She responded as follows:

*Yes. I have two houses in Caracas and a condominium in Miami, and I wait to do all my prescription and health purchases until I return to Caracas, just to do it at Locatel. Prices are comparable to the US.*

*Locatel does a wonderful job of training. You can get help with something which you used to need a doctor for, like advice on different non-prescription drugs for something simple like a cold. Locatel in Venezuela is better than most stores in the US. Many of their employees themselves are from lower classes. Locatel has brought them up and made them proud and well equipped in their lives.*

*They are doing good for the country. I wish the country was doing as good for the country as Locatel is doing for the country.*

**Looking Ahead**

As they reflected on the business and its success, the executives of Plenia Locatel Group could point to current performance indicators and financial results as indications of the health of the business. (See Exhibit 10 for 2008 performance indicators and Exhibits 12 and 13 for Locatel Venezuela’s corporate income statement and balance sheet for 2007 and 2008.)

It was a sunny Friday afternoon in early 2009. Plenia Locatel executives, their spouses, and a few guests had driven 1,000 meters up through the “El Avila” National Park. The view was Caracas far below to the south and the Caribbean Sea to the north. Luis Ruah, with John Levy at his side, stood and offered a toast:

*My dear friends and beloved family, John and I wanted you all here to join us in celebrating part of our 38th year of*
partnership and of course the many more years of our relationship.

As you know, we are discussing where to go from here with Plenia Locatel. We agree we want the business to grow and prosper. The financial rewards are important, but there is much more. We have the potential for Locatel to be known beyond Venezuela, and for it to do good for people as well as good for us. You have heard me say I had an ambition for creating a business that would become a Procter & Gamble. I may not see it in my lifetime, but I believe it can be done with what we have started.

Now, before we open another bottle of wine, I want to go around the circle and ask each of you to say what you think is our biggest challenge from here forward, to go global, and what you think should be done to address that challenge.

Salud!

---

### Exhibit 1
**Events and Decisions Timeline**

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>Galaxia Medica</td>
<td>1994</td>
<td>1st store</td>
</tr>
<tr>
<td>1982</td>
<td>Rental Medical Equip.</td>
<td>1995</td>
<td>Optometrist Service &amp; Blood Testing Labs</td>
</tr>
<tr>
<td>1999</td>
<td>1st Franchise</td>
<td>2002</td>
<td>2001 Creation of Fundailusion</td>
</tr>
<tr>
<td>2005</td>
<td>Private Credit Card &amp; Hearing Aid Service</td>
<td>2006</td>
<td>POS &amp; SAP Project</td>
</tr>
<tr>
<td>2007</td>
<td>Mexico &amp; Russia</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Growth (%) - All Stores</td>
<td>100%</td>
<td>643%</td>
<td>165%</td>
<td>257%</td>
<td>3%</td>
<td>98%</td>
<td>10%</td>
<td>23%</td>
<td>32%</td>
<td>31%</td>
<td>47%</td>
<td>46%</td>
</tr>
<tr>
<td># Employees - Locatel *</td>
<td>80</td>
<td>480</td>
<td>1120</td>
<td>1360</td>
<td>1680</td>
<td>2160</td>
<td>2960</td>
<td>3440</td>
<td>3520</td>
<td>3520</td>
<td>3680</td>
<td></td>
</tr>
<tr>
<td>Sales Growth (%) - Galaxia **</td>
<td>100%</td>
<td>431%</td>
<td>9%</td>
<td>22%</td>
<td>9%</td>
<td>88%</td>
<td>70%</td>
<td>49%</td>
<td>48%</td>
<td>38%</td>
<td>25%</td>
<td></td>
</tr>
</tbody>
</table>

