

**SPANISH EMIGRATION AND THE SETTING-UP OF A GREAT
COMPANY IN MEXICO: BIMBO 1903-2008**

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SUMMARY

This article revises the development of *Bimbo* from its creation in 1944 up to the crisis that started in 2009, as well as the first steps taken by its promoters on their arrival in Mexico from Spain. The objective is to clarify the causes of the worldwide success of this company that was born in an emerging economy under hostile conditions. The theory proposed in this article is that this success is due to several factors: the organizing techniques used, the policy of growth through vertical integration, the good relationship with trade unions, its economies of range and a correct and patient internationalization strategy. Furthermore, the article reveals the role Mexican businessmen played in the spread of American managerial innovations to Spain since 1960.

INTRODUCTION

Grupo Bimbo is probably the greatest achievement in Mexican Business History. In 2008, *Grupo Bimbo*, then the second-largest bread manufacturer in the world (after Kraft) and the biggest Latin American food company, had over 91,000 employees in its nine factories and distributed its products in 18 countries¹.

The success of this company is almost prodigious if we bear in mind the limited access to technology that Mexico has had, obviously a much more delayed access than in other countries, the financial difficulties of the internal market (in 1950, little more than half the Mexican population ate white bread) and the not-always-permissive political environment.

This article intends to clarify how such vertiginous growth was possible by a company in only one generation. Thus, the theory put forward here is that the company's organizational configuration was a decisive factor. The policy of growth through vertical integration applied since its very creation, a Board able to make managerial changes compatible with the company's family structure and a structuring of industrial relations that guaranteed absolute calm throughout its entire history were all enough to combat the drawbacks previously mentioned.

The setting up of *Grupo Bimbo* was the result of the determination of a family of Spanish emigrants that arrived in Mexico before the outbreak of the Revolution. Its history clarifies the relationship between the foreign minorities and the Latin America entrepreneurial spirit. At the same time, this story also clarifies an aspect which is not

¹ Grupo Bimbo, *2007 Annual Report*, (Mexico City, 2008), 2.

less relevant: The birth of great companies in emerging economies, something which *Bimbo* exemplifies better than many.

Thus, this article proposes a revision of Mexican Business History and to some degree Spanish Business History also, with *Bimbo* as the main focus. The text does not limit itself to an historical narration of the development of *Grupo Bimbo*, but also covers the first entrepreneurial steps taken by the founding family since their settling in Mexico, because without such steps the creation of this enterprise would not have been possible.

THE MEXICAN DREAM OF A CATALONIAN FAMILY, 1903-1943

Around the year 1900, Juan Servitje Torrallardona arrived in Barcelona. He was born in March 1885 in a small town called Ódena to modest, working-class parents. He worked there in a canteen until he saved up enough money to buy a ticket to Mexico and thereby avoided doing his military service, which was then obligatory in Spain. Finally, in 1903 he disembarked in Veracruz.

Servitje started working in a bakery called “La Flor de Mexico”, a tearoom and restaurant which had been set up by his uncle José Torrallardona in 1905². He spent almost eight years of his life working there and at the same time he was integrated into the small colony of Spanish emigrants in Mexico City, among whom these Catalonians (specializing in baking and large-scale trading businesses) stood out because of their dynamism. However, Servitje did not seem to resign himself to his condition as an employee and was not happy either with the possibilities that Mexico had offered him.

² *Archivo General de Notarias del Distrito Federal (hereafter), notaría 8, 1917, instrumento 3.795 and notaría, 31, volumen 7, folio 194.*

Restless as he was and with a great business sense (although not so much luck), he emigrated to Argentina in 1909, where he worked in a bakery in Buenos Aires³. From there he returned in 1912 without even a *peso* and once again became part of the staff of “La Flor de Mexico”. In 1914, he married Josefina Sendra, Torrellardona’s niece, who had settled down in Mexico that same year⁴.

Convinced that his future was not to be limited to the counter of a bakery, a few months after his wedding he left the business to sign up for Nestlé. Servitje used the earnings obtained there to set up a glove business which he never even got to inaugurate since the ship which transported the merchandise from Europe sank on the way⁵.

Overcoming this new setback, and having been financially strengthened through short deals in the sale of timber, Servitje became a partner of the Catalan baker Juan Balcells, with the aim of exploiting a bakery⁶. However, in 1918 an opportunity came up which Servitje thought would be much more profitable: the profit from a patent for a mechanical dough kneader, invented by the Spanish resident Pachuca Pedro Poo, from whom he bought the rights for 25,000 pesos⁷. Servitje and Balcells made an agreement with a group of bakers of the same nationality to set up the *Compañía Higiénica Múltiple Poo Elaboradora de Pan*, with a capital of 350,000 pesos, to sell and distribute the device on a large scale⁸.

The business, both in Mexico and in Spain, where the machine was also presented, was a complete failure, due in part to the opposition of workers to its use⁹.

³ Roberto Servitje Sendra, *Cumplir con nuestra principal misión en la vida: servir bien*, (Mexico City, 1995), 6.

⁴ *Archivo General de la Nación (Mexico City) (hereafter, AGN), Secretaría de Migración, Españoles, caja 141, expediente 16.529 and AGA, Exteriores, Consulado de Ciudad de Mexico, caja 54/8658.*

⁵ Josefina Sendra de Servitje, *Vivir es luchar*, (Mexico City, 1977), 41-42.

⁶ *Archivo Histórico del Distrito Federal, (hereafter AHDF), Ayuntamiento, volumen 3.209, expediente 17.*

⁷ *AGN, Patentes y marcas, legajo 151, expediente 19.961 and AGNDF, notaria 8, libro 70, instrumento 3.937.*

⁸ *AGNDF, notaria 22, libro 26, instrumento 6171,*

⁹ *Oficina Española de Patentes y Marcas (Madrid) (hereafter OEPM), Patentes, patente 68.467 and Salvador Frausto, “Lorenzo Servitje. Una apuesta por el pan”, Los amos de Mexico, ed. Lorenzo Zepeda (Mexico City, 2008), 251.*

However, during a trip to the United States in December 1918 with the aim of selling the machine, at least Servitje managed to become the representative of *Gillette* in Mexico, which offered the family some affluence¹⁰. Nevertheless, the Catalanian squandered most of the income by investing in disastrous mining ventures. Servitje had to return briefly to Spain in 1922 to look for help from his family¹¹. He returned to Mexico a year later to run an import company called *Servitje, Jorba y compañía*, which went bankrupt a few months later.

Following this eventful entrepreneurial experience, in 1926 Servitje had to become an employee of *Pan Ideal*, a company that baked sliced bread and was owned by Pablo Díez, the founder of the *Cervecería Modelo* beer company, another of the great business contributions the Spanish made to Mexico¹². Servitje did not stay for long. In 1928, along with another two Catalanian investors, Bonet and Tinoco, colleagues of his at “La Flor de Mexico”, he set up the “El Molino” bakery, control of which he took over in 1935¹³. By that time he already rivaled with the most reputable establishment in the city, “El Globo”, owned by the Italian Taconi and which had opened in 1884.

Having overcome those financial difficulties, Josefina Sendra de Servitje decided to travel to Spain for a short stay in Catalonia along with her children in April 1936¹⁴. The outbreak of the Civil War surprised her during her summer retreat and,

¹⁰ *Archivo General de la Administración (Alcalá de Henares, Madrid), (hereafter AGA), Exteriores, Consulado de Ciudad de Mexico, caja 9.678.*

¹¹ Cherem, *Al grano. Vida y visión de los fundadores de Bimbo*, (Mexico City, 2008), p. 44.

¹² The sector was started in the country in 1905 in Saltillo by two Spanish manufacturers, Leandro Pacheco, who made the first sliced bread in the country and Jesús Cabello, the owner of the tin mold patents. *AGN, Patentes y Marcas, legajo 151, patentes 4.948 y 5.006.*

¹³ *AHDF, Ayuntamiento, Licences issued for bread and sponge cakes, Lumber 11 and Registro de extranjeros, caja 1, expediente 2.*

¹⁴ *AGN, Departamento de Migración, Españoles, caja 141, expediente 16.529.*

threatened by anarchists, Servitje's wife had to hastily leave Barcelona along with her brother Jaime¹⁵.

Adversity seemed to torment the family. On 15th December 1936, Roberto Servitje passed away and Josefina, a woman with a great business flare who had looked after the family during the most difficult moments by setting up a guesthouse, saw to the management of "El Molino" with the help of her son Lorenzo, who had to simultaneously work in the bakery, continue his studies in accounting and work as a representative of pharmaceutical products. Jaime Sendra, following a brief period as a baker for the Mexican Navy, also became involved in the company.

The outbreak of World War II brought with it wonderful business opportunities for Mexican entrepreneurs, opportunities which the family knew well how to take advantage of. In 1939, the perceptive Lorenzo Servitje, along with his childhood friend José Trinidad Mata, set up *Servitje y Mata*¹⁶. His brother-in-law, Jaime Jorba Sendra, also participated in the business. Jaime Jorba Sendra was the son of the textile dealer from Tarrasa (Barcelona) Pablo Jorba Muntaner, who had abandoned Spain along with Jaime and his older son Pedro in 1936 for the same reason previously indicated¹⁷. The company reached quite a large turnover due to its exports to the United States of fruit and elaborated food products, precisely to attend to the needs of U.S. troops. Metal was also exported. In fact, in 1943 Servitje set up a small metallurgical plant in Mexico City, with links to the *Zinc y Plomo, S.A. Company*¹⁸

Lorenzo Servitje used part of his dividends to improve the technical processes of "El Molino", which at the time was under the able management of Alfonso Velasco (1904), son of the founder of *Pan Ideal* and who had undergone training at the

¹⁵ AGN, Departamento de Migración, Españoles, caja 141, expediente 16.529 y 198.803.

