

# Strategic marketing plan of metro cash and carry



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METRO Cash & Carry is a leading international company in self-service wholesale and operates more than 600 outlets in 29 countries. It is 3rd largest trader in world, 2nd largest in Europe and the Largest in Germany with a turnover of €59. 9 billion in 2006. METRO is operating around 2, 378 locations in 29 countries, with employees numbering over 263, 000. At the operational level, the group's five sales divisions conduct business independently in their respective markets. With over 100, 000 employees worldwide, the company achieved sales of € 31. 7 billion in 2007. By generating almost 50 percent of the total sales, METRO Cash & Carry is the top-selling sales brand of the METRO Group.

## **Executive Summary**

This report is mainly concerned with the strategic marketing for METRO Cash & Carry, the departmental chain business. In this report I have discussed that on what grounds the METRO has divided its market into different segments, how they present the product in the mind of the customers. I have surveyed the market and identify the factors which are affecting the output of the Company. And after this process we select the retailers as customers of METRO store.

Moreover, this report shows the competitive advantage of METRO and we check it out whether this advantage is actually working efficiently. Analysis of external PEST analysis and Porter's five forces model and focused internal environmental audit is included in this report.

Detailed discussion about the marketing plan and the factors of that like (Product, Price, Place, Promotion, part of our report.

## **Mission Statement**

“ METRO is a Cash & Carry Wholesaler for businesses and professionals. METRO provides quality products and business solutions at the lowest possible prices”

## **Vision Statement**

“ METRO will dominate the Cash & Carry wholesale segment globally, through our unique business formula which improves the competitiveness of our customers all over the world.”

## **Metro cash & carry Overview**

Metro cash & carry describe themselves as “ Market Leaders” in cash & carry wholesale business. This claim is based in the approach to their core competition.

The competitive advantage on which compete in the market is the low Prices with high level of Quality at a same place with convenience. METRO provides each and every thing of household use like food items, electronics, automobile parts and much more at the same place and the major factor is the low prices and they maintain the high quality level. And for this purpose they directly deal with the companies for the supply of their products so that the competitive advantage can be enhanced more.

## **Our Objectives**

recognized first choice Cash & Carry Wholesaler

Continuous focus on customer needs and satisfaction

Commitment to ethical and environmental values

<https://assignbuster.com/strategic-marketing-plan-of-metro-cash-and-carry/>

Open communication

Innovative in all we do

Commitment to give our customers more value for their money

Our employees are our main asset

Defined format adapted to local market needs

## **METRO Cash and Carry Guiding Principle**

### **Trust and Respect**

Everybody's opinion counts

Every body is equal for us that's Why we treat every person the same way

### **Open Door Policy**

We avoid organizational barriers

Two-way communication

We always encourage change and sharing of ideas

### **Empowerment to Personal Responsibility**

By allowing people to take risks

We think “ making mistakes” as part of the game

### **Be a Role Model**

We display commitment and enthusiasm

## **Setting Clear Personal Objectives and Tasks**

We have implemented a management-by-objectives concept

## **Recognition and Reward**

We consider honest and transparent feedback

We reward high performance (not only with money)

## **Team Spirit**

We encourage maximum team engagement and knowledge

## **Positive Working Environment**

We guarantee a safe and healthy working environment

We encourage innovation and creativity

## **Corporate Social Responsibility**

We are committed to the principles of social responsibility

## **Key Financial Data**

### **Annual Report 2008**

#### **Income statement for the financial year from 1 January to 31 December 2008**

**€ million**

**Note no.**

**2008**

**20071**

**Net sales**

1

**67, 956**

**64, 210**

Cost of sales

-53. 636

-50. 81

**Gross profit on sales**

**14, 320**

**13, 400**

Other operating income

2

1, 518

1, 554

Selling expenses

3

-12. 332

-11. 443

General administrative expenses

4

-1. 426

-1. 352

Other operating expenses

5

-92

-81

**Earnings before interest and taxes (EBIT)**

**1, 988**

**2, 078**

Result from associated companies

6

0

0

Other investment result

7

14

11

Interest income

8

196

185

Interest expenses

8

-682

-676

Other financial result

9

-101



-37

**Net financial result**

**-573**

**-517**

**Earnings before taxes (EBT)**

**1, 415**

**1, 561**

Income taxes

11

-426

-560

**Income from continuing operations**

**989**

**1, 001**

Income from discontinued operations after taxes

43

-429

-18

## **Net profit for the period**

**560**

**983**

Profit attributable to minority interests

12

157

158

from continuing operations

[157]

[158]

from discontinued operations

[0]

[0]

Profit attributable to shareholders of METRO AG

403

825

from continuing operations

[832]

[843]

from discontinued operations

[(429)]

[(18)]

## **Earnings per share in €**

13

**1. 23**

**2. 52**

from continuing operations

[2. 54]

[2. 58]

from discontinued operations

[(1. 31)]

[(0. 06)]

Source(www. metrogroup. com)

## **Definition of the Market**

The METRO cash and carry business lies in the Monopolistic Competition.

