

Metro cash carry is a leading international company marketing essay



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Introduction

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. Assortment and service of METRO Cash & Carry's unique business-to-business model are targeted only towards professional customers such as hotels and restaurants as well as small and mid-sized retailers or institutions. The company offers these special groups a high level of assortment competency both in food and nonfood as well as attractive wholesale prices. An efficient and internationally conferrable concept ensures success in entering new markets.

Following is the structure of METRO Group:

Competitive advantage

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 <https://assignbuster.com/metro-cash-carry-is-a-leading-international-company-marketing-essay/>

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.

Core Competencies

10 good reasons why you should become a customer

Lowest possible prices

Stock availability

One-stop shop

Extensive business hours

Quality guarantee

Free parking

After sales services

Promotional activities

Simple but comprehensive billing system

Great value for money

Process Analysis Models.

PEST Analysis:

Political Environment

The following 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.

Inauguration 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 favors 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 labor 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 behavior 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 installments.

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

We discussed the factors of five forces model of Porter in perspective of METRO cash and carry. We analyze that how these factors invoke on the workings of METRO.

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 product or services.

Bargaining Power of 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 Behavior

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 behavior 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.

Market

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.

Marketing Mix Strategies

PRODUCT AUDIT

METRO in Lahore(PAKISTAN)

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

METRO in Islamabad

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

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

If we analyze the Boston Consulting Group Matrix with respect to our company 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

The inauguration of METRO cash and 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.

Department

PLACE AUDIT

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 buildings and facilities, which means that mistakes can be difficult to correct. Second, these decisions require sizeable financial investments and can have a large impact on operating costs and revenues. Poor location can result in

high transportation costs, inadequate supplies of raw materials and labor, 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.

Place decisions are also important to ensure the closeness of distribution channels, suppliers, and customers.

Proximity to Distribution

METRO is located in the suburbs of Lahore but has access to the motorway, the inner city and Multan road. This allows easy transportation of goods as the location is connected to the most important road network of Pakistan, i. e. the motorway and the GT road. Therefore it is cost effective to transport goods to and from the store to other parts of the province.

Proximity to Suppliers

As far as branded items are concerned METRO directly purchases products from the companies and these are delivered to the warehouse of METRO which is located at the back of the store. However, to ensure stocks of fresh fruits and vegetables, METRO has established a collection point at Sharakpur, where they receive and pack fruits and vegetables. These packed items are then transferred to the store in refrigerated vans in order to maintain their freshness.

Proximity to Customers

Locating near the customers is often critical for many organizations, particularly service firms. To capture their share of business, service firms need to be accessible to their customers.

METRO does not provide any transport facility to its customers. As it is Cash & Carry store so customers purchase the products and take them in their own vehicles.

Cost Implication.

PRICE AUDIT

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 displayed inclusive and exclusive of taxes to facilitate and to create awareness among retailers and professionals that they can get the tax credit on the resale of the items which are purchased from METRO Cash & Carry.

METRO is also following the Competitor base pricing because it is not working in isolated system and its products are not unique so it has not only to follow the prices which are being charged by the competitors but try to charge lower prices as compared to competitors.

PROMOTION AUDIT

METRO cash and carry is promotion its product in just two areas of Pakistan with not intensive marketing campaign because their customers are just

retailers and professionals so they just opt that media sources which directly hit target market.

They are promoting by the following ways

Billboards: METRO place billboards at the outside of the store, at MM Alam road and at Mansoor.

Newspaper: METRO advertised in newspaper such as Jang and The Nation to create awareness.

Catalogues: METRO provides products and new offers catalogue not only at the stores but also mail it to the customers and members.

Personal selling: METRO has staffs who visit restaurants and professionals to convince them and create interest to purchase products for the use of their business.

PROCESS AUDIT

Process audit tells that whether the company is following such procedures in purchase and sales that facilitates not only customers and suppliers but also the firm. It consists of two phases at METRO.

Customer at METRO

The process of customers to purchase in METRO is not too much complicated. Just enter in the store and go for the relevant racks for which you come here to purchase products. Pick up the products according to your needs and go to the counter to pay the bill. The staff of METRO just verifies

the bill with the respective purchases. And after that customer is on his will to go however and wherever he /she want to go.

Supply Chain at METRO

The supply chain management at METRO is the most important function in their business as their cost advantage is gained through this function. The following diagram shows the supply chain function at METRO:

As

METRO deals with local as well as international suppliers, therefore it has to manage its supply chain function through the coordination of local as well as foreign suppliers.