¹⁶ AGN, Departamento de Migración, Españoles, caja 79, expediente 164.847.

¹⁷ AGN, Departamento de Migración, Españoles, caja 79, expedientes 196.990, 164.847 y 197.347.

¹⁸ Cheren, *Al grano*, p. 66.

American Institute of Baking in Kansas and had been hired to work for “El Molino” in 1941¹⁹. During those exceptional years, the family business offered admirable income due to an increase in the consumption of baked foods by the growing middle classes, favored by the changes in the distribution of income caused by the conflict situation.

THE BIRTH OF THE *BIMBO* BAKERY, 1944-1952

In 1944, the partners of *Servitje y Mata* and “El Molino” decided to set up a sliced bread factory. The only initial objective they had with this investment was to supply raw material for the preparation of the sandwiches sold at “*El Molino*”, since that supplied by *Pan Ideal* was found wanting. However, as the project set up by Alfonso Velasco and Lorenzo Servitje grew, the aspirations of the founders also grew²⁰.

Servitje himself chose the trademark of the company, *Bimbo*, as well as the logo, the well-known teddy bear dressed as a baker²¹. In October 1944, the *Panificadora Bimbo, S.A.* Company was set up, with an initial company capital of 300,000 pesos²². As was common practice among the Spanish community, the promoters satisfied their financing needs by making use of family and nationality ties. José Torrallardona, then owner of the Ansiera Hotel in Monterrey and who had tutored the first entrepreneurial steps taken by Jorba, Sendra and Servitje in Mexico, supported this initiative and offered part of the resources needed to set it up²³. The rest of the financing was obtained

¹⁹ Robert Servitje Sendra, *Bimbo. Estrategia de éxito empresarial*, (Mexico City, 2003), 7.

²⁰ Ortiz Tirado, *Bimbo. Historia de una empresa mexicana*, (Mexico City, 1985), 35-46

²¹ IMPI, *Marcas, expediente 22.700, registro 464.460*. The following names were considered: *Rex, NSE, Popo, W, IRIO, Sabrosoy, Nutricio* and *Armiño*, among others (Archives of the Bimbo Group (Mexico City), (hereafter AGB), *advertising studies*).

²² RCDF, *Comercio, L3-190-136-64*.

²³ In reality, *Servitje* and *Sendra* became part of *Panificadora Bimbo*. In fact, they continued to export fruit to Europe for some time.

by the family from a loan granted by the *Banco de la Propiedad*, in hands of fellow countrymen²⁴. Lorenzo Servitje's father-in-law, the Spanish match manufacturer Ramón Montull, offered the lands in Mexico City where the factory would be built²⁵.

On 2nd December 1945 the bakery was inaugurated, with two second-hand continuous ovens purchased in the United States and with some 34 employees. A short while later, a third oven was installed and, in 1947, a second bakery was built next to the first one. As early as 1952, the third and fourth plants were built.

The statutes clearly indicated the role of each partner. José Torrallardona was President of the Board of Directors, in recognition of the favors made for the family. However, this was an honorary post since the management was in the hands of Lorenzo Servitje. Alfonso Velasco was responsible for production and Jaime Jorba was in charge of sales, with the collaboration of Roberto Servitje, Lorenzo's brother, who had just completed his studies at the Jesuit School in Quebec. Both of them traveled around the city carrying out surveys of retailers and checking out sales possibilities, a statistical exercise never before carried out by a Mexican company. As early as 1950, Francisco Plancarte was appointed General Manager²⁶. Jaime Sendra distanced himself from the direct management of the company and took on a purely advisory role in order to help out his sister at "El Molino" along with the youngest of the Servitje family, Fernando²⁷.

The short-term results exceeded even the greatest expectations of the founders (diagram 1). In just a few months, *Bimbo* practically did away with the competition. During the first three years, they gathered up a reserve of 300,000 pesos. In December

²⁴ Cherem, *Al grano*, p.71.

²⁵ AGA, *Departamento de Migración, Españoles, caja 100, expediente 207.145*.

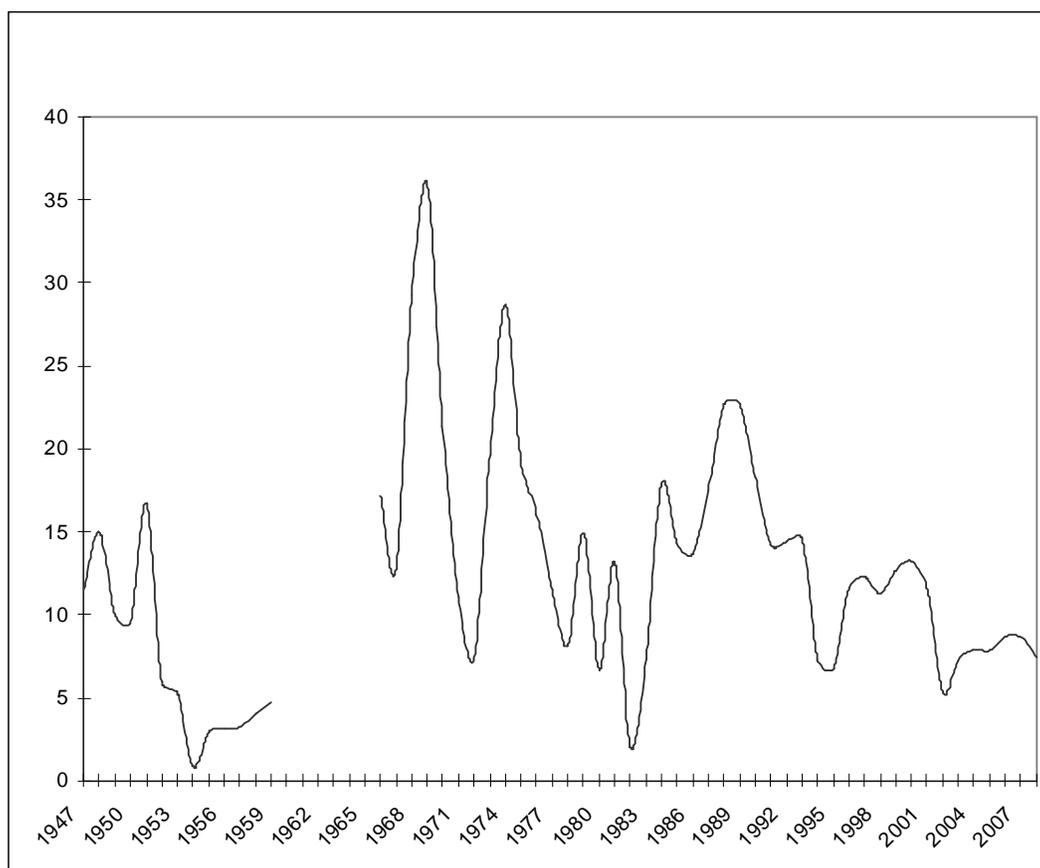
²⁶ *Registro de la Propiedad y del Comercio del Distrito Federal (hereafter RCDF), Comercio, L3-258-299-507*.

²⁷ In fact, Sendra set up a new business *Pastelería y Dulcería Meynier*, whose manager was his brother José, who had arrived from Spain in 1948, as well as his nephew Isidro Sendra Riba, a year later (AGA, *Departamento de Migración, Españoles, caja 141, expedientes 198.803 y 268.415*).

1948, the partners decided to multiply the company's capital by ten²⁸. By then, there were over 700 employees despite the difficulties in promoting the product which was still not well-known, the hostility of bakers who refused to sell the product on their premises and the tax obstacles that forced the Servitje family to ask for the mediation of the German President in 1949.

²⁸ *RCDF, Comercio, L3-304-226-300.*

Diagram 1. BIMBO'S PROFITABILITY, 1947-2008



Source: AGB, financial reports, the Archives of the Mexican Stock Exchange and balances of Grupo Bimbo.

The economic juncture at which it was born partly explains the vertiginous growth of the company. *Bimbo* started its activities at a time of great bread scarcity in Mexico City, due to the market cartel imposed by Spanish bakers who had grouped together in what they called *Departamento Especializado de Panificación*, breaking the Anti-Monopoly Law established by Lázaro Cárdenas in 1934²⁹. President Ávila

²⁹ *Biblioteca Manuel Lerdo de Tejada (Mexico City), (hereafter BMLT), Archivos Económicos, caja PO9149.* In reality, the sale of bread in the capital was in the hands of two Spanish bakers: Antonio Vázquez and Jerónimo Curto.

Camacho, forced by strikes –worker strikes in appearance but in reality organized by the owners- had to give in to price increases, thereby leading to a range of union protests.³⁰

In the midst of such scarcity and due to the fact that, since 1941, sliced bread was not regulated by law, *Bimbo* could offer its products at a reasonable price and in smaller fractions, which led to an important increase in its income, due to high demand elasticity. This strategy contributed to a reduction in the price of commodities in Mexico City, to the relief of the Federal Government. Ávila Camacho helped *Bimbo* due to the contribution it had made in avoiding possible public order conflicts by subsidizing the purchasing of flour and granting it the franchise to import foreign machinery.

An important part of the success of the new company was due to the quality of the bread. Velasco took special care of the fermentation process in order to guarantee its freshness and to avoid it becoming prematurely moldy, which was what happened to *Pan Ideal's* bread. Velasco created a team of engineers and chemists for this purpose, among whom were Mario Aguilar, Vicente Milke and Fernando Boullosa among others, all trained in the United States like him. *Bimbo* was distributed in cellophane instead of the waxed paper used by the competition, which allowed the consumer to see the product³¹.