There are few sellers and each has its own specialization and it charge the prices according to the product quality and characteristics. There is no entry or exit barrier in this market. Even five more cash and carry businesses are allowed by government to open their branches in Pakistan.

## **Market Focus and Segmentation**

### **Segmentation**

METRO segmentation of customers is mainly concerned with the two factors, Retailers, and professionals of every sector and kind.

### **Segmentation**

We design the proper segmentation of the METRO Cash and Carry:

### **Geographic**

Region South Asia

Country Pakistan

State Punjab

City Lahore, Islamabad

### **Demographic**

Income Level Minimum Rs. 20000

Economic factor Inflation, reduced Productivity

### **Psychographic**

Social Class Working Class (Retailers and Professionals)

Buying Habits Convenience

Perception High Quality with low price

Personality Profit Conscious

## **Behavioral**

Benefits Shopping at one place, Customer Care

Usage rate weekly

Occasion Regular

Loyalty status Strong customer relationship

Readiness Stage Desirous

source (www. metro. pk)

## **Targeting**

The targeting strategy of METRO cash & Carry depends upon the segmentation. METRO carries the differentiated market targeting strategy. They take the whole customers as a market and carry out the marketing strategy same for the whole. At this time METRO cash and carry is concerning with the differentiation strategy. They can also come up with the focus strategy for the retailers so that they think that METRO cares them and conducting a major portion of business just for the retailers. It will convince and internally force them to come to METRO just to admire its services and respect to the retailers.

## **Is it a focussed strategy?**

Yes in the sense that all their customers are users of databases. No in the sense that they are all different sizes and sectors. Also -WellData do not sell

the software applications licenses. They can, and do, sometimes sell hardware but this is as a convenience for their customers.

### **Is it a differentiation strategy?**

Yes in the sense that they are looking specifically at wholesalers and retailers.

Yes - as their approach to the core function is fundamentally different to the rest of the marketplace (no fail).

Yes - as they have a key " Business Ready" report for customers before the start of the working day.

Yes as all technical staff are employed and not contracted.

On balance this seems to be a differentiated approach

### **Is it a cost leadership strategy?**

Possibly. Because they always believe in low prices. . METRO is the symbol of whole sale departmental store as the lower prices with the high quality and availability of everything at a same place. You just visit it and you can get every thing what you can think to buy.

Based on the above , very simple, observations, the metro cash & carry strategy would fall somewhere between the differentiation strategy and the focussed strategy.

In terms of Bowman's Strategy Clock the picture is clearer. Metro fall clearly into the Differentiation strategy.

## **Premium Priced or not?**

The question of price premium is open to further discussion. Although this next section should really be covered in the analysis of Metro cash & carry under Porters five forces model.

Quantix will open the proposition with a low price and low added value service. If the customer buys into this it is a relatively simple matter to “upsell” the customer to more expensive, but more added value, services.

1 Low price/low added value Likely to be segment specific

2 Low price Risk of price war and low margins/need to be cost leader

3 Hybrid Low cost base and reinvestment in low price and differentiation

4 Differentiation

(a) Without price premium. Perceived added value by user, yielding market share benefits

(b) With price premium. Perceived added value sufficient to bear price premium

5 Focused differentiation Supposed added value to a particular segment, warranting price premium

6 Increased price/standard Higher margins if competitors do not value follow/risk of lo losing market share

7 Increased price/low value Only feasible in monopoly situation

8 Low value/standard price Loss of market share

## **SWOT Analysis**

### **Strengths**

METRO has the basic strength of low prices with high quality.

Serving the customers with the wide variety of products.

Covering all business solutions under one roof named METRO.

Having the strong cash and carry business background.

Best location for such kind of big store and also covering many areas.

Efficiently using the place and excellent layout.

Sufficient parking and safety and security measures ensure the quality in every sector.

Friendly and co-operative staff.

Computerized data base system which helps both customer and METRO.

Cafeteria in the building for the refreshment of customers.

### **Weaknesses**

Less awareness in Pakistan regarding cash and carry business.

Although location for a big store is suitable but outside the city and not suit for all customers.

No proper transportation for customers to carry their products far away.