They believe that

“ Margins Do Not Come From Increased Price To Customers, But By Bringing Efficiency To The Supply Chain”

The supply chain process at METRO includes communication and order placement with suppliers, the inventory management at METRO and also the transportation of inventory. The supply chain management process is as follows:

The supply chain management function helps the organization to:

To improve forecast accuracy

To improve planning and scheduling capabilities

To reduce inventory levels

To Increase asset utilization

To reduce manufacturing/replenishment lead-times and accelerated supply chain response times

To enhance customer satisfaction through higher order fill rates

Layout

METRO group applies a standard model of layout in most of the countries, depending on the size of the store. The store in Lahore is based on the basic following model.

As we can observe that the layout is primarily divided into two parts. One is the food department and the other is the non food department. The layout of the store is planned according to these departments and the management of the operations is also focused around these departments.

FEATURES OF THE LAYOUT

Following are some of the distinct features of the layout at METRO

The store has a large parking area with a capacity of 5000 vehicles which is ample for large as well as small vehicles.

The store has a very remarkable ambience, which facilitates customers in their shopping.

The isles of the store are spacious provided easy mobility of customers as well as products.

The isles of the store are well lit in order to provide better visibility of the products and also to facilitate the customer in evaluating the products.

The prices are displayed with and without GST. This is done to facilitate the retailers. The retailers pay the full price, but the product actually costs them at the price without GST, as that amount is refunded to them through tax refunds.

The bakery section is well layout and had its kitchen is not visible, which look clean and it is easy to shop for bakery products.

The meat section is temperature controlled section. All the cutting and packing is done in a separate section. This made the section clean and there is no stink.

The dairy section is also refrigerated which increased the shelf life of all the products.

The fish section is also automated in the sense that it had automatic water sprinklers, which kept the products fresh.

The isles in the middle of the store are not fully filled to the top, which gave a spacious feel to the place.

A large number of customer payment counters at METRO reduces the amount of time a customer has to wait to pay for his purchases.

METRO ensures optimal temperature and hygienic conditions for all fresh food items from the producer/grower to the customers. This guarantees the best quality at every stage of the supply chain.

Recommendations

Apparently, METRO appears a planned and controlled environment but room for improvement is always there.

We suggest the following recommendations to METRO which will help it to sustain its market position and to become market leader in Pakistan.

Segmentation

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

Geographic

Region South Asia

Country Pakistan

State Punjab

City Lahore, Islamabad

Demographic

Occupation HoReCa

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

Targeting

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.

Perceptual Map

Availability of Products

Low High

Prices

We have observed the market and we come to know that people think that METRO is much bigger than Makro and has much more products than Makro. There is not a huge difference of both prices but people think that METRO has a bit lower prices of then Makro.

PEST Analysis

Political Environment

The political instability of Pakistan cannot be overcome by this single firm they can only minimize the effect of political changes in the country. They should develop such strong relation with every party and influence group in politics so that they will not be affected by their policies.

File up the agreements that continuous whatever the government is regarding the tax rebates and certain other favors given by the last government. METRO is a huge group so it has to contact with the parties that can influence in the policy making regarding their market.

Try to have certain policies to stop more big giants in cash and carry business in order to eliminate the competition.

Economical Environment

Control over economical environmental factor can provide opportunities to METRO to enhance the profit level up. Proper calculation of money exchange

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and currency rates can give the arbitrage profit to the METRO. They should keep their money in the form of Euros. Because it is a European based organization and second thing is that the value of euro is increasing on daily basis.

Socio-Cultural Environment

The culture of Pakistan is at this time not too much favorable to the cash and carry business so they have to come up with the certain marketing awareness campaigns to force the retailers to think about the monthly purchases for the store with the convenience and economies at a same place.

Marketing Mix

PRODUCT

Lahore

In the growth stage the firm seeks to build brand preference and to increase market share.

Product quality is maintained and additional features and support services may be added.

Pricing is maintained as the firm enjoys increasing demand with little competition. Pricing to cover development costs

Place and distribution channels are added as demand increases and customers accept the product.

Promotion is aimed at a broader audience

Islamabad

In the introduction stage the firm seeks to build product awareness and develop a market for the product. The impact on the marketing mix is as follows:

Product branding and quality level is established and intellectual property protection such as patents and trademarks are obtained.

Pricing may be low penetration pricing to build market share rapidly or high skimming pricing to cover development costs

Place is selective until consumers show acceptance for the product.

Promotion is aimed at innovators and early adopters. Marketing communications seeks to build product awareness and to educate potential consumers about the product.

promote aggressively

expand your product or service

invest in R & D

PRICE

As far as pricing is concerned METRO is doing well in this section because METRO has not its own product. It just acts an intermediary for the manufacturers, so it charges very nominal profit on the prices given by the manufacturers.

PLACE

It should provide carriage facility to the customers on reasonable charge.

It should open another branch in Lahore at Gulberg so that people of DHA, Cannt, Garishahu, Shadman and Gulberg can easily visit it.