Panificadora Bimbo initially manufactured three types of bread, adjusting to the strong segmentation of the Mexican market. One of those products, “*pan negro*” [black bread], made from a mixture of wheat and rye flours, intended to satisfy the demand of the popular classes which had been unattended up to then. The company quickly expanded its offer with the elaboration of plum cakes from 1947 onwards and of bread rolls (1952).

³⁰ BMLT, *Archivos Económicos, caja PO9137*.

³¹ Te packaging was made by *Bolsas y Productos de Papel*, owned by Joaquín Ibarrola, José Herrera Báez and Conrado Montaña Albert (*Pan*, 1958 (51),55).

The company vertically integrated its distribution with the purchase of ten trucks³². Those responsible for delivery included former milkmen and salesmen who were conveniently trained. The appearance of the first supermarket chains, particularly *Sumesa*, considerably reduced the cost of sales³³.

Sales were organized through a detailed plan elaborated in July 1944 which assigned a specific market segment to each product and distinguished between direct and indirect suppliers (train and airline companies, hotels, cafeterias, beer manufacturers and racetracks) as well as groups (hospitals and asylums)³⁴. In 1948, a second plan was approved which set the objectives to “improve the texture, wrapping and freshness” (points I and II), the “exhibition” (III), “stock control” (IV), “good service and special treatment” (V), “skilful and effective advertising”, “placing of the product in the trucks to avoid them becoming squashed or damaged” (VI)” and “a careful increase in the number of customers”³⁵.

Panificadora Bimbo used newspaper salesmen to distribute its bread in localities around Mexico City. In 1947, it opened its first “*external routes*”, run directly by the company in Tuxpan, Poza Rica, Toluca, Pachuca and Puebla. In 1949, in this last locality it set up its first agency, which was followed by those established in Veracruz and Tampico, established in guesthouse rooms. In 1952, Roberto Servitje designed the organization of road transport inspired by the system used by the U.S. Army³⁶. The return trips were to be made on the same day³⁷. All vehicles had a tachometer installed (invented by the company) and none of them were allowed to have a radio installed.

³² At the outset, the company distributed exclusively in Mexico City in a second-hand *Ford* vehicle.

³³ See Juan Muldoon and Daniel Servitje, *El comercio de alimentos en Mexico. Presente y futuro*, Mexico City, 1984).

³⁴ *Bimbo Group Archives (Mexico City), (hereafter AGB), 1944 Sales Plan.*

³⁵ *Idem.*

³⁶ Cherem, *Al grano*, 273.

³⁷ In fact, the supplies sent to Acapulco were sent by airplane.

Product promotion was undertaken by the company called *Publicidad Continental* using advertisements in press and on radio. *Bimbo* was a pioneer in the use of promotional gifts in its packaging since 1951. Lorenzo Servitje discovered the value of marketing and he became one of its committed enthusiasts and the greatest defender of its use among Mexican businessmen³⁸.

Panificación Bimbo paid for these investments through its own resources, a strategy which was linked to the Catalanian business culture from which its founders had emerged. The company enjoyed great liquidity since it demanded its clients pay 80% of the product price in cash, upon delivery of the merchandise. The partners agreed on a highly prudent dividend policy: they rarely exceeded 10% in spite of the plentiful profits made. Only in 1951 did they have to apply for a mortgage from the *Banco Internacional* to acquire raw materials, fuel and to pay salaries³⁹.

Finally, the arrangement of industrial relations based on a singular symbiosis of Christian humanism and *Fordism*, which could be adjusted to the rigidity of the Mexican labor market guaranteed calm during moments of specially difficult labor conflicts in the sector, particularly between 1944 and 1947⁴⁰. Its salaries tripled the average in the sector⁴¹. The company did away with promotion due to time worked in the company in order to include productivity bonuses. Through the inclusion of the measure in its statutes, 8% of company profits always had to be used for welfare projects. Lorenzo Servitje even set up a savings bank for his employees⁴². The

³⁸ Frausto, "Lorenzo Servitje", 258.

³⁹ RCDF, *Comercio*, LA-57-384-399.

⁴⁰ See Lorenzo Servitje Sendra, "El papel social de la empresa", in *Los empresarios y la modernización económica de México*, ed. Secretaría de Comercio y Fomento Industrial, 1991, pp. 269-289; Roberto Servitje Sendra, *La sociedad contemporánea y el empresario* (Mexico City, 1981); *La participación en la empresa*, (Mexico City, 1983); *Cuadernos socio-económicos número 6. Un empresario latinoamericano examina a la empresa* (Brussels, UNIAPAC, 1983); and *Pan*, Mexico City, 1965 (139), p. 12.

⁴¹ In 1960 the salaries of *Bimbo*, were only exceeded by those of PEMEX and by the train companies, and they were 53% higher than those of other bakeries (*Pan*, Mexico City, 1960 (82), p. 17).

⁴² Cherems, *Al grano*, 84.

relationship between management and the company representative of the *Confederación de Trabajadores Mexicanos* (CTM) -the pro-government trade union-, Rodolfo Martínez Moreno, were particularly cordial.

Despite the promising results obtained by *Panificadora Bimbo*, the Servitje family did not abandon “*El Molino*”. In 1951, the business was turned into an incorporated company, owned by Servitje’s widow and children and with a starting capital of 300,000 Pesos⁴³. They then had three bakeries spread out around Mexico City.

THE CREATION OF A GREAT COMPANY, 1953-1965

From 1950 onwards and up to 1962, Mexico went through a period of economic boom which materialized in an average GDP growth rate of 5.9%⁴⁴. However, such growth was also accompanied by an increase in the inflation rate which the government tried to tackle by limiting the price of bread, something which had a very pernicious effect on Bimbo’s financial results (diagram 1)⁴⁵.

The belligerence of the Government went even further following the 1954 devaluation. In 1955, the *Comisaría de Estudios Económicos*, alarmed by a 20% increase in the price of bread, threatened to cancel Bimbo’s grain purchasing licenses if it did not control its prices⁴⁶. A State-owned company called CEIMSA started to distribute bread among the poorer classes in order to force a reduction in its price⁴⁷. This

⁴³ RCDF, *Comercio, libro 3, volumen 308, foja 314*.

⁴⁴ Enrique Cárdenas, *La política económica de México, 1950-1994*, (Mexico City, 1996), 24.

⁴⁵ These alterations in food markets were caused by the effects on Mexican foreign trade by the U.S. entering the Korean war.

⁴⁶ BMLT, *Economic Archives, caja PO9137*.

⁴⁷ Pan, Mexico City, 1959, (73), p. 32..

caused a rupture in the Spanish Bakers' Trust in 1956, following decades of exemplary discipline, thus leading to a price war which Bimbo could not avoid entering⁴⁸.

It then became necessary to expand the markets which had been practically limited until then to Mexico City. They would thereby limit the terrible effects of the fall in income from exploitation. In order to do this they needed nine million Pesos which they received through a capital expansion undertaken in September 1954⁴⁹.

In December 1956, the company inaugurated its center in Guadalajara, which belonged to its subsidiary company *Bimbo de Occidente*, under the management of Roberto Servitje. Velasco, assisted by Guadalupe Pérez, set up a model factory with machinery imported from the United States through the *Agencia Comercial Anáhuac*⁵⁰. The plant was the first one in the Republic to be built with cement. It also had natural light due to its corrugated roofing, something completely new in Mexico. Roberto Servitje imposed ergonomic conditions on the factory which were unique in the whole country⁵¹.

However, the greatest conquest made by the company during those years was the expansion of its industrial caking activities, a sector which the founders of *Bimbo* had received their initial training in as businessmen. Following the failure of the first company, *Pabisa*, set up in 1956 with a capital of four million Pesos, in 1957 they set up *Productos Marinela* with the same objective⁵². Once again, Alfonso Velasco was responsible for product design: three stuffed buns called “*gansito*”, “*negrito*” and

⁴⁸ *Pan*, Mexico City, 1956, (29), *pássim*.

⁴⁹ Lorenzo Servitje and the rest of the members of the family decided to bestow on Velasco the status of capital partner and guarantee him 10% of net profits. *RCDF, Comercio, L3-350-351-431*.

⁵⁰ *RCDF, Comercio, folio 281.983, Registro de la Propiedad y del Comercio de Jalisco (Guadalajara) (Hereafter RCJ), Comercio, folio mercantil 7.21; and Pan, 1957 (45), pp. 20-24.*

⁵¹ *Pan*, Mexico City, 1957 (45), p.20.

⁵² *RCDF, Comercio, libro 4, volumen 76, foja 399 y folio mercantil 4202.*

“*bombonete*”, baked in facilities at the plant in Mexico City and sold through the sliced bread distribution infrastructure⁵³.

The sales of “*gansito*” surprised even those responsible for the product within the company. No other food product had been taken on so quickly and generally by the junior population of Mexico in the second half of the XX century. A very sharp and effective advertising campaign helped achieve this; the campaign started in 1954 with the broadcasting of TV adverts, becoming the first Mexican company to do so.

Bimbo had unusually positive financial results in the very short term due to this growth strategy (diagram 1). At the end of the decade, Lorenzo Servitje, was by then one of the most outstanding businessmen in Mexico City, as influential as the *Grupo de Monterrey*, although less known. At the time he had become involved in several associations that aimed to spread the Church’s social doctrines, particularly the *Confederación Social de Empresarios*, which he headed. His democratic Christian links created certain distrust in the PRI administration. In fact, the company momentarily lost its understanding with the Government and the favors which others benefited from⁵⁴.

The improvement was temporary. In 1960, Alfonso Velasco suddenly left *Panificadora Bimbo* to set up *Panificadora Mexicana* in Monterrey⁵⁵. The move caused *Bimbo* a lot of damage just as it was about to start production in the city of Nuevo León in its *Bimbo del Norte* plant⁵⁶. Furthermore, at that time the company was facing cost increases due to Social Welfare payments which started on behalf of workers, a cost which the government did not let them reflect in the prices of their products⁵⁷.