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Limit of 3 persons on a single membership card

Restriction of shopping minimum Rs 2000

Membership or subscription fees for cards.

Shopping from METRO is much time consuming because the travelling and in store visiting time.

## **Opportunities**

Growing market of cash and carry

Expansion in major cities.

Online shopping is much better option to save time

Contracting with major hotels and restaurants.

Proper METRO owned convenes facilities.

## **Threats**

Up coming stores like Wal mart and many others

Poor law and order situation of Pakistan

High inflation rate in Pakistan

Instability of the country

## **Marketing Strategy**

Marketing strategy audit is conducting to analyze and identify the significance of mission statement and the vision and objective of the METRO

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cash and carry and the consistency and interrelation between them. The METRO cash and carry has the clear mission statement. It has no doubt. They clearly stated that the professionals and retailers are their customers and they try to serve them with high quality products along with low prices.

Apart from this the objectives and goals are almost accordingly. They also describe their objectives along with the principals of METRO which has to follow by every staff member and these principals give the respect and care to the customer and this thing is already stated in mission and objectives.

### **Who are our existing / potential customers?**

At METRO Cash & Carry only the commercial customers can purchase goods. Metro provided a customer card to all their registered customers.

Metro's main customers are small and medium sized traders , hotels, restaurant , some catering businesses centres , companies and institutions. They can purchase goods more easily and at more favourable prices as compared to usual sources.

This enables METRO Cash & Carry to strengthen the competitiveness of its professional customers. METRO has the limit of minimum Rs. 2000 on shopping which restrict the customer mentally to think before visiting so it should be eliminated.

It has the membership fees of Rs. 300 which is also be demolished. It also has the limit of 3 persons at a single card, it may be happen that more than three retailers want to come on a single card which restrict them to come

together so also remove this one. Metro cash & carry customers are mostly wholesalers and retailers.

## **What are their current / future needs?**

In general terms the basic needs of customers can be categorised into three main areas

Operational Cost Reduction/control

Operational Scalability

Operational Effectiveness

The primary driver has to be operational effectiveness. The whole purpose for the database is to provide the underlying platform for mission critical services within the customer organisation. This is the area in which WellData claim leadership. Technological expertise and a proactive approach to Database support and administration underpin the solution offered by WellData. In this aspect the marketing message is clear – high value-add/premium quality

Operational Scalability is more related to the internal demand and resources of the customers. However the WellData model is designed to be flexible and can cope with either increases in scope or decreases. The marketing message here is neutral.

Operational Cost Reduction/control is an area where the WellData proposition is in danger of being unclear. They have lost customers to Quantix as a result of a perception that Quantix are cheaper. They have also

regained customers following the realisation by the customers that WellData are technically more competent and offer better overall value for money.

This aspect of their marketing proposition needs to be given further thought and a clear policy communicated to the market place.

## **How can we satisfy these needs?**

### **Can we offer a product/ service that the customer would value?**

Yes we can offer product and services to our customers.

### **Can we deliver a competitive product or service?**

As they already compete effectively the answer would seem to be yes.

### **Can we communicate with our potential customers?**

Yes we can communicate with our potential customers.

For this reason market segmentation requires special attention – this is the PLACE

Marketing Communications and Sales Strategy also require specific attention – this is the PROMOTION.

## **Why should customers buy from us?**

### **There are some good reasons to become a customer**

Possible low prices

Availability of stock

One-stop shop

large business hours

Quality promise

Free parking

After sales services

Promotional activities

Simple billing system

huge value for money

## **External Review**

### **PEST Analysis:**

#### **Political Environment**

These are the factors regarding the Pakistani government which influences the workings of METRO Cash and Carry. The political instability is the major factor of low foreign investment in the Pakistan. Same is the case with METRO. The management always keep in mind the threat of change in government. They analyzed several times before entering this country and before doing further expansion in this market. Induction of Lahore branch was conducted by former Prime Minister Shaukat Aziz and the new government can create certain problems for METRO. The tax rebates and certain other favours given by the previous government can be set a side by the change in the government. The ineffective control of every government regarding the prices of products and inflation creates certain problems because customers' demands product at the same and low price while in

such conditions prices changes rapidly. Any political activity regarding labour and political matters strikes creates hurdles in the way of the METRO's success.

## **Economical Environment**

Economical changes of Pakistan effects METRO Cash and Carry in such a way that the interest rates charged by banks can not only restrict the spending power of customers but also in the fund raising for the company. Interest Rate is about 14. 5% on deposits and 17% on loans. The rapid growth in inflation rate is the major factor influencing the spending power of buyer. Inflation rate in Pakistan is about 9. 3% yarely while inflation rate of 3rd quarter was 21. 5% approximately. Devaluation of money and increasing exchange rate discouraging the investors to invest in Pakistan's market. Policies of state bank can be influenced by the existing political party and government and every person either business or a separate citizen entity holder has to follow these rules govern by the State bank.