PEOPLE

The employees at METRO are aggrieved that they are less paid, so METRO should increase the salaries of employees.

It should hire more people for both indoor and outdoor selling.

Training should be given to poor performing employees after evaluation.

Job description should be provided to the employees.

Employees must be given some bonuses on EIDs.

PROMOTION

We are suggesting the three months promotional campaign for the METRO cash and carry.

For this purpose we suggest the following media and their significance to capture and target the retailers and professionals.

Suggestion Of Budget

Press Advertisement

Our customer is the retailers so we just confine our promotion in newspaper ads in AWAZ in Lahore. Because retailers usually read this newspaper.

Ads will be published on Friday and Sunday.

Per day charges

Weekdays = Rs 963

Sundays = Rs 1060

We publish 27 cm by 4 columns ads on the back page.

Ads for the three months campaign

Weekdays (13 ads) = $(27*4*963)*13 = \text{Rs } 1352052$

Sundays (13 ads) = $(27*4*1060) *13 = \text{Rs } 1488240$

In Islamabad we opt the Daily Jang newspaper for these two days for initial two months campaign.

Ads will be published in colors on Friday and Sunday on the back page.

Per day charges

Weekdays = Rs 2850

Sundays = Rs 3270

We publish 27 cm by 4 columns ads on the back page.

Ads for the three months campaign

Weekdays (13 ads) = $(27*4*2850)*8 = \text{Rs } 24, 62400$

Sundays (13 ads) = $(27*4*3270) *8 = \text{Rs } 28, 25280$

Outdoor advertisement

We are placing the billboards at the specialized whole sale markets with the respective products, such as Shah-Alam Market we will place the different house hold accessories ads and in Abid market the electronics ads and Akbari mandi the grocery ads and at the liberty round about in Lahore and in Islamabad in G-9, Faizabad and commercial markets.

Lahore

Abid Market (quarterly) size $90*30 = \text{Rs } 12, 00, 000$

Ichra (quarterly) size $60*30 = \text{Rs } 9, 00, 000$

Akbari Mandi (quarterly) size $60*30 = \text{Rs } 9, 00, 000$

Liberty Round About (quarterly) size $90*30 = \text{Rs } 2, 125, 000$

Islamabad

G-9 Sector (quarterly) size $90*30 = \text{Rs } 1, 250, 000$

Faizabad near Ojari camp (quarterly) size $90*30 = \text{Rs } 1, 325, 000$

Commercial market (quarterly) size $60*30 = \text{Rs } 5, 00, 000$

Outside transport advertising

Print the METRO ads along with the product lines and features on the local public transport of Lahore Deawoo service at the rout no 10 and 16 and New khan services on route no 22.

Four buses on each route

Daewoo rate for 500 sq ft (quarterly) = Rs 1, 56, 250

Total 8 buses on different routes = Rs 1, 250, 000

New Khan rate for 500 sq ft (quarterly) = Rs 6, 8750

Total 4 buses on different routes = Rs 2, 75, 000

Personal selling

We will send our representatives to the professionals, restaurants and hotels and large bakeries to visit our store and purchase the products from METRO for their uses in services. We also provide carriage facility to our key accounts.

Sponsorship

METRO will organize the games, cooking and painting competition for the families of retailers and professionals and the passes will be given free on the shopping of minimum of Rs 25000 per month.

We set the budget of Rs 40, 00, 000 for the sponsorship program.

Sales promotion

We will provide discounts on specific items such as grocery, clothes and shoes in the month of Ramadan. We will confine our profit margin from 3% to 1. 5% just in Ramadan.

We will introduce a sales promotion week after every two months in which we will drop our profit margin by 1%.

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.

Limit of 3 persons on a single membership card

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Restriction of shopping minimum Rs 2000

Membership or subscription fees for cards.

Shopping from METRO is much time consuming because the traveling 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 convene 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

Conclusion

Summarizing on the whole we have analyze maximum points which might be the resultants of failures and we have suggested the methods to rectify them

in order to be efficient in every manner and hold its situation and be the market leader of the cash and carry business in Pakistan.

APPENDIX

Executive Summary

This report is about the significance and competitive advantage of operational management in the real market.

This report is mainly concerned with the Competitive advantage 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 (task and macro environment) or 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, Physical Evidence, People, and Process) and 360° promotional plan is the part of our report.

After assessing all these things we identify that in which sector the problem arises and after analyzing we suggests certain recommendations to the

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company to become more efficient and profitable company and satisfy their retail customers.

History of METRO

The first METRO Cash & Carry store was opened in Germany in 1964, the first store abroad in 1971. Since then, the concept has continuously proven to be robust and apt for successful operations in all kinds of market environments. Three different store formats, “ Classic”, “ Junior” and “ Eco” allow choosing the best so