

## COSENTINO GROUP<sup>1</sup>

It was late in the afternoon of March 14, 2011 and Francisco Martínez-Cosentino was personally putting the finishing touches to the news story that was to appear the next day in the media, entitled "*A commitment to our land, Andalusia and Spain*". This commitment resulted in investments of 190 million euros over the next three years in the expansion of facilities at the Cosentino Group's Headquarters in Cantoria (Almeria). All this investment, which would directly and indirectly create approximately 890 jobs, aimed to achieve 596 million euros in sales in 2013, of which 82% would be generated abroad.

It would be a great news story, namely that despite the prevailing uncertainty in most markets, a company with its feet on the ground and aware of its roots, was able to look ahead with optimism and show that there are new ways of doing business.

### THE COSENTINO GROUP

In 2011, the Cosentino Group was a Spanish family-owned multinational business group that focused on the design, production and distribution of architectural and decorative solutions made from natural stone. It creates brands and designs leading products intended to provide innovative and functional solutions for the home and public spaces based on the criteria of careful design, innovation and respect for the environment.

Cosentino was the world's leading producer of quartz countertops, with facilities in fifteen countries and distributing its products to over fifty countries. It had

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consolidated its global expansion strategy. Thanks mainly to its internationalization policy, the company had ended 2010 with a total income of 400 million euros, up 15% in 2009 (see Exhibit 1. Financial Statements, and Exhibit 2. Distribution of sales by regions).

## HISTORY OF THE GROUP

Located in the region of Macael, in the South of Spain, Cosentino's history was parallel to that of many companies in the area, engaged in the ancient tradition of marble quarrying.

Spain is the world's second marble producer, behind Italy and ahead of Portugal. Macael "Marble Region", the main marble producer area in Spain, and the largest marble reserves in the country are settled in Almeria. Over 80% of marble extracted in the region is white marble, the most famous type being "White Macael" marble, appreciated for centuries due to its quality and purity and quarried since the Phoenician times until today to construct emblematic works.

During the second half of the twentieth century and well into the eighties, the local marble sector was affected by a series of problems. Most derived from the outdated technology of the manufacturing processes, which resulted in high costs, low homogeneity and low productivity, and the large number of small businesses, which were unable to invest in the necessary technology to increase supply.

Moreover, until the mid-eighties the sector was driven by demand. Production, prices and quality were all demand driven and distribution channels had even been created by buyers, who came to Macael to purchase marble. That fact, seemingly positive on the surface<sup>2</sup>, had a negative impact in the medium and long term because companies neglected bringing products to buyers or conquering new markets, or even improving product quality since everything they produced was sold, mainly uncut.

In the 1940s, Eduarda and Eduardo Cosentino, parents of the current owners of the Cosentino Group, created a small family marble company, with low productivity and few resources.

The raw material extracted by the company<sup>3</sup> was poor in quality and extremely rudimentary manufacturing techniques were used in the workshop. The marble manufacturing process consisted of the preparation, cutting, polishing and sizing of the product. Gang saws – the term used to refer to the cutting machinery – sand and water

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<sup>2</sup> Nevertheless, there were also periods of crisis due to insufficient demand, which forced companies to join price wars.

<sup>3</sup> The products directly extracted from the quarries are blocks (large parallelepiped pieces of marble of a size that can be cut using a gang saw), *bolos* (irregular medium-sized or small pieces) and stone or *escaya* (residual material) that is sold to crushing companies to produce different by-products such as micronized material, *terrazo* or agglomerates.

were used for cutting, and it took hours to saw the marble using a friction system (they did not use the available technology of cutting with diamonds or vidia <sup>4</sup> used in other countries).

The company basically only produced uncut marble slabs <sup>5</sup> that were sold to the marble workers, the traditional and only distribution channel, who then transformed the slabs at their workshops to adapt them to specific orders. As a result, much of the product's added value was lost instead of being retained in the region, which would have been possible with better processes to complete the production cycle. At that time, marble was used mainly for funerary art (gravestones, tombs and niches) and interiors, mainly in kitchens (solid sinks and kitchen countertops) and bathrooms. Geographically the market was confined to the Iberian Peninsula.

### **Second generation of the family business**

Francisco Martínez-Cosentino was born in Macael in 1951. He obtained his teacher training degree at the University of Granada when he was seventeen and found his first job as a primary school teacher in Barcelona. He quickly discovered that this was not his true vocation in life and, moved by his restless and entrepreneurial spirit, he returned to his homeland where he would have the opportunity to develop his full potential, not only as an entrepreneur but also as a politician and institutional figure in the "Comarca del Mármol" (Marble Region).

In 1973, when he was twenty-two, he began working in his father's company, where he came into direct contact with the problems and shortcomings of the local marble industry. That same year, he simultaneously joined public life as a municipal councilor in Macael<sup>6</sup>, holding his seat until 1981, dedicating all his time to this post after he finished work in the family workshop, often until midnight.

During those early years as an entrepreneur, he had the opportunity to learn about the world of marble and discovered that the raw material extracted at his father's quarry was poor in quality. Given the importance of quality for the success of the business, he began to visit on weekends every corner of Sierra de los Filabres until he knew the geological deposits and potential of the area like the back of his hand. This knowledge allowed him to gradually acquire numerous quarries with quality marble, as and when his small business had the financial capacity to undertake these procurements.

By 1977, the Cosentino family already operated three quarries. They then opened a logistics warehouse in Barcelona, followed by another in Madrid. At around this time, Francisco began travelling abroad to visit and participate in some of the most

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<sup>4</sup> The word vidia comes from German, wie *diamante* (like the diamond). It is an agglomerate of unusual metallic carbides.

<sup>5</sup> Semi-manufactured product composed of slabs cut on gang saws, normally from blocks.

<sup>6</sup> In the Mining Law of 1973, in the last years of Francisco Franco's regime, the State gave the Macael Town Hall the right to grant the exploitation of the quarries.