Switching cost matters a lot in the buying decision behaviour of customer. The switching cost can be higher in terms of time and the distance competitively the other specialized whole sale markets. Unfair distribution of wealth is the key factor of purchasing and also the major characteristic of third world countries. A person's spending only shifts from necessities to luxuries with the increase in money it does not increase his spending.

## **Socio-Cultural Environment**

First of all society and the culture of Pakistan and its markets is not as much adapting to change. They do not easily accept the new arrivals in any field of

the product or services. So METRO Cash and Carry for cash kind of product still there is not a huge market. Although departmental store concept is already good here but it will take time to understand and develop the kind of shopping culture. The habit of Pakistanis is to buy goods from the nearest market on the day to day basis and needs. They do not purchase the whole month grocery and other things. Secondly they prefer to buy on credit. And to pay in instalments.

## **Technological Environment**

METRO Cash and Carry, a huge departmental store chain more than in 29 countries is already using the up date and high tech mechanism for the shifting of products and for other purposes. They have not too much threat of any technological changes. Customer's card is already in use along with the entry with that card, precautionary measures like cameras are installed for safety reasons. They have not any proper or main manufacturing which requires machines so their use of machines is just the cranes and folk lifters and such that machineries

## **Porter's Five forces model**

### **Bargaining Power of Buyer**

As far as the bargaining power of METRO buyer's is concerned, METRO is not in a strong position. They have low power against the customers because customer influence in pricing and shifts towards other sellers if he/she is not satisfied with the quality or price of the manufactured goods or services.

## **Bargaining Power of the Supplier**

METRO has many options to buy products from any supplier. So suppliers try to make possible their products at their store. So we can say that METRO has high bargaining power with respect to the suppliers.

## **Threats of Substitutes**

METRO has the close substitute like Makro in Lahore and other substitutes the specialized whole sale markets are the great threat to the organization. If the customer is not satisfied with any factor they can easily switch to the other because he/she has the almost exact or the same kind of substitutes.

## **Threats of New Entrants**

Government is allowing certain new investors to invest in the cash and carry business. Although initial investment for this industry is much high but for such kind of chains like Wal – Mart and others have no problem in that. So METRO also has a high threat of new entrants.

## **Rivalry among Existing Competitors**

Presently, the existing competitor of METRO is only the Makro in the same capacity and also the whole sale markets of every product. But the specialized whole sale market dealers cannot run any customers' concerning marketing campaign so in this regard METRO has to face a stiff competition with Makro. Makro is almost the same services and it is also the foreign investment. METRO should focus on customer's satisfaction to compete the Makro.



## **Customer Buying Decision Behaviour**

The main customers of METRO are the retailers and the hotels, restaurants and other professionals who do not buy goods for their own use but to serve their further own customers.

METRO is expecting the Variety Seeking and convenience shopping behaviour from their customers. Because it is such kind of product that the customer can change its mind just on a factor of pricing and shift on the other exactly direct competitors Makro and also has the option of specialized wholesale markets. Customer has full knowledge along with the choices.

## **Product Life Cycle**

### **Product Life Cycle**

Product development – sales are zero, investment costs are high

Introduction – profits do not exist, heavy expense of product introduction

Growth – rapid market acceptance and increasing profits

Maturity – slowdown in sales growth. Profits level-off. Increase outlay to compete

Decline – sales fall-off and profits drop

## **METRO in Lahore(PAKISTAN)**

If we talk about the METRO branch at Lahore in real market then it lies in the stage of growth.

## **METRO in Islamabad**

If we talk about the METRO branch at Islamabad then it lies in the introduction stage.

### **Growth stage in Lahore**

Cost is reduced due to economies of scale

Sales volume increases significantly

Profitability

Public awareness

Competition begins to increase with a few new players in establishing market

Prices to maximize market share

### **Introduction stage in Islamabad**

High cost

Low sales volume

No/little competition – competitive manufacturers watch for acceptance/segment growth losses

Demand has to be created

Customers have to be prompted to try the product

## **Boston Consulting Group Matrix**

### **METRO in Lahore**

Metrolf we analyze the Boston Consulting Group Matrix with respect to METRO cash and carry in Lahore, then it lies in the ending stage of question marks and beginning stage of stars. It has almost covered that period which has the element of risk and uncertainties. Now after certain months it will be in stars and generating huge profit margins from it.