⁵³ In 1958 Velasco travelled to Germany to participate in the International Mill Exhibition. The technician made use of his stay on the continent to visit bakeries in the United Kingdom, Austria, Switzerland and Italy, as well as to get to know Spain, his country of origin. On his return, he incorporated the improvements he had seen there into the Mexican bakeries. *Pan*, Mexico City, 1958 (55), p.23.

⁵⁴ Frausto, “Lorenzo Servitje”, pp. 255-256.

⁵⁵ *Registro de la Propiedad y del Comercio de Nuevo León (Monterrey)*, (hereafter RCNL), Comercio, libro 20, anotación 13 y RCDF, Comercio, L3-350-351-431

⁵⁶ RCMN, Comercio, libro 21, anotación 165.

⁵⁷ BMLT, Archivos Económicos, caja PO9137.

Velasco did not fare well in the struggle with his former partners. In 1961 he gave up and sold his company to *Panificadora Bimbo*. Following his failure in Monterrey, he tried again in Mexico City, where he set up *Pan Fiel*⁵⁸. He was not successful on this occasion either. After three years, he sold his business to the U.S. Company *Wonder*⁵⁹. Velasco then retired to Guadalajara and dedicated his time to writing science fiction novels⁶⁰.

Wonder, however, did manage to make an important foothold in the Mexican market in the short term due to the distribution agreements signed with *Aurrerá* and *Gigante*, the largest supermarket chains in the country. As well as sliced bread, *Wonder* made two buns that challenged “*gansito*”, *Bimbo*’s iconic product: “*Chocolín*” and “*Tuinky*”⁶¹.

The competition from *Wonder* was terribly damaging to *Panificadora Bimbo* at a time when it had series liquidity problems due to the heavy payments to be made following the purchase of *Panificadora Mexicana*. All of this took place during a period of economic slowdown in the country⁶². In such adverse conditions and for the first time since the outset, *Panificadora Bimbo* registered losses, which were of such magnitude that it had to reduce its capital by three million Pesos in 1964 in order to write off debts⁶³. To make matters even worse, in 1965 the Federal Government suspended subsidized flour purchase without simultaneously allowing for an increase in final product price⁶⁴. Some voices within the CTM even requested the nationalization of bakeries, a demand made by Velázquez many years previously.

⁵⁸ Pan, Mexico City, 1958 (55), p. 30 and Instituto Mexicano de la Propiedad Industrial (Mexico City), (hereafter IMPI), Marcas, expediente 244.681 y 328.394.

⁵⁹ IMPI, Marcas, expediente 114.573, registro 117.780.

⁶⁰ Pan, Mexico City, 1968, (171), p. 14.

⁶¹ IMPI, Marcas, expediente 119.824.

⁶² Cárdenas, *La política*, 33.

⁶³ RCDF, *Comercio*, L3-304-226-300.

⁶⁴ BMLT, *Archivos Económicos*, caja PO9137.

The Servitje family had to completely re-organize a company which seemed condemned to a handover. The first need was to solve management problems caused by such vertiginous growth. In 1963, the four family companies were integrated into one holding group, the first such group in Mexico and based on American and Japanese business organization methods. All companies became part of the *Central Impulsora, S.A. de P.V.* Holding Group. Its directors, divided into three groups (control, technical management and engineering management, under the supervision of the subsidiary *Promoción de Negocios*), were responsible for the general planning of the newly denominated *Grupo Industrial Bimbo (GIBSA)*⁶⁵. The *Central Impulsora* administered the companies' shares and -from 1970 onwards- also their patents and product models⁶⁶. The company also adopted a "line and staff" management model.

Panificación Bimbo considerably diversified its range of products. In 1962, it started to produce whole-wheat bread (it was one of the first bakeries in the world to do so) as well as its *Marinela* cookies. For this latter product, they installed new German-made ovens and the achievement was quite remarkable if we bear in mind that the cookie market was quite saturated at the time with no room for additional products. *Marinela*, which was specialized in the manufacturing of cookies for low-income families, became the second-largest producer in the country in the short-term, following *Gamesa* -a family-owned company (like *Bimbo* itself) which had been set up in Monterrey in 1921⁶⁷.

In order to promote these products, *Bimbo* used new advertising and publicity instruments through the *Publicidad Salas* advertising agency, such as sticker collections

⁶⁵ RCDF, Comercio, 560-3-207-179 y folio mercantil 19.368, volumen 560, tomo 30, foja 207, asiento 179.

⁶⁶ IMPI, Marcas, registro 71.482, marca 84.810.

⁶⁷ Javier Moreno Lázaro, "La formación de la gran empresa galletera mexicana, 1907-2007", *Historia Mexicana* (LVIII,3), 2009, pp. 1.045-1091.

and, starting in 1963, the sponsorship of children's television programs, with quite interesting results in terms of impact and sales⁶⁸.

Finally, *Grupo Bimbo* took on the challenge of conquering the Spanish market, as did other companies founded by Spanish immigrants in that country, such as the Cuétara biscuit company and the Modelo and Aurrerá brewers, this latter owned precisely by a brother-in-law of the Servitjes. In reality, it was a personal decision of one of the shareholders: Jaime Jorba, the only *Bimbo* partner who had not taken up Mexican citizenship. In 1963, he returned to Spain with the aim of setting up a sliced bread bakery, influenced by the rising growth of *per capita* income following the 1959 approval of the liberalizing measures for the Spanish economy recommended by the IMF⁶⁹.

In June 1964, *Bimbo S.A.* was set up in Barcelona, with two million pesetas in capital, which was expanded to 25 million in September of that year, 95% of which was owned by Jaime Jorba⁷⁰. None of the shareholders of *Panificadora Bimbo*, except him, participated in the company. José Trinidad Mata was appointed manager and given the responsibility of building the Granollers plant, on the outskirts of Barcelona. On 15th February 1965, the first batch of baked bread came out of the Spanish *Bimbo* plant. A year later, the plant started the manufacturing of industrial buns and cakes⁷¹. At that time, work was already underway on the second plant in Madrid.

Unfortunately for the interests of *Bimbo*, Jorba was not the first to realize the possibilities of economic gain in Spain. Simultaneously, and following a visit to the United States in 1963, the Catalanian businessman Andrés Costafreda decided to set up a plant just a few kilometers away from the *Bimbo* plant, where he was to make sliced

⁶⁸ *Pan*, Mexico City, 1962 (116), p. 27.

⁶⁹ Jorba also set up a supermarket chain.

⁷⁰ *Registro Mercantil de Barcelona*, (hereafter *RMB*), hoja 9.467.

⁷¹ Javier Moreno Lázaro, "La pugna de *Bimbo* y Donut-Panrico por el mercado español, 1963-2006", *Revista de Historia de la Economía y de la Empresa*, (2), 2007, 125-152.

bread and doughnuts, sold under the *Panrico* brand name. Bimbo had to start off its operations in Spain by facing a powerful competitor, quite the opposite of what had happened in Mexico.

MEXICO AND SPAIN: THE TWO SIDES OF THE COIN, 1966-1979

In 1966, *Panificación Panificadora Bimbo* overcame the crisis which had been set off by Velasco's resignation, recovering the spirit of innovation which he had previously inspired in the company; the company thereafter saw exceptional financial results in years of strong growth and low inflation, a unique period in the turmoil of Mexico's Economic History. Its accounts only worsened in the final years of the decade, caused by the uncertainty of the student unrests in October 1968 and between 1971 and 1973, due to the temporary recession which the Mexican economy went through during those years⁷².

Bimbo went ahead with its territorial expansion policy, with the opening of plants in Hermosillo (1966) and Puerto de Veracruz (1970⁷³). In 1972, it organized new installations in Azcapotzalco, an industrial area in the north of Mexico City.

However, *Wonder*, which practically maintained its market position intact in the industrially-manufactured cakes segment, became an obstacle to *Bimbo's* progress. *Bimbo* uselessly tried to neutralize this by flooding the market with new cakes since it was necessary for it to open new niches where its rival did not compete. Therefore, *Bimbo* signed a strategic alliance with *Quality Bakers of America*, a company founded in 1922 in New York. A new subsidiary was thus born, *Alimentos Internacionales, S.A.*,

⁷² See Carlos Tello, TELLO, *Estado y desarrollo económico: México, 1920-2006*, (Mexico City, 2007), 451-476.

⁷³ *Pan*, Mexico City, 1965 (137), p. 9 y *RCDF, Comercio, folio 282.039*.

which manufactured the Sunbeam line of products under licence from the U.S. company⁷⁴. Furthermore, in 1971 **Panificación Bimbo** also explored the possibilities of the sweet and chocolate segment, with the *Barcel* firm (named in honor of the city of Barcelona)⁷⁵. Starting in 1974, the new company manufactured a lollipop under the name of “*Payaso*”, completely closing off the Mexican market to the Spanish *Chupa-Chups* company. They were not as lucky in the snacks market, a market controlled by *Sabritas*, set up in 1943 in Mexico City and, since 1966, under the control of Pepsico through Frito Lay⁷⁶.

At the same time, *Bimbo* implemented a growth policy through vertical integration, with the aim of reducing transaction costs, an even greater need than ever. In 1966, Bimbo started using polyethylene packaging, manufactured by a company called *Converflex* which had been set up for that purpose by *Bimbo*'s own shareholders. Its investment in machinery manufacturing had an even greater repercussion on production. In 1966, a “Special Projects Department” was created, as a section of the *Corporate Area*. However, what was initially only a section which was responsible for designing projects to improve the plants, in 1973 became the *General Machinery Workshop*, which started the manufacturing of ovens and equipment with its own patents. In this way, *Grupo Bimbo* reduced its technological dependence on U.S. firms by 40%. From that year onwards, *Marinela* was also able to do away with its external jam supplies, which were offered from then onwards by the group company *Frexport*, with a factory in Zamora (Michoacán).