* Corporate Employees represent from 3-5%
** Sales to Locatel account for 75-80%

---

### Exhibit 2
**Inflation Rate and Bolivar Exchange Rate**

<table>
<thead>
<tr>
<th>Year</th>
<th>Exchange Rate (Bs. per $)</th>
<th>Inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>685.5</td>
<td>13.40%</td>
</tr>
<tr>
<td>2001</td>
<td>731.5</td>
<td>12.30%</td>
</tr>
<tr>
<td>2002</td>
<td>1280.75</td>
<td>31.20%</td>
</tr>
<tr>
<td>2003 *</td>
<td>1600</td>
<td>27.08%</td>
</tr>
<tr>
<td>2004</td>
<td>1920</td>
<td>19.19%</td>
</tr>
<tr>
<td>2005</td>
<td>2150</td>
<td>14.36%</td>
</tr>
<tr>
<td>2006</td>
<td>2150</td>
<td>16.98%</td>
</tr>
<tr>
<td>2007</td>
<td>2150</td>
<td>22.46%</td>
</tr>
<tr>
<td>2008 **</td>
<td>2.15</td>
<td>31.90%</td>
</tr>
</tbody>
</table>

* In 2003 Currency Control Exchange was established
** Currency Conversion (Bs./1000)
Exhibit 3
Overall Organizational Structure

Exhibit 4
Country Corporate Organizational Structure*

* Chart for Venezuela Corporate, intended as a pattern for other countries as they grew.
Exhibit 5
Locatel Venezuela Supply Chain

Legend

Exhibit 6
Plenia Locatel “10 Commandments”

We are committed to the Health and Wellness of our customers

- **Customer First:** We’ll always receive, greet and service ALL customers.
- **Never Say No:** We’ll always answer in a positive way and find a solution.
- **Suppliers Are Our Customers Too:** We will promptly receive and treat our suppliers as if they were our customers, striving to satisfy them.
- **Our Employees Share Our Values:** We create a family with our employees and achieve their satisfaction. We all share the health and wellness philosophy and service excellence.
- **No Inventory Stockouts:** Follow processes of inventory management, ABSOLUTELY avoid ‘stockouts’ and keep FIFO to manage expirations.
- **Store Organized:** We’ll always have our shelves fully stocked, clean, organized, full of light and attractive to our customers, at all times.
- **Cross Selling of Products and Services:** We’ll always promote the Pharmacy and cross promote ALL other section’s products like DME, Vitamins & Supplements, Health & beauty, and services like Optic, Hearing Aids, Nutrition, blood pressure and glucose monitoring, among others.
- **Exclusive Line Products:** We’ll always promote our exclusive line’s products before anything else (Corpore Sano, Natural Vital, and others).
- **Follow Up Special Orders:** We’ll document and follow up on our customer’s special orders until completed and the customer is satisfied.
- **Best Service in Every Area:** We will provide the best possible service and knowledge in every sector of our stores. Learn continuously and never leave any area unattended or a customer until her/his request has been solved.
Exhibit 7
Process Changes Possible with the SAP Platform

The SAP system technology and process changes are designed to enable the following:

**Product Coding:** Each country corporate office (master franchise) decides what articles are in the product mix. However, the master data record is centralized and audited by the Plenia Locatel Group office. The purpose of this is to avoid duplicated records on the master article data, allowing the product mix of countries to be compared and enhanced. In the future uniform coding could allow Plenia Locatel Group to negotiate international purchasing agreements with multinational suppliers.

**Purchasing Process:** Each store makes its own decisions on purchasing quantities, but the frequency, price, product options and payment conditions are based on a purchasing catalog and calendar decided by each country corporate office. The purchase orders from each store are reviewed by country corporate to guarantee minimum quantities and appropriate product mix. If there is an issue, the purchase order is returned to the store for explanation or correction. Each country corporate office thus controls purchasing and deals directly with suppliers.

**Inventory Visibility:** Each store can view, modify and manage its own inventory. However, all the stores and country corporate offices can view the inventory of all stores, enabling a store out of stock on an item to refer customers to another store.

**Business Intelligence Reports:** Each store can only view their own performance indicator reports. Country corporate can view and compare reports of all their stores. Based on these comparisons country corporate can identify under-performing and over-performing stores.

**Aggregate Sales Information:** All sales are recorded on the IBM point of sale (POS) system at the store level, with detailed information. Every night the information is aggregated (products, quantities and type of payment) and sent to the group centralized SAP system in a batch transfer. Thus the aggregated information from every store is available to country corporate. Each store can see its numerical order ranking among all the country stores, but it cannot see the identification of other stores in the rankings. In future, once SAP CRM is implemented, detailed information on sales will be available on each store at the centralized system.