### **METRO in Islamabad**

#### **Metro**

The induction of METRO cash an carry has conducted just before some days. So it is much clear according to the Consulting Group Matrix that it lies in the question marks or we can say the problem child. Still there is an element of risk exist. No body can predict the actual results and future of this store in Islamabad.

## **Balancing Risk in Metro cash & carry's marketing Strategy**

### **Same Product – Same market (Market Penetration)**

This is the least risky of all the routes. It fits well with the results of the customer profile analysis which shows that the WellData customer base contains significant numbers of large companies who are also national or Global in their nature. By focussing on the existing customers and cross selling or up selling, WellData have the opportunity to tap into a market segment that already likes what they do and where the strength of internal customer references should work favourably on their behalf.

### **Same Product – New Market (Market Development)**

This is a more risky approach as it involves WellData being able to clearly identify a new market segment in which to operate. Given the difficulty in identifying a clear segment in which they already operate, the danger is that the chosen segment is hard to define, hard to identify and hard to quantify. In addition WellData have no “ Brand” name outside their existing area of operation and in this aspect would face the same barriers to entry outlined in Porter’s analysis above.

### **New Product – Same Market (Product Development)**

For WellData this lies between Market Penetration and Market Development in terms of Risk. They are already established in their own market place and have a good reputation amongst their existing customers. An area of relatively simple product development is the move to desktop support.

This is a function that WellData already carry out for some existing customer and which lies within their functional capabilities. They can simply offer the extended service to existing customers as an upgrade to the current services.

### **New product – New Market (Diversification)**

This is a high risk approach and is not one that would be simple to bring about in Metro. The move away from current skill sets and current markets would place a burden on Metro that they are unlikely to want or be able to afford.

## **Recommendations**

From the four directions above the Market Penetration and Product Development offer the lowest risk. The markets for the services (Database Admin and Configuration, and Desktop Support) are sufficiently large to allow for customer acquisition without enormous marketing expenditure.

## **Marketing**

### **Management Process**

#### **Analysis/Audit – where are we now?**

Currently Metro cash & carry is a problem child in Islamabad and in growth stage in Lahore. They have a small market share in a growth market. In order to develop they need to increase sales and revenue and their customers. Their sales revenue is quite good. And their desire is to be a leading player in the cash and carry market place. To achieve this goal they have to focus their activities in those areas where their strengths (technical expertise and a low cost base) can be brought to bear.

### **Product Strategy**

For Metro cash & carry the market penetration and Product development are the two key directions. Product quality is maintained and additional features and support services may be added. Product branding and quality level is established and intellectual property protection such as patents and trademarks are obtained.

### **Generic Strategy**

Metro cash & carry transitioning from a focussed/differentiation strategy to one of cost leadership/ differentiation without a price premium. In Bowman's

terms this would be a hybrid strategy. Such a strategy is designed to attract market share.

## **Pricing Strategy**

Pricing strategies need to be rethought in order to counter the tactical threat from Quantix. Metro cash & carry at low penetration pricing to build market share rapidly of high skimming pricing to cover development costs.

## **The 4 P's**

### **PRODUCT**

Is the product the right product?

Do Metro have the portfolio of products that they need?

The existing set of products (services) is focussed around the wholesaler's market. And each store is customized to address the needs of professional customers. Metro offer a wholesale price that leaves the customer room for healthy margins and provide a one-stop-shop for the customer. In the food range, freshness is Metro's first priority. This is guaranteed by the efficient supply-chain and quality control management Metro have in-place . In non-food, Metro offer only products that are up-to-date in terms of technology and design, and meet all safety standards.

Source (www. metro. pk)

### **PLACE**

Place ensures that the product is available at the right time, right place and in an effective and efficient manner. For METRO Place decisions are important due to two aspects. First, they require long term commitments in <https://assignbuster.com/strategic-marketing-plan-of-metro-cash-and-carry/>

buildings and facilities, which means that mistakes can be difficult to correct. Second, these decisions require large financial investments and can have a large impact on operating costs and revenues. Poor location can result in high transportation costs, insufficient supplies of raw materials and labour, loss of competitive advantage and financial loss. METRO is located at the suburbs of Lahore, at Thokar Niaz Baig on Multan road which is also the entrance of the Lahore Motorway. The location is important as it covers a lot of areas such as Sahiwal, Okara, Sheikhpura and all the small localities in between.

## **PRICE**

METRO cash & carry follows the pricing strategy of Mark up Pricing along with Competitor base Pricing. Mark Up pricing strategy in such a way that they charge 3% profit on each item. The prices are di