⁷⁴ *Pan*, Mexico City, 1966 (149), p. 26.

⁷⁵ This investment was the result of the takeover of a chocolate company which had been founded by Fernando Servitje and which went into bankruptcy that year.

⁷⁶ Cerem, *Al grano*, 187.

In 1970, IBM computerized the Group's sales and accounting areas. The use of the perforated-card computers offered those responsible for the company immediate practical information on the profitability of each sales route and plant production.

Meanwhile, in Spain *Bimbo* was not prosperous due to fierce competition from *Panrico*, which meant the group directors had to become even more directly involved. Lorenzo Servitje Sendra, a member of the Board of Directors of *Bimbo España* since 1971, and his nephew, Mauricio Jorba Servitje, took control⁷⁷. Immediately afterwards, they signed a technology transfer contract with the U.S. company *Campbell Tagart Inc.*, in exchange for it becoming a shareholder. The Catalan chemist and also employee of the U.S. firm, José Rubí, participated in the preparation of this agreement⁷⁸.

Servitje's intervention and *Campbell's* assistance offered fruit in the short-term. Sliced bread finally entered the Spanish diet with strength. Mexico offered resources to build three new plants between 1973 and 1975⁷⁹. Staff numbers increased from 748 employees in 1971 to 2864 in 1975⁸⁰.

With respect to Mexico, in spite of President Echevarría's promises, who had made price-control his main objective, bread increased in price considerably in 1975, which led to an immediate fall in consumption⁸¹. The 1976 devaluation and the inflationary spiral that it unleashed had even more damaging consequences for *Grupo Bimbo* (diagram 1).

Those responsible for the firm tried to overcome the recession using the same instruments that they had used ten years before in similarly adverse economic circumstances: territorial expansion and diversification. During the second half of the

⁷⁷ RMB, hoja 9.467.

⁷⁸ RMB, hoja 9.467.

⁷⁹ *Servicio Central de Relaciones Industriales, 25 años. Bimbo. 1965-1990*, (Barcelona, 1990).

⁸⁰ Moreno, "Pugna", 132.

⁸¹ BMLT, Archivos Económicos, caja PO9140.

1970s **Panificación Bimbo** built new plants in Irapuato and Villahermosa, and, in 1977, started work on the *Marinela* plant in Guadalajara.

The company's priority during those years was the incorporation of higher value products to their range. The first challenge in this regard was the making of "Tía Rosa" omelettes, which started in 1977. By then *Bimbo* satisfied the demand of all varieties of industrial bread⁸². Of even greater importance was the creation of a line of snack products following the takeover of the *Kellogs* factory in Querétaro.⁸³ Such was the success of this initiative that unit sales increased some 238% between 1979 and 1980⁸⁴.

Grupo Bimbo was able to overcome the decline and take advantage of the temporary economic bonanza caused by the increase in the price of petrol. Lorenzo Servitje (then a member of the Board of *Banco Nacional de Mexico*) continued his upward growth in the Mexican business world while also developing his philanthropic work, then through the *Mexican Foundation for Rural Development* which he had set up⁸⁵.

Meanwhile, the situation in Spain was somewhat less promising. The Group had grown excessively and too quickly, especially in the sales area⁸⁶. In 1974, the first signs of alarm were to be seen with the fall in profitability by almost twenty percent. Profits fell in 1975 by 52.5%⁸⁷. The stagnation of sales volume, caused by bread price-control by the Government in order to control social protests following Franco's death in 1975, as well as negative financial results made *Bimbo España* register losses between 1976 and 1980. Staff mobilizations (excessively) alarmed the directors of a company which had not even had a minor industrial relations conflict in its 30-year history in Mexico.

⁸² *IMPI, Marcas, expediente 54.105, registro 168.816.*

⁸³ *RCDF, Comercio, folio 7.579, 282.461 e IMPI, Marcas, registro 48.064, expediente 164.54.* The new company was called *Barcel* and the branch of the holding company that had that name before that was then renamed *Ricolino*. The first product made by *Ricolino* was called "Pasita", a Raisin without seeds.

⁸⁴ *IMPI, Marcas, expediente 116.674, registro 255.612.*

⁸⁵ *Cerem. Al grano*, p. 111.

⁸⁶ *Servicio de Relaciones Industriales, Bimbo.*

⁸⁷ Moreno, "pugna", 132.

Convinced that Spain, in a fully-fledged democratization process, would experience political changes which would be very damaging to the market (something which of course did not happen), on 9th December 1978 Jorba decided to sell his shares to his U.S. partners, without consulting with the rest of the family, which led to the unexpected resigning of Lorenzo Servitje and José Trinidad Mata⁸⁸. *Panificadora Bimbo* thus lost its rights over the Spanish subsidiary. What was even worse was that *Campbell Tagart Inc* could make use of the *Bimbo* brand on the Spanish Peninsula without the slightest legal problem.

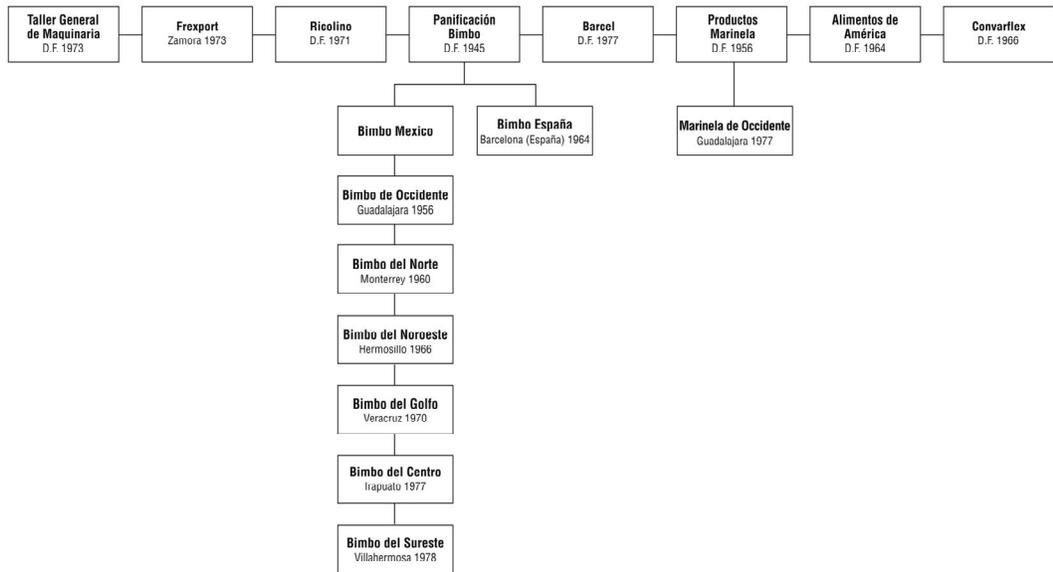
BIMBO IN THE “LOST YEARS”, 1980-1989

Its failure in the home country of the founders of *Panificadora Bimbo* was a real setback for the firm. Immediately following this sad withdrawal from Spain, Roberto Servitje Sendra, who had been trained in the Program for Management Development at Harvard, took over the control of a company which was by then of considerable size (diagram 2).

⁸⁸ RMB, hoja 9.467.

Gráfico 6

Composición del Grupo Bimbo en 1978



Sources: RCDF, RCJ, RCM, Comercio, *pássim*, RMB, developed by the author.

His first step was to sell off 25% of the company on the Stock Exchange in 1980, an enormous decision for a family-owned company, particularly in a country such as Mexico, with quite limited Stock Exchange activity. With this move, Roberto Servitje intended to make the employees participate in the ownership of the company (they went on to own 12% of the capital) and obtain resources to set up the new plants belonging to *Bimbo del Pacífico* (in Mazatlán) and *Bimbo Chihuahua*, as well as to start the expansion of *Barcel*⁸⁹. At the same time, Bimbo spent 200 million dollars on the refurbishment of its 22 factories.

However, the perspectives on which Roberto Servitje based his new strategy changed due to the deteriorating economic situation of the country, once again shaken

⁸⁹ RCDF, Comercio, folio 7.579, número de entrada 8.398.

by inflation. Due to Governmental intervention, with the aim of controlling prices, in 1982, *Bimbo* had to do without its promotional advertising, an instrument which had until then been an essential part of the company's successful performance. During that year, gross turnover in nominal terms fell some 18%. The nationalization of banks proposed by President López Portillo in 1983 extraordinarily darkened business expectations. The situation worsened in 1984, when the Department of Commerce ordered a complete intervention of the sliced bread market, which had, in theory, been free since 1941⁹⁰. The sales (in volume terms) of *Barcel* fell 300%, *Marinela* 5.6%, *Bimbo* 3% and *Ricolino* 32.7%⁹¹.

Meanwhile, costs (above all labor and energy costs) increased substantially. For the first time in three decades, *Panificadora Bimbo* had to go into debt, which led to extraordinarily high financing expenses⁹². The fall of profitability (diagram 1) is proof of the extent of the difficulties which the company was going through. In such a vulnerable situation, several transnational companies presented generous buyout offers for *Bimbo*, which the Servitje family rejected⁹³.

Following the 1985 earthquake, turbulence returned to the market due to the De la Madrid Government's erratic policy. In a context of hyper-inflation, the Government made the mistake of eliminating aids to sliced bread, the most accessible product, thus raising the price 100% and causing a severe fall in sales⁹⁴. The bakers reduced their activity 50% in 1986. The negative outlook made *Bimbo* managers postpone the recovery of the control of their former Spanish subsidiary when it was about to take

⁹⁰ BMLT, Archivos Económicos, caja PO127.

