

# Marketing strategy of the supermarkets

[Business](#), [Marketing](#)



MARKETING STRATEGY OF THE SUPERMARKETS [ICA MAXI, FORUM COOP, NETTO, LIDL] Rafael Lucena Matamalas Miguel Santandreu Ramos May 2009  
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Supermarkets and Hypermarkets, since they appeared, have played an important role in food distribution. This distribution model was widely accepted by both companies and consumers. The evolution of these stores in recent years has been quite dynamic on the basis of their good combination of supply, proximity and service.

Supermarkets and hypermarkets are increasingly valued by consumers, compared to other commercial formats, which triggers the gradual disappearance of traditional markets. All the persons have different needs, and they want to satisfy these needs. Maslow (1943)<sup>1</sup> formulates a hierarchy of human needs and he defends that when the person satisfies their basic needs, they develop higher needs and wishes. Among these needs, it finds a food need, and it is here where the importance of the supermarkets and hypermarkets is important. These stores satisfy the food need of human beings, so their target audience ranges all the population.

It is a highly competitive market. In these modern times the different chains use all kind of strategies to increase their sales, becoming the sales process almost a science. That is because in the process of merchandising are involved studies of psychology, science and business, which seek to know the

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tastes, habits, needs and way of thinking of consumers (Martinez, 1997)<sup>2</sup>. For this reason and in these times of ruthless competition is an excellent idea to have tools like “ merchandising”, to try to gain advantage against the other competitors. A whole theory has been developing about this topic.

The base of the theory is “ promotion” (tool of “ marketing mix”) and is focused in the POS (pointof-sale) merchandising. It has several tools to carry out its aim, but in this research will analyse tools that the consumers can find in the supermarkets. These are, advertising on the point of sales, through posters and displays; how the shelves are distributions on the establishment and also the product on them; 1 2 Abraham Maslow (1943), A theory of humanMotivation, Chapter 8 [accessed 21. 05. 09] Matias Martinez Ferreira (1997), Merchandising, from website [http://www. onografias. com/trabajos16/merchandising/merchandising. shtml](http://www.onografias.com/trabajos16/merchandising/merchandising.shtml) [accessed 02. 02. 09] 4 Marketing Strategy of the supermarkets the different use of music, lighting and colours on the establishment. These are which the report starts, but perhaps during the collected data, it can find more strategies that the report does not bear in mind. In this case, these will also be analyse and later commented. The purpose of the thesis is getting a better comprehension of the strategies that super and hypermarkets use to attract attention of consumers and to increase their sales.

To achieve that goal, different techniques implemented by stores are analysed. Other objective of this research is to discover if supermarkets and hypermarkets apply these strategies in the same ways, which are their differences and similarities. The research question of this thesis is: How are

marketing strategies applied by Supermarkets and Hypermarkets inside their establishments? Definitions Supermarket is a self-service store offering a wide variety of food and household merchandise, organized into departments.

It is larger in size and has a wider selection than a traditional grocery store and it is smaller than a hypermarket or superstore<sup>3</sup>. Hypermarket is a superstore which combines a supermarket and a department store (where usually are sold products like apparel, furniture, appliances, electronics, and additionally select other lines of products such as paint, hardware, toiletries, cosmetics, photographic equipment, jewellery, toys, and sporting goods), being the result a very large retail facility which carries an enormous range of products under one roof, including full lines of groceries and general merchandise<sup>4</sup>.

Definition of Supermarket, from website [http://en.wikipedia.org/wiki/Supermarket#cite\\_note-0](http://en.wikipedia.org/wiki/Supermarket#cite_note-0) [accessed 02. 02. 09]

4 Definition of Hypermarket, from website <http://en.wikipedia.org/wiki/Hypermarket> [accessed 02. 02. 09]

3 5 Marketing Strategy of the supermarkets II. Theory  
The research uses the theory of “ marketing mix” and merchandising’s theory. 1. Marketing Mix According to Doyle (2002)<sup>5</sup>, the “ marketing mix” is the central task of marketing professionals. The set of marketing tools - product, price, promotion and place- is used by companies to achieve their objectives. As M. J.

Baker (2003)<sup>6</sup> states, the marketing mix is the only way to maximize customer’s satisfaction and it results in higher sales and market share. To

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understand marketing mix is necessary to understand its tools. “ These 4-Ps -Product, Price, Promotion and Place-, are the four key decisions areas that they needs satisfy better 2001, or exceed than the p. 13)7. customer competition”(Jobber, Figure1. Relation between 4Ps and 4Cs of Lauterborn. Source: Michael J. Baker (2003) the marketing book, Chapter 11, p. 288. According to Lauterborn (1990)8, each element of the marketing mix is designed to meet a customer’s need.