**Durable Medical Equipment Rental:** The provider of this service at every store is the Distributor organization in each country, (e.g., Galaxia Medica in Venezuela). The country central office of the Distributor can have real-time control of these equipment inventories to allocate items across stores, plan for replenishment, and manage the rental contracts created in each store with customers.

**Price Optimization:** The country corporate office sets the price of every product sold at a Plenia Locatel store. To achieve this, the system enables a view of products by category, such as prescription pharmaceuticals, and presents information on inventory turnover and price comparisons with competition. In the future additional SAP functionality will allow making more sophisticated analysis, based on demand curves, for pricing decisions.
### Exhibit 8
2007–2008 Income Statement—Average Store
(Indexed as Percentage of 2007 Sales)

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>100.00%</td>
<td>145.93%</td>
</tr>
<tr>
<td>Cost of Goods Sold</td>
<td>76.84%</td>
<td>108.75%</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td><strong>23.16%</strong></td>
<td><strong>37.14%</strong></td>
</tr>
<tr>
<td>Selling, general and administrative</td>
<td>7.11%</td>
<td>8.92%</td>
</tr>
<tr>
<td>Royalties</td>
<td>3.00%</td>
<td>4.38%</td>
</tr>
<tr>
<td>Marketing Fund</td>
<td>1.00%</td>
<td>1.46%</td>
</tr>
<tr>
<td>Consulting Services</td>
<td>0.77%</td>
<td>1.31%</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>1.78%</td>
<td>1.90%</td>
</tr>
<tr>
<td>IT Expense</td>
<td>0.32%</td>
<td>0.36%</td>
</tr>
<tr>
<td>Building Maintainence</td>
<td>0.54%</td>
<td>1.16%</td>
</tr>
<tr>
<td>Insurance</td>
<td>0.19%</td>
<td>0.35%</td>
</tr>
<tr>
<td>Rent and Utilities</td>
<td>1.80%</td>
<td>3.44%</td>
</tr>
<tr>
<td>Other Operating Expense</td>
<td>0.42%</td>
<td>0.96%</td>
</tr>
<tr>
<td><strong>Total Operating Expense</strong></td>
<td><strong>16.95%</strong></td>
<td><strong>24.22%</strong></td>
</tr>
<tr>
<td>Operating Income</td>
<td>6.21%</td>
<td>12.92%</td>
</tr>
<tr>
<td>Events and Promotion Income</td>
<td>0.68%</td>
<td>0.15%</td>
</tr>
<tr>
<td>Discount on Accounts Payable</td>
<td>2.29%</td>
<td>3.20%</td>
</tr>
<tr>
<td><strong>Total Other Income</strong></td>
<td><strong>2.97%</strong></td>
<td><strong>3.34%</strong></td>
</tr>
<tr>
<td>Income Before Tax</td>
<td>9.18%</td>
<td>16.26%</td>
</tr>
<tr>
<td>Taxes</td>
<td>3.12%</td>
<td>5.53%</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td><strong>6.06%</strong></td>
<td><strong>10.73%</strong></td>
</tr>
</tbody>
</table>

### Exhibit 9
2007–2008 Balance Sheet—Average Store
(Indexed as Percentage of 2007 Sales)

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>4.67%</td>
<td>11.12%</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>6.46%</td>
<td>9.08%</td>
</tr>
<tr>
<td>Inventories</td>
<td>18.44%</td>
<td>25.61%</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td><strong>29.57%</strong></td>
<td><strong>45.80%</strong></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>13.49%</td>
<td>15.75%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-13.49%</td>
<td>-15.03%</td>
</tr>
<tr>
<td>Licences</td>
<td>1.48%</td>
<td>1.91%</td>
</tr>
<tr>
<td>Amortization</td>
<td>-1.07%</td>
<td>-1.25%</td>
</tr>
<tr>
<td><strong>Total Long-Term Assets</strong></td>
<td><strong>0.41%</strong></td>
<td><strong>1.39%</strong></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>29.98%</strong></td>
<td><strong>47.18%</strong></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>13.82%</td>
<td>10.93%</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td><strong>13.82%</strong></td>
<td><strong>10.93%</strong></td>
</tr>
<tr>
<td>Other LT Liabilities</td>
<td>2.33%</td>
<td>3.91%</td>
</tr>
<tr>
<td><strong>Total Long-Term Liabilities</strong></td>
<td><strong>2.33%</strong></td>
<td><strong>3.91%</strong></td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>16.15%</strong></td>
<td><strong>14.84%</strong></td>
</tr>
<tr>
<td>Common Stock</td>
<td>4.61%</td>
<td>6.70%</td>
</tr>
<tr>
<td>Acumulated Unpaid Dividends</td>
<td>0.00%</td>
<td>9.18%</td>
</tr>
<tr>
<td>Current Unpaid Dividends</td>
<td>9.18%</td>
<td>16.26%</td>
</tr>
<tr>
<td>Reserves</td>
<td>0.04%</td>
<td>0.20%</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td><strong>13.83%</strong></td>
<td><strong>32.34%</strong></td>
</tr>
<tr>
<td><strong>Total Liabilities and equity</strong></td>
<td><strong>29.98%</strong></td>
<td><strong>47.18%</strong></td>
</tr>
</tbody>
</table>
### Exhibit 10
**Current Performance Indicators**

<table>
<thead>
<tr>
<th>Current Indicators</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Ticket Price - Store Type I</td>
<td>$42.61</td>
</tr>
<tr>
<td>Average Ticket Price - Store Type II</td>
<td>$30.45</td>
</tr>
<tr>
<td>Average Ticket Price - Store Type III</td>
<td>$42.35</td>
</tr>
<tr>
<td>Average SKU's per Ticket - Store Type I</td>
<td>4.83</td>
</tr>
<tr>
<td>Average SKU's per Ticket - Store Type II</td>
<td>4.40</td>
</tr>
<tr>
<td>Average SKU's per Ticket - Store Type III</td>
<td>4.84</td>
</tr>
</tbody>
</table>

### Exhibit 11
**Franchised Store Organizational Structure**

- **Franchised/Owned Stores Directors**
  - **Purchasing Department**
    - Pharmaceuticals
    - Non-Pharmaceuticals
    - Warehouse Operations
  - **Finance Department**
    - Accounting
    - Treasury
    - Accounts Payable
    - Human Resources
  - **Store Operations Department**
    - Pharmacy
    - Membership
    - Medical Equipment
    - Internal Controls
    - Cashier
    - Maintenance
## Exhibit 12
### 2007–2008 Income Statement—Locatel Venezuela Country Corporate
(Indexed as Percentage of 2007 Total Income)

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Royalties from Franchisees</td>
<td>98.25%</td>
<td>144.77%</td>
</tr>
<tr>
<td>Entrance Fee from Franchisees</td>
<td>1.75%</td>
<td>1.75%</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td><strong>100.00%</strong></td>
<td><strong>146.52%</strong></td>
</tr>
<tr>
<td>Selling, general and administrative</td>
<td>22.68%</td>
<td>30.50%</td>
</tr>
<tr>
<td>Royalties to Locatel Plenia Int'l</td>
<td>32.75%</td>
<td>48.26%</td>
</tr>
<tr>
<td>Entrance Fee to Locatel Plenia Int'l</td>
<td>0.35%</td>
<td>0.35%</td>
</tr>
<tr>
<td>Consulting Services</td>
<td>10.07%</td>
<td>13.90%</td>
</tr>
<tr>
<td>Marketing and Branding</td>
<td>1.75%</td>
<td>4.63%</td>
</tr>
<tr>
<td>IT Expense</td>
<td>7.11%</td>
<td>9.52%</td>
</tr>
<tr>
<td>Rent and Utilities</td>
<td>7.02%</td>
<td>8.63%</td>
</tr>
<tr>
<td><strong>Total Operating Expense</strong></td>
<td><strong>74.72%</strong></td>
<td><strong>107.16%</strong></td>
</tr>
<tr>
<td>Operating Income</td>
<td>25.28%</td>
<td>39.36%</td>
</tr>
<tr>
<td>Marketing Fund</td>
<td>32.75%</td>
<td>48.26%</td>
</tr>
<tr>
<td><strong>Total Other Income</strong></td>
<td><strong>32.75%</strong></td>
<td><strong>48.26%</strong></td>
</tr>
<tr>
<td>Use of Marketing Fund</td>
<td>32.75%</td>
<td>48.26%</td>
</tr>
<tr>
<td><strong>Total Other Expense</strong></td>
<td><strong>32.75%</strong></td>
<td><strong>48.26%</strong></td>
</tr>
<tr>
<td>Income Before Tax</td>
<td>25.28%</td>
<td>39.36%</td>
</tr>
<tr>
<td>Tax</td>
<td>8.60%</td>
<td>13.38%</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td><strong>16.69%</strong></td>
<td><strong>25.98%</strong></td>
</tr>
</tbody>
</table>

## Exhibit 13
### 2007–2008 Balance Sheet—Locatel Venezuela Country Corporate
(Indexed as Percentage of 2007 Total Income)

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>14.26%</td>
<td>27.43%</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>7.78%</td>
<td>13.69%</td>
</tr>
<tr>
<td>Prepaid Assets</td>
<td>2.01%</td>
<td>11.64%</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td><strong>24.05%</strong></td>
<td><strong>52.75%</strong></td>
</tr>
<tr>
<td>Hardware</td>
<td>0.71%</td>
<td>1.75%</td>
</tr>
<tr>
<td>Depriciation</td>
<td>-0.71%</td>
<td>-1.23%</td>
</tr>
<tr>
<td>Licencess</td>
<td>2.10%</td>
<td>2.10%</td>
</tr>
<tr>
<td>Licence Amortization</td>
<td>-0.42%</td>
<td>-0.84%</td>
</tr>
<tr>
<td><strong>Total Long-Term Assets</strong></td>
<td><strong>1.68%</strong></td>
<td><strong>1.78%</strong></td>
</tr>
<tr>
<td>Prepaid SAP ERP Instal</td>
<td>11.76%</td>
<td>11.76%</td>
</tr>
<tr>
<td>SAP ERP Amortization</td>
<td>-3.92%</td>
<td>-7.84%</td>
</tr>
<tr>
<td><strong>Total Other Assets</strong></td>
<td><strong>7.84%</strong></td>
<td><strong>3.92%</strong></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>33.57%</strong></td>
<td><strong>58.45%</strong></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>6.86%</td>
<td>8.34%</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td><strong>6.86%</strong></td>
<td><strong>8.34%</strong></td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>5.20%</td>
<td>6.96%</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>12.06%</strong></td>
<td><strong>15.30%</strong></td>
</tr>
<tr>
<td>Common Stock</td>
<td>3.25%</td>
<td>3.25%</td>
</tr>
<tr>
<td>Acumulated Unpaid Dividends</td>
<td>0.00%</td>
<td>9.17%</td>
</tr>
<tr>
<td>Current Unpaid Dividends</td>
<td>18.26%</td>
<td>30.73%</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td><strong>21.51%</strong></td>
<td><strong>43.15%</strong></td>
</tr>
<tr>
<td><strong>Total Liabilities and Equity</strong></td>
<td><strong>33.57%</strong></td>
<td><strong>58.45%</strong></td>
</tr>
</tbody>
</table>
About the MIT Sloan Center for Information Systems Research

MIT SLOAN CISR MISSION

MIT CISR was founded in 1974 and has a strong track record of practice-based research on the management of information technology. MIT CISR’s mission is to perform practical empirical research on how firms generate business value from IT. MIT CISR disseminates this research via electronic research briefings, working papers, research workshops and executive education. Our research portfolio includes but is not limited to the following topics:

- IT Governance
- Enterprise Architecture
- IT-Related Risk Management
- IT Portfolios and IT Savvy
- Operating Model
- IT Management Oversight
- Business Models
- IT-Enabled Change
- IT Innovation
- Business Agility
- The IT Engagement Models

In July of 2008, Jeanne W. Ross succeeded Peter Weill as the director of CISR. Peter Weill became chairman of CISR, with a focus on globalizing MIT CISR research and delivery. Drs. George Westerman, Stephanie L. Woerner, and Anne Quaadgras are full time CISR research scientists. MIT CISR is co-located with MIT Sloan’s Center for Digital Business and Center for Collective Intelligence to facilitate collaboration between faculty and researchers.

MIT CISR is funded by Research Patrons and Sponsors and we gratefully acknowledge the support and contributions of its current Research Patrons and Sponsors.

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