⁹¹ IMPI, marcas, expediente 48.64, registro 164.584, expediente 116.674, registro 255.612, expediente 71.482, registro 84.810 y expediente 108.621, registro 113.776.

⁹² RCDF, Comercio, LA-125-349-398, LA-57-384-399, LA-74-346-331, folio 759, números de entrada 3.364, 7.717, 7.718 y 8.617.

⁹³ BMLT, Archivos Económicos, caja PO127.

⁹⁴ BMLT, Archivos Económicos, caja PO127. The Government's only correct move was to facilitate the consumption of omelettes among the populations without resources (through vouchers called "tortibonos") in order to thereby tackle the lack of products of first necessity all over the Republic.

place that year. Only with the introduction of anti-inflationary measures included in the *Solidarity Plan* approved by President De la Madrid in September 1987 did calm return to the markets.

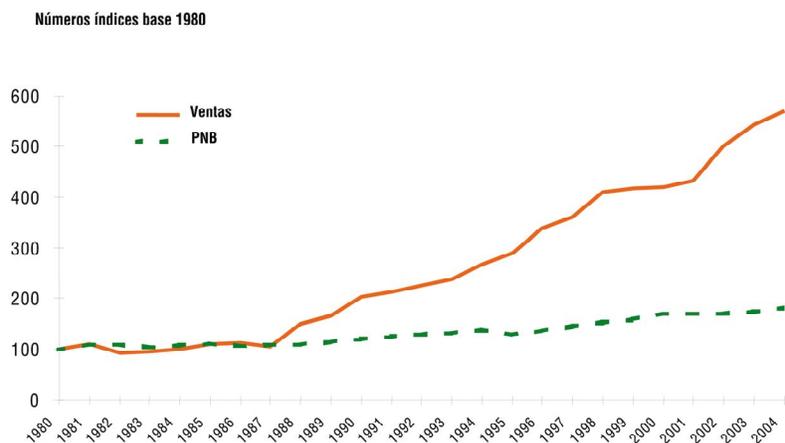
The company was able to respond to such an adverse situation through detailed planning in each area of work and it returned to positive growth in 1987 (diagrams 1 and 3). The mistakes made in Spain in a similar situation had helped them. *Bimbo*, on the other hand, had some margin for error due to the low debt level it had compared to other large Mexican industrial corporations.

Bimbo overcame the aforementioned obstacles through a cost reduction program (4% in 1987)⁹⁵. Those responsible for the Group also set up what was called the “total quality plan”, a one-second improvement in productivity at all plants, and the “total presence plan” that aimed at completing the expansion objectives of reaching all Mexican territory with the *Bimbo*, *Marinela* and *Barcel* brands.

⁹⁵ *BMLT, Archivos Económicos, caja PO127.*

Gráfico 7

Evolución del volumen de ventas en términos reales del Grupo Bimbo en relación con el PNB



Sources: Armando Giner Armando: “Company snapshot”, in *Grupo Bimbo’s day 2003*, Grupo Bimbo, ed. (Mexico City, 2003).

Due to the tremendous uncertainty of the Mexican economy, it was advisable to persevere in the vertical integration of the Group with even greater determination. *Bimbo* supplied itself with machinery through the *General Machinery Workshop*, renamed *Maquindal* in April, from which *Moldex* had broken away; this company centered its activity on the manufacturing of molds and display equipment and became the largest manufacturer in the world. *Proarce* supplied vehicles which guaranteed maximum security in years during which attacks on trucks were commonplace. *Plasticmarx* supplied the packaging⁹⁶. *Exbim* took care of the legal paperwork and tariff payments in foreign transactions. Although the company was well able to supply itself

⁹⁶ RCDF, Comercio. folio 48.060 bis, número de entrada 9.532.

with everything it needed, it imposed a minimum external purchase percentage of 25% on itself in order to maintain good relationships with the rest of Mexican agricultural and food companies.

However, *Bimbo* paid special attention to its diversification strategy, taking advantage of the possibilities of buying out food companies that were facing difficulties and that were offered to it (see appendix). Among those was *Wonder*, which became part of the Group in 1986, along with its flour subsidiary *Molino Cuahtémoc*⁹⁷. From then onwards, *Bimbo* enjoyed an absolute monopoly position in the Mexican sliced bread market, a position which had been reached thanks to its own resources and not to government aid or influence.

A GLOBALIZED COMPANY (1990-2008)

During the first years of the 1990s, *Bimbo* carried out its activities in quite a positive environment. However, in 1994 the country once again went into a financially challenging period with inflationary tension. Although it punished other great Mexican firms even more, the crisis also had an effect on the *Bimbo Group* (diagram 1). In the midst of such adverse conditions, for the first time in almost three decades, two competitors appeared which were able to cast a shadow on the Servitje's company: *Gamesa*, from 1990 onwards and linked to *Pepsico*, and *Gruma*, a Monterrey firm whose managers abandoned its policy of not competing with *Bimbo* in the sliced bread

⁹⁷ RCDF, *Comercio*, folio 7.457. volumen 579, tomo 3, foja 21.

⁹⁷ Silvia Núñez Macias: *Grupo Bimbo*, en B.A. Thesis, ITESO-Universidad Jesuita, Guadalajara, 2002, p.8.

segment in 1994⁹⁸. At the same time, the deregulation of the flour and sugar markets in 1991 caused series supply shortages, forcing *Bimbo* to import products in which Mexico had surplus production.

Bimbo had to intensify its presence in the manufactured foods market through direct investment and the buying out of companies. Following a failed attempt to take over *Cuétara*, in 1992 *Bimbo* bought *Galletas y Pastas Lara*⁹⁹. The purchase was of tremendous strategic importance for *Bimbo*, since it was able to compete with *Gamesa* in the cracker segment. Two years later, it went on to control the Lerma firm *Suandy*, founded in 1971¹⁰⁰. Between 1995 and 1999, following the purchase of companies facing difficulties, it included in its activities the manufacturing of milk caramel and pasta for soup¹⁰¹. *Bimbo* also vertically integrated the elaboration of flour and sugar by taking over mills and sugar refineries all over the country.

Bimbo, however, in response to the challenge posed by *Gamesa*, made an even more intense effort in distribution than in production. In fact, from 1995 onwards, the term “Industrial” disappeared from its name. To that extent, in 1993 it signed an alliance with *Grupo Quan*, the largest ice-cream producer in Mexico, taking out a 40% stake in the company, and with *Sara Lee Baker* from the U.S., with which it created *Dicam* as a result of the transformation of the *Marinela de Occidente* company¹⁰². In 1995, it was divided into three independent organizations: *Bimbo* (bread), *Marinela* (cookies and buns) and *Altex* (vertical integration).

With the aforementioned agreements, *Bimbo* reached its summit in the Mexican market which was mature in the sectors in which it operated. The Group had fulfilled its

⁹⁸ Moreno Lázaro, “La formación”, 1072.

⁹⁹ *IMPI, marcas, expediente 58.266, registro 74.745.*

¹⁰⁰ *IMPI, marcas, registro 170.395.*

¹⁰¹ *IMPI, marcas, registro 8.376 and expediente 110.576, registro 224.122.*

¹⁰² *RCDF, Comercio*, folio 154.485. In this respect, see Jorge Basave, *Los grupos de capital financiero en México (1974-1995)*, (Mexico City, 1996), 212-223.

objective of expanding to all of the Mexican territory, a goal which it had had for a long time. Neither was it likely that attractive buyout offers would come up in the dairy, rice or oil sectors, then in the hands of strong companies.

The time had come to check out potential in the rest of Latin America, as did other Mexican corporations such as Cemex, Alfa, Vitro, Televisa and even Gruma itself¹⁰³. Daniel Servitje Montull, Lorenzo Sertvitje's son, took on this responsibility and applied the so-called "Expansion Plan" which had been drafted in 1989. The document foresaw a 100 million dollar investment, which was obtained through a bank loan signed in November 1991 with the *World Bank* as well as the placing of an additional 4% of its capital on the stock market¹⁰⁴.

In 1990, Bimbo built its first plant on the Continent outside Mexico: in Guatemala. Following this investment, it extended to Chile, Venezuela (both in 1992), Costa Rica (1994), Honduras and Argentina (1995), Colombia (1996) and Peru (1998)¹⁰⁵. Its penetration in these markets was done in three different ways: direct investment under its own brand (Argentina, a very promising market because of its high *per capita* bread consumption), the taking out of existing firms (Chile) and the signing of agreements with domestic firms in those countries (Colombia, with *Nöel*).

The first steps taken in those countries were challenging, as can be seen from the financial accounts (diagram 4). Bimbo management had to face the lack of consumption of packaged food as well as the interventionism of governments in food markets, particularly in Argentina, which was a real ordeal for the Group between 1995 and 2001¹⁰⁶. Thus, Group sales in Latin America only represented 7.5% in the year 2000.