He assumed this being aware of the importance of the four Cs -Customer solution, Customer cost, Communicationand Convenience. The figure 1 shows this relationship between four Ps and four Cs. 5 6 Peter Doyle (2002) Marketing Management and Strategy, Chapter 3, p. 88 [accessed 22. 02. 09] Michael J. Baker (2003) The Marketing Book, Chapter 11, p. 287 [accessed 21. 02. 09] 7 David Jobber (2001) Principles & Practice of Marketing, Chapter 1, p. 13 [accessed 22. 02. 09] 8 Lauterborn, R. (1990) New Marketing Litany: C-Words take Over, Advertising age. [accessed 21. 02. 09] 6

Marketing Strategy of the supermarkets A. Product According to Jobber (2001) 9, the product decision involves what goods or services should be offered to different groups of customers. As Fifield (1998)10 states, the product policy is undoubtedly the most important element of the marketing mix. The product is the vehicle used by companies to satisfy consumers’ needs and it should be always to orientated to consumer. B. Price As Jobber (2001)11 says, the price is a key element of marketing mix because it represents on a unit basis what the company receives for the product or service which is being marketed.

In other words, price represents revenue while the other elements are cost. Often an organization is willing to spend a hundred thousand dollars on researching its new product concepts, but it is loathed to spend one per cent of that on researching the different customer perceptions to various price levels (Fifield, 1998)<sup>12</sup>. C. Place (or Distribution) In accordance with Jobber (2001)<sup>13</sup>, “ place” involves decisions concerning the distribution channels to be used and their management, the location of outlets, methods of transportation and inventory levels to be held.

Manufacturers are concerned with how to distribute and deliver product to customers, and service providers are concerned with the location of service points and customer accessibility (Fifield, 1998)<sup>14</sup>. To sum up: “ Distribution and 9 David Jobber (2001) Principles & Practice of Marketing, Chapter 1, p. 13 [accessed 21. 02. 09] Paul Fifield (1998) Marketing Strategy, Chapter 9, p. 222 [accessed 22. 02. 09] 11 David Jobber (2001) Marketing& Practice of Marketing, Chapter 1, p. 15 [accessed 21. 02. 09] 12 Paul Fifield (1998) Marketing Strategy, Chapter 10, p. 34 [accessed 22. 02. 09] 13 David Jobber (2001) Marketing& Practice of Marketing, Chapter 1, p. 15 [accessed 21. 02. 09] 14 Paul Fifield (1998) Marketing Strategy, Chapter 10, p. 254 [accessed 21. 02. 09] 10 7 Marketing Strategy of the supermarkets place” answers the question: “ Where would our customers expect to find our products or services? ” D. Promotion With reference to Paul Fifield (1998)<sup>15</sup>, “ promotion” is defined as the whole array of methods and procedures by which the organization communicates with its target market.

Promotion is the element of marketing mix used to inform, persuade and remind to the target audience the capability of the company to satisfy their needs, and they use it willing to influence audience's feelings, beliefs and behaviour. "Promotion" uses different tools to achieve its purpose. The next figure (figure 2) shows these tools, which are Advertising, Publicity Direct marketing Sponsorship, Exhibitions, Packaging, POS (point-of-sale) merchandising, Sales Promotion and Personal Selling. Figure 2. The promotional mix.

Source: Keith Crosier (2003) *The Marketing Book*, Chapter 17, p. 420-421  
Paul Fifield (1998) *Marketing Strategy*, Chapter 10, p. 245 [accessed 22. 02. 09]  
Keith Crosier (2003) *The Marketing Book*, Chapter 17, p. 419-420 [accessed 22. 02. 09]

8 Marketing Strategy of the supermarkets 2. Merchandising The research focuses on POS Merchandising, to be more exactly, on Merchandising in the supermarkets. According to Crosier (2003) 17, POS merchandising is promotion via various forms of displays, acting as a reminder to consumer of previously noticed promotional message.

Following the same idea, the American Marketing Association (2007) 18 asserts in its dictionary that Merchandising has two definitions; the first definition emphasizes the promotional activities applied inside stores, like displays for their products, and the second one focuses on identifying and choosing correct decisions about products or products portfolio. Some researches verify that the sales process mostly consist of communication visual process, where the vision represents 80% of the human perception,

and the hearing is the 10% and the other senses as touch, smell and taste represent the remaining 10%<sup>19</sup>.

This means that the visual effect is crucial to sales, as customers' participation in the buying process. Merchandising includes all activities in sales outlet which aims to reaffirm or change the buying behaviour for the benefit of the company, so merchandising as a concept is composed of the quality, assortment (brand and product mix), styling and fashion of products and pricing<sup>20</sup>. Supermarkets are in a highly competitive market, and they need to make different strategies of merchandising for achieving loyalty of consumers and getting new consumers.

