

Retreat or Persevere: iFood's Growth Dilemma

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Abstract. In March 2022, Rodrigo Santos, Latin America Director of iFood, faced a pivotal decision. After an ambitious expansion into Mexico, Argentina, and Colombia, iFood – Brazil's leading food delivery platform – struggled with fierce local competition abroad, as well as cultural, technological, and operational challenges. This resulted in higher operational costs and lower profit margins. Investors grew increasingly concerned about the potentially low or negative returns on these international ventures, especially as iFood still had room to grow in Brazil. The company was at a crossroads, and Rodrigo needed to make a strategic decision: should iFood continue with international operations, or consider withdrawing from these markets to refocus on its domestic operations? In addressing this dilemma, this case invites students to explore the complexities of scaling service platforms, compare growth strategies, and assess the risks of internationalization. It also provides a foundation for examining the strategic drivers that determine when and how companies decide to retreat from global markets.

Keywords: Internationalization, De-Internationalization, Digital Platforms, Growth Strategies, Food Delivery.

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Disclaimer: This teaching case, while reflecting a real company, iFood, presents the fictional protagonist Rodrigo Santos, who was created solely for educational purposes. As such, the dilemmas and opinions here retracted do not necessarily reflect the company's viewpoint, absolving it of any responsibility.

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1. Introduction

In March 2022, the conference room at iFood's headquarters in São Paulo, Brazil, was silent. All eyes were on Rodrigo Santos, Latin America's regional director for Brazil's largest food delivery platform. At 38 years old, Rodrigo Santos was not only a key figure in iFood's expansion strategy but also a leader within the company. Having joined iFood in its early days, Rodrigo quickly rose through the ranks, occupying various roles in different departments. His deep understanding of the Latin American market and his ability to navigate complex business environments made him the ideal choice to lead iFood's international ventures.

In Brazil, iFood's success was driven by its strategic timing, innovative business model, and easy interface. As the first major platform-based player in the Brazilian food delivery market, iFood capitalized on the rapid urbanization and digitalization that the country experienced in the decade preceding it. By leveraging these trends, iFood established a strong market presence, offering advanced technology solutions, customer loyalty programs, and strategic partnerships with restaurants. These factors were mainly responsible for positioning iFood as the market leader and setting a benchmark for its international expansion efforts. *"When we started, we never imagined where we could end up,"* said Rodrigo.

Over the past four years, iFood has leveraged its success in Brazil by embarking on a bold internationalization strategy, expanding its operations into other Latin American countries, including Argentina, Mexico, and Colombia. The expectation was to replicate the domestic success in these new markets. However, despite adopting smart and partnered entry decisions and having fairly good growth rates, local competition, cultural differences, and logistical complexities proved to be significant obstacles to profitability. Investors were beginning to voice concerns about international profitability, particularly regarding Brazilian operations and growth opportunities. *"My phone has been ringing nonstop, with everyone at headquarters pressing for results. However, we need time and money to invest in infrastructure and compete effectively. Meanwhile, the Brazilian operation is filled with opportunities at better margins..."* states Rodrigo.

With the year's first quarter about to end, iFood's board had called a meeting to discuss the future of the company's international expansion. The board was divided, with some members advocating for continued investment in global markets to capitalize on the growth potential and establish iFood as a dominant regional player. Meanwhile, other board members expressed concerns that such investments could drain valuable resources and shift focus away from the thriving Brazilian market, where opportunities for growth and innovation remained. *"I truly believe that our international expansion project can succeed at some point; the issue is that not everyone is willing to continue investing and betting on the idea,"* argued Rodrigo.