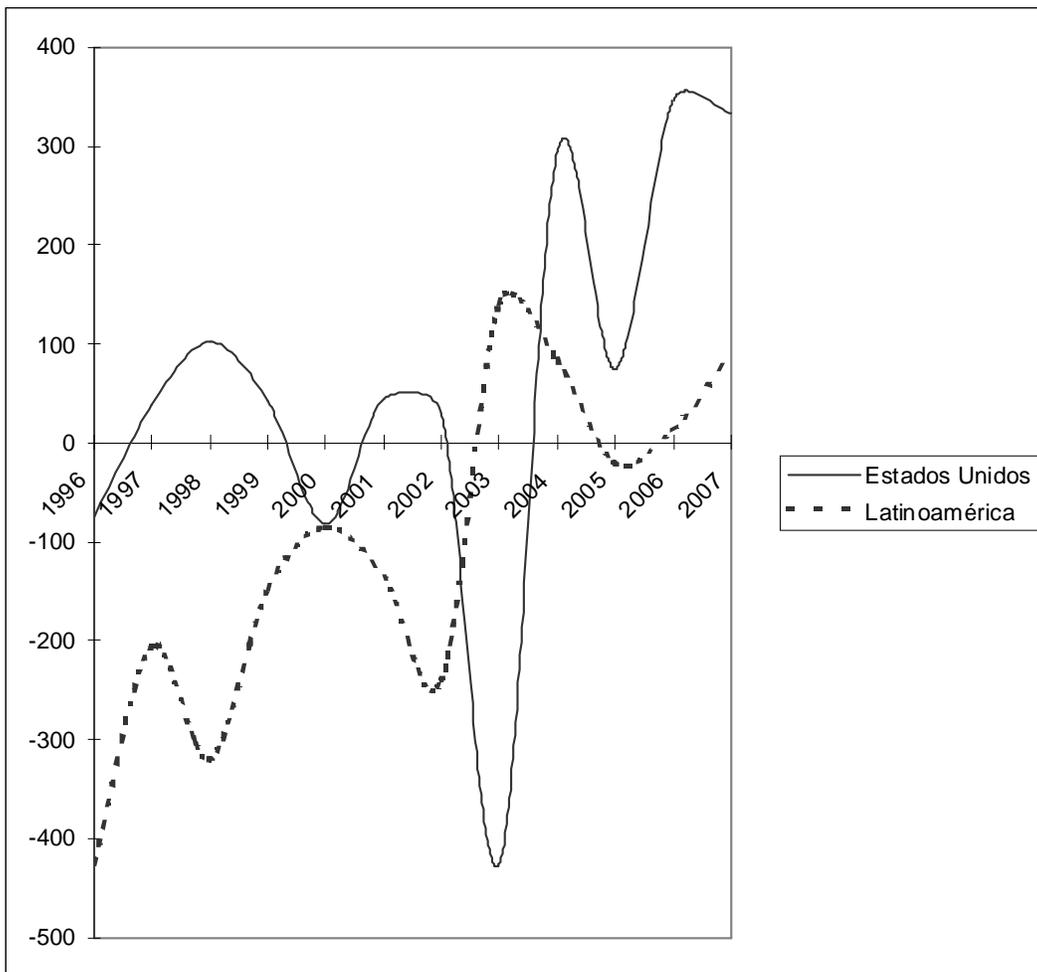
¹⁰³ Celso Garrido, "El caso mexicano", in *Las multinacionales latinoamericanas: sus estrategias en un mundo globalizado*, Daniel Chudnovsky, Bernardo Kasacoff y Andrés López, (Buenos Aires, 1999), 165-258.

¹⁰⁴ *BMLT, Archivos Económicos, caja PO127*.

¹⁰⁵ The *Marinela* plant was closed in 2002.

¹⁰⁶ Cherem, *Al grano*, 317.

Diagram 4. NET PROFITS EARNED BY BIMBO IN LATIN AMERICA
(EXCLUDING MEXICO) AND THE UNITED STATES (1996-2007)



Source: *Bimbo Group, Annual Report(s)*, (Mexico City, 1996-2007).

Bimbo simultaneously decided to conquer the U.S. market. Those responsible for the company had cherished this idea practically since the outset, influenced by the U.S. Spanish-speaking population's purchasing power and their consumption loyalty to their home countries. However, all efforts to do so had failed until the signing of the Free Trade Agreement that encouraged them to build *Marinela* and *Bimbo* plants in Baja California, with their sight set on exporting rather than on the domestic Mexican market¹⁰⁷.

In 1993, *Bimbo* changed its strategy and decided to take on the market through the purchase of small plants within the United States, plants which had been set up by Mexican immigrants¹⁰⁸. It was not an easy change. The initial strategy which consisted of operating with the Mexican brands (*Tía Rosa* for omelettes and *Bimbo* for sliced bread) was an absolute disaster. The results left a great deal to be desired and a change of policy was essential in order to use a brand which was known in the U.S. market so as not to limit itself merely to the Hispanic population. To this end, *Bimbo* took over *Mr. Birds*, which had six plants in Texas, and made it the fourth largest bakery in the United States, where its turnover in 2000 was 18% of the Group's total income. The subsidiary in that country had finally offered profits (diagram 4).

Meanwhile, and for the second time, in 1995 *Grupo Bimbo* had the opportunity of recovering its old Spanish subsidiary, an opportunity which it could not take¹⁰⁹. The Servijte family also received an attractive buyout offer *Panrico*, which was rejected

¹⁰⁷ RCDF, Comercio. folio 282.167.

¹⁰⁸ The following: La Fronteriza (Ohio, 1993), Fabilia (Sacramento, 1994), P&P (Houston, 1995), La Tapatía (Elk Grocem 1995) and *Pacific Pride Bakery* (Escondido, 1996). Cherem, *Al grano*, 318 and Marta Eugenia Hernández, Karina Fogel and Abigail Miranda, *Bimbo. Una historia de creer y crear. Sesenta aniversario, 1945-2005*, (Mexico City, 2003), 177-180.

¹⁰⁹ Moreno, "Pugna", 138.

because it would have been an obstacle to the rescuing of *Bimbo*, in application of European competition rules.

Following this incident, in 1998 *Grupo Bimbo* returned to Europe with the aim of exploring the markets in the East of the continent. This was the objective of the purchase of the German jam company *Park Lane*, which had plants in Vienna and Ostrava, in the Czech Republic.

The Asian financial crisis of 1997, which spread to Latin America in 1998-99 had a considerable impact on the financial results of *Grupo Bimbo* (diagram 2). Daniel Servitje then took control of the company. The new Director General decided to undo the vertical integration of the supply of raw materials and equipment and sold most of the sugar, flour and jam plants as well as *Altex*, an umbrella subsidiary created in 1991 to watch over the non-food companies of the group. The aim was to concentrate all efforts on the baking business, reduce high labor expenses and obtain income to ease debt. In spite of all those measures, the family managed to retain control of some of those companies partially sold¹¹⁰.

Even greater was the deterioration suffered following the 11th September 2001 attacks and the Argentinean capital market collapse. *Bimbo* went through this recession in full political changes following the victory of PAN in the 2000 presidential election.

The economic situation had an effect above all on the Latin American subsidiaries, whose financial results were quite disheartening. *Bimbo*, however, had learned a lesson from its bad Spanish experience: the need to persevere and immunize against political changes. The parent company could withstand the losses. The Latin American option was a long-term bid. In fact, it took advantage of the weaknesses of

¹¹⁰ Cherem, *Al grano*, p. 325.

domestic bakeries to penetrate the most populated and promising market in South America: that of Brazil.

It did not take long for *Bimbo* to recover the pulse, having previously simplified its management structure in 2002. Once again, the organizational changes took place before the periods of largest growth for the company. The Group was now made up of four divisions: *Bimbo* (bread, cookie and bun businesses in Mexico), *Barcel* (snacks and sweets, both there as well as in Europe), *Bimbo Bakeries USA* and *OLA* (Latin America). However, the restructuring of the oversized workforce did not take place and the advice of several advisers -following the 1994 crisis- fell on deaf ears. *Bimbo* managers, following those same principles which had guided the ordering of the industrial relations of the company since its very beginning, opposed the idea. Instead, they relocated excessive workforce in auxiliary posts that generated zero VAB.

With respect to the internal market, *Grupo Bimbo* paid more attention to the bun and sweet businesses. In 2005 it acquired *El Globo*, the owner of a distribution network throughout Mexico City and of a factory which had been inaugurated in 1967¹¹¹. The Servitje family agreed on the purchase with Carlos Slim, the third wealthiest man in the world in 2008 according to *Forbes* and owner of the Grupo Carso, with which they had always had a cordial relationship. In that year they also acquired half of *Joyco*, dedicated to the manufacturing of chewing gum and which was bought from the Spanish company Agrolimen, based in Barcelona¹¹². In June 2006, following the death of Fernando Servitje, *El Molino* became part of *Grupo Bimbo*, eighty years after its founding¹¹³. Furthermore, Bimbo started the joint elaboration and distribution of

¹¹¹ *IMPI, Marcas, expediente 50.456, registro 68.656.*

¹¹² In fact, Agrolimen did away with all the subsidiaries of Joyco in favor of the U.S. Wrigley, except the Mexican one.

¹¹³ José Martínez, *Carlos Slim. Retrato inédito*, (Mexico City, 2002).

products with *Lala*, the largest Latin American Dairy Corporation, which had also been founded by Spaniards.

In 2002, having overcome the after-effects of 9-11, Bimbo once again took up its investments in the United States with the acquisition of one of the subsidiaries of the Canadian company Weston Foods Inc: Oroweath, based in California. Following this investment, and also thanks to a reduction and rationalization of the product range, *Bimbo USA Bakeries* had quite promising financial results (diagram 4).

In 2003, for the first time, the Latin American companies of the Group made a profit, which enabled *Grupo Bimbo* to take over new firms in Colombia and, later on, in Paraguay and Uruguay, which they had been fruitlessly trying for a decade.

In March 2006, the opportunity arose to acquire the Chinese subsidiary of *Panrico*, the *Beijing Panrico Food Processing* company, following the withdrawal from the business world of the Costafreda family¹¹⁴. Thus Bimbo managed to get a foothold in the immense Chinese market through its main competitor in Spain.

However, the family did not manage to solve the irregular Spanish situation. In spite of the intentions of *Sara Lee Baker*, the new owner of Bimbo Spain from 2001, to sell the company off, the conversations between the two giant corporations, allied in Mexico, led to no result.

In 2008, Bimbo exploited 42 plants in Mexico, 26 in the rest of Latin America, 13 in the United States, 2 more in China and the Czech Republic, and 6 as joint ventures. Despite the extraordinary increase in the cost of raw materials, the economic crisis that started that year had little impact on the group (diagram 1), due to the delay in the effects of the crisis reaching Latin American countries. Additionally, Bimbo managed to take advantage of the possibilities that the economic situation offered to

¹¹⁴ Moreno, “Pugna”, 147.

advance its expansion on the world market. In December 2008, it formalized the purchase of Weston Foods, Inc, with 35 plants and 15,000 employees, which made it the largest bakery in the United States (and in the world), a position that no other Latin American company had ever occupied, an indication of the advancement made by great Mexican corporations from the beginning of the XX century.

CONCLUSIONS

The history of Bimbo reveals two of the historical keys to the expansion of Mexican companies and their internationalization since the end of the XX century: The strength of links established by emigrant communities from whom they received the support which the weak Mexican State could not offer them in their first steps, and the early adoption of technology as well as organizational and management changes that first emerged in the United States, thanks to Mexico's geographic proximity.

However, a study of the previous pages reveals other causes of success which were a mystery at the outset of this work. The first resides in the fact that *Bimbo* was well able to move on from being a family-owned company to a large corporation without much difficulty, something unique in Latin American Business History. Practically from the outset, it distanced itself from the patriarchal model of Hispanic business which would have been the likely formula for it to have followed due to the origins of its founders.

Bimbo sought to improve its competitiveness through the use of organizational strategies and not so much through technical innovation, which the low salary costs in

Mexico and the company's own labor policy discouraged. The company immediately adopted management improvements that came from the United States. Thanks to those policies it avoided sinking when the activity of the group was made up of considerable of subsidiaries.

Its permanent vertical integration was a decisive factor in the company's success, as explained by the failure of Mexican competitors that did not adopt this strategy. It was only through this autonomy in the supply of raw materials and machinery did the company manage to survive in a market with as much intervention as the Mexican market had, subjugated to temporary adjustments and strong uncertainty, both political and economic, especially from 1982 onwards.

Its policy of seeking out economies of range also harvested outstanding results, a policy which was very suited to the strong segmentation of the Mexican market due to the tremendous inequality in income distribution. In the year 2000, *Bimbo* manufactured products under 5000 brand names, a range which any other multinational food corporation –worried more about economies of scale- would have reduced considerably, but which helped the company penetrate the U.S. Hispanic and South American markets which had different eating habits. *Bimbo* initially took on this diversification through the creation of subsidiaries. However, in the last quarter of the XX century, the company, having become a type of hospital for companies, changed its policy by rescuing and improving food firms which faced difficulties following the 1976 devaluation and the 1982-1987 and 1994-95 crises.

Its solvency explains the company's growth to a great degree. Its financing through its own resources saved Bimbo from the turbulences that shook the Mexican capital markets and the increase in financial costs caused by strong inflationary tendencies.

Neither can we understate the importance of the industrial relations calm that existed in the company throughout its history. Company policy created healthy industrial relations which saved it from conflicts which were so harmful to its competitors.

Bimbo received clear support from the State at the outset and during the years of greatest industrial fervor of the PRI government. However, due to its self-financing policy, the little importance of external debt in its books and the almost inexistent dependence on the external supply of raw materials, *Bimbo* did not need much public aid between 1976 and 1994 as did other large Mexican corporations.

The story of *Bimbo* is proof that the birth of a highly-vertically-integrated large company was possible in a backwards economy, precisely as an instrument to overcome some of the obstacles in the development of activities inherent in this condition: the small degree of market integration, limited access to technology, high transaction costs and political instability. This is the main contribution the current article has made.

Furthermore, this company, like many other Mexican ones of the same roots, used Spain in the 1960s as a “test tube” to set off its internationalization. In other words, Mexican capital investment contributed to the “Americanization” of Spanish business.

However, *Bimbo*’s success story reveals a few weaknesses: What happened in Spain was an uncommon anomaly through which America and Europe operated (and competed) two different companies using the same brand name, a situation which had to do with internal family-based disagreements in the company, which, in spite of the strong management structure built into the company, had finally surfaced.

APPENDIX: COMPANIES WITHIN THE BIMBO GROUP IN 2008

COMPANY	HQ	STATE/COUN		YEAR	TYPE
		TRY			
MEXICO					
BREAD BAKING					
Panificadora Bimbo	Mexico City	DF		1945	OI
Bimbo de Occidente	Guadalajara	Jalisco		1956	OI
Bimbo del Norte	Monterrey	Nuevo León		1960	OI
Bimbo del Noroeste	Hermosillo	Sonora		1966	OI
Bimbo del Golfo	Veracruz	Veracruz		1970	OI
Bimbo del Centro	Irapuato	Guanajuato		1977	OI
Bimbo del Sureste	Villahermosa	Tabasco		1978	OI
Bimbo del Pacífico	Mazatlán	Sinaloa		1981	OI
Bimbo Chihuahua	Chihuahua	Chihuahua		1982	OI
Bimbo Toluca	Toluca	Mexico		1982	OI
Wonder	DF	DF		1986	P
Wonder de San Luis	San Luis Potosí	San Luis Potosí		1986	P
Bimbo Yucatán	Mérida	Yucatán		1986	OI
Pan y pasteles Trevi	Mérida	Yucatán		1986	OI
Tía Rosa	Lerma	Mexico		1987	OI

Bimbo San Luis	San Luis Potosí	San Luis Potosí	1991	CI
Bimbo de Puebla	Puebla	Puebla	1991	OI
Lonchibón	Cuautitlán	Mexico	1991	OI
Bimbo Baja California	Mexicali	Baja California	1992	OI
Grissini	Guadalajara	Jalisco	1993	P
Bimbo Tijuana	Tijuana	Baja California	1999	OI
Pan del Hogar	Cuautitlán	Mexico	2001	P
FROZEN BREAD				
Fripan	Lerma	Mexico	2004	OI
BISCUITS AND INDUSTRIAL BUNS				
Productos Marinela	DF	DF	1956	OI
Marinera de Occidente	Guadalajara	Jalisco	1977	OI
Marinela del Sureste	Villahermosa	Tabasco	1987	OI
Marinela Baja California	Mexicali	Baja California	1990	OI
Malinela del Norte	Monterrey	Nuevo León	1990	OI
Paty Lu	DF	DF	1991	OI
Lara	DF and Puebla	DF and Puebla	1992	P
Malilara	Guadalajara	Jalisco	1994	OI
Sunday	Lerma	Mexico	1994	OI
SWEETS				
Ricolino	DF	DF	1971	OI
Productos Confitados	Atlixco	Puebla	1987	P
Ricolino San Luis	San Luis Potosí	San Luis Potosí	1992	OI
Productos Coronado	San Luis Potosí	San Luis Potosí	1995	P
Joyco de Mexico	Toluca	Mexico	2005	P
La Corona	DF	DF	2005	P

CAKES				
El Globo	DF	DF	2005	P
El Molino	Mexico City	Mexico City	2006	P
FRUIT PROCESSING				
Siasport	Zamora	Michoacán	1980	OI
SNACKS				
Barcel	Querétaro	Querétaro	1977	P
Barcel del Norte	Ciudad Palacio	Durango	1982	OI
Barcel Sureste	Mérida	Yucatán	2004	OI
OMELETTES				
Industrial del Maíz	Cuautitlán	Mexico	1992	OI
Industrial del Maíz	Monterrey	Nuevo León	1998	OI
ICE-CREAM				
Friser	DF	DF	1994	OI
PASTA FOR SOUP				
Cora	DF	DF	1999	P
LATIN AMERICA				
Bimbo Centroamérica	Guatemala	Guatemala	1990	OI
Barcel Chile	Santiago	Chile	1992	OI
Ideal Chile	Santiago	Chile	1992	P
Marinela Venezuela	Caracas	Venezuela	1992	OI
Bimbo Costa Rica	San José	Costa Rica	1994	OI
Ideal	Santiago	Chile	1995	P
Bimbo Honduras	Tegucigalpa	Honduras	1995	OI
Bimbo Argentina	Buenos Aires	Argentina	1995	OI
Bimbo Colombia	Bogotá	Colombia	1996	OI

Bimbo Perú	Lima	Peru	1998	OI
Tulipán	San José	Costa Rica	1999	P
Pan Pyc	Lima	Peru	2000	P
La Mejor	Chimaltenango	Guatemala	2000	P
Plus Vita		Brazil	2001	P
Pullman		Brazil	2001	P
Panificación de Gruma		Costa Rica	2001	P
Fuchs Alimentos		Chile	2001	P
Comestibles Lalo	Barranquilla	Colombia	2005	P
Walter M. Doldán y cía		Uruguay	2006	P
Los Sorchantes		Uruguay	2006	P
Termis, S.A.		Paraguay	2007	P
El Maestro cubano Florentino Sande, S.A.		Uruguay	2007	P
Rolly's Pastelería S.A.		Peru	2007	P
King Baker Home S.A.		Peru	2007	P
Pan Catalán S.A.		Uruguay	2007	P
La Moderna		Panama	2007	P
Aguas de Piedra		Chile	2007	P
La Favorita		Chile	2007	P
UNITED STATES				
Tía Rosa			1995	P
Mrs Baird's Bakeries - Bimbo Bakeries USA			1998	P
Oroweat – Webber's - Bimbo Bakeries USA			2002	P
Weston Foods Inc			2008	P
REST OF THE WORLD				
Park Lane	Vienna	Austria	1998	P

Beijing Panrico Food	Beijing	China	2006	P
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Keys: OI=Own Investment. P=Purchase.

Sources: Marta Eugenia Hernández, Karina Fogel and Abigail Miranda, *Bimbo. Una historia de creer y crear. Sesenta aniversario, 1945-2005*, (Mexico City, 2003) and 177-180, Bimbo Group, *Annual Report(s)*.