One study made by In-Store Media (a company specialized in selling advertising spaces at the point of sale)<sup>21</sup> about the habits of consumers, indicates that seventy percent of purchasing decisions are made during Keith Crosier (2003) *The Marketing Book*, Chapter 17, p 419-420 [accessed 22. 02. 09] American Marketing Association (2007) *Definition of Merchandising*, from [http://www. Marketingpower. com/Pages/default. aspx](http://www.Marketingpower.com/Pages/default.aspx) [accessed 19. 02. 09] 19 Matias Martinez Ferreira (Caracas) *Merchandising* from [http://www. monografias. com/trabajos16/merchandising/merchandising..shtml](http://www.monografias.com/trabajos16/merchandising/merchandising.shtml) [accessed 20. 02. 09] 20 David J. Newlands & Mark J.

Hooper (2009) *The global business handbook: The eight dimensions of international management*, Chapter 18, p. 293 [accessed 06. 05. 09] 21 In-Store Media, from [http://www. in-storemedia. com/](http://www.in-storemedia.com/) [accessed 19. 02. 09] 18 17 9 *Marketing Strategy of the supermarkets shopping* (Diorio, 2007)<sup>22</sup>.

Hence the sales outlet becomes very important, because it may change the

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consumers' behaviour and their habits of purchasing. The supermarkets use different tools to lead consumers in their purchasing<sup>23</sup>. These tools can act individual or with each other, and every store chooses the most suitable tools to achieve its purpose. A.

Advertisings (displays and posters) In this research, “ advertising” is defined as the use of posters and displays inside super and hypermarkets, excluding advertising made outside the store, like advertising on TV, magazines and newspapers. According to Zorita (2008)<sup>24</sup> the best method to rise sales is using advertising and promotion tools. Is in the sales outlet where the battle can be won of the decision-making final consumer. He talks of the importance of the promotions supported by displays and posters. Displays are defined as those features or promotional activities at point of sale that show the product and make aware ustomers of their existence, such as cards, exhibitions and other instruments to induce the purchase<sup>25</sup>. As Newlands and Hooper (2009)<sup>26</sup> explain, merchandising display factor tends to focus on in-stores location and the shopping route to positively affect consumers' propensity to browse. In addition, attitudes towards visual product presentation influence purchasing behaviour in the store. A positive attitude Gabriel Diorio (management of In-Store Media),(2007), article about La comunicacion en el punto de venta: un medio directo, rentable y novedoso. From <http://doc.esic>.

[s/doc/intranet/comunicacion/noticias/ENRIQUE%20ZORITA%20OPINA%20SOBRE%20LAS%20PROMOCIONES%20PARA%20TENTAR%20EN%20PUNTOS%20DE%20VENTA](http://doc/intranet/comunicacion/noticias/ENRIQUE%20ZORITA%20OPINA%20SOBRE%20LAS%20PROMOCIONES%20PARA%20TENTAR%20EN%20PUNTOS%20DE%20VENTA). PDF [accessed 19. 02. 09] <sup>23</sup> Finanzas. com (2003) article: ? Que tecnicas se utilizan para hacernos comprar algo que no

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necesitamos? from <http://www.finanzas.com/noticias/finanzas.php?id=3372429> [accessed 19. 02. 09] 24 Enrique Zorita (2008) Las promociones en el punto de ventas, from <http://doc.esic.es/doc/intranet/comunicacion/noticias/ENRIQUE%20ZORITA%20OPINA%20SOBRE%20LAS%20PROMOCIONES%20PARA%20TENTAR%20EN%20PUNTOS%20DE%20VENTA.PDF> [accessed 20. 02. 9] 25 Terminologia publicitaria from <http://pdf.rincondelvago.com/terminologia-publicitaria.html> [accessed 20. 02. 09] 26 David Newlands and Mark Hooper (2009), the global business handbook: The eight dimensions of international management. Chapter 18, p. 300 [accessed 10. 05. 09] 22 10 Marketing Strategy of the supermarkets leads to more browsing and purchasing, whereas a negative attitude towards the visual product presentation results in an immediate exit from the store (Kerfoot, 2003)27. Effective merchandise display guide and coordinate shoppers' merchandise selection (Khakimdjanovaa & Park, 2005)28.

POS (point-of-sale) displays can be either gondolas, straight and circular racks, or cut cases which are useful for showing the merchandise properly (Newlands & Hooper, 2009)29. Posters are those paper sheets, sketches or other items that can be placed in malls, stores or on the streets and which purpose is to inform or announce some matters, some particular products or services. Regarding to malls, stores or super/hypermarkets, posters can have two different functions. On the one hand they can promote the sