

Analysing the netto essay



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Pricing is a central part of Netto's marketing strategy it underpins its discount philosophy of providing the lowest price for a range of essential products, Netto compete on the basis of lowest price and high quality, their strategy is to be the cheapest but not cheaper.

The success of the concept in Denmark and Germany was due to convince shoppers to buy the everyday essentials at lowest price from the shops and then cross the road to do the rest of the shopping in the supermarket.*

Cultural Strategy Netto being operating in four international markets with its very distinctive characteristics and distinctive black logo against a yellow background, it shows the ability to adapt to any type of culture around the world. Netto has been the distinctive corporate culture characterized by strong patterns of informal vertical and horizontal communication. Netto encourage the shop's employees to share their ideas for new spot or clearing lines.

Netto has introduced a £1000 tax free prize for those employees who give a hint about a new location for a store, this philosophy has reinforced the ability to build team that believe in and contribute to their winning culture and adopt themselves to local customers needs* Structure strategy The company operates with a simple structure with just two management levels.

1. Netto's head office team, where the managing director has all the sores responsibilities e. g.

: the small head office in UK consists of a buying department, a marketing department, a property management and site acquisition department, finance, a management team which coordinates the activities of districts

managers and a central distribution warehouse with capacity to accommodate 150 stores. 2. District and store managers, thinking behind such a flat structure is straightforward and designed to facilitate communication, changes in market situation in the quickest possible way and encourage entrepreneurship.* Staff Strategy Netto places a big emphasis on staff training, and all employees are recruited locally, there are no job demarcations employees are trained in every aspect of the store's operation, from checkouts, filling shelves to cleaning and unloading deliveries. Store manager is expected to be on the shop floor 95 per cent of the time to create a positive team spirit.* Differential advantage and culture Netto's main successful strategy was to adapt operating successfully in four international markets; Denmark, UK, Germany and Poland.

The main features of its expansion and the differential advantage within markets were the distinctive corporate culture characterized by strong patterns of informal vertical and horizontal communication and a free flow and access to information. For example Netto encourage their staff to come up with ideas for new spot or clearing lines, also Netto's structure reflected by its culture.* Merchandising Merchandising is a range of sales promotions activities intended to ensure that products are easily available and prominently and attractively displayed at point of sale. Netto's distinctive corporate logo and colours and in order to standardize the store layout its merchandising policy is adapted to meet local needs.

Also Netto operates a 'Buy British' policy, as UK range has greater number of pallet lines and sells more tinned products and that was a successful strategy they use.* Competition Netto competes on two levels: Industry and

regional level. On the industry level Netto competes directly with Kwik Save, Aldi and Lidl. On the regional level Netto competes with Asda, Tesco and Wm Morrison.

Netto's strategic competition is the ability of the Netto to project a differential image and secure prime locations for its stores.* The marketing mix strategy: To meet consumers' needs, firms must produce the right product at the right price, make it available at the right place, and let consumers know about it. Netto has used the right marketing strategies in order to attract its consumers. Netto with its four prime markets Denmark with 240 stores, UK with 118 stores, Germany with 121 stores and Poland with 15 stores, has achieved much more on the market than any other discounter. Netto has strategically placed and promoted its stores with the 4Ps in mind (price, place, promotion and people).

* How consumers will use the product. Netto offers less products compared to continental markets but, constantly changing range of products that covers nearly 90 per cent of the daily needs of customers a highly competitive pricing stance and a distinctive product.* The appearance of the product. The range consists of mainly non-branded products (NBPs) at prices which are typically 15-20 per cent below those of well-known brands. The unique features of the Netto stem from the flexibility of their ranges, which includes once only offers, products that are often only in the store for a week and then replaced by other lines.

Potential problems in the maintenance of Netto's competitive advantage To analyse the maintenance of Netto's competitive advantages and future

problems that it may face we have to look at competition analysis. One has to look at the porter's five forces to determine how to maintain competitive edge. The five forces of Porter determines the industrial profitability, hence any changes in these forces will directly or indirectly affect Netto. The competition analysis was done to find a good position in the industry for Netto, so that it can best defend against the five forces or can influence them in its favour.

The five forces* Rivalry with market competitors = this is the major force that will have an impact on Netto. The rivalry in the industry is intense between all supermarkets and discounter stores as everyone is trying to gain that extra market share. Since 1997 we have seen mergers and acquisitions been undertaken notably Wal-Mart's entry into the UK market by taking over Asda, also Kwik-Save merger with Somerfield. Netto's biggest threat in the discounter market comes from Kwik-Save, which has merged with Somerfield to create a discounter giant with more financial power. To maintain Netto's competitive edge in this sector, Netto should aim to expand its product range and keep its current customer orientated philosophy that has served it so well so far.

* Supplier bargaining power = if the cost of supplies were to increase, then we would have to compensate by increasing the prices or substituting on other factors. The cost of supplies may increase due to one or two companies dominating the suppliers such as Kwik-Save. To reduce the supplier bargaining power we have to seek new sources of supply.* Buyer bargaining Power = the growth of Asda and Tesco venturing in to the discount market will have negative implications on Netto's sales and profit.

This is primarily because Asda and Tesco are the biggest players in the industry and buy all their products in bulk amount, so it is suffice to say that they have greater bargaining power over suppliers.

Also their brand image is much better than Netto in the UK.* Threat of substitute = with advancement of technologies such as Internet shopping and loyalty programmes from the big supermarkets the threat of substitution could not be greater for Netto. Big supermarkets are offering what Netto will find hard to offer for example, Supermarket Banking. These new services offer convenience to the customer thus, inciting Netto and other discount store customers to shop with big super markets.

The advancement of supermarket services saw the discount market slow and will slow down even greater in the future. In order to keep up with the major players Netto has to invest in the advancement of technologies and delve into relationship marketing i. e. loyalty programme schemes.* Threat of new entrants = currently the only new entrant in to the UK market has been Walmart taking over Asda this has been a threatening for Netto and the discount market as this has given Asda more competitive edge over other super markets.

The other problem we can foresee is Tesco expanding in to the discount market with their great product range and a very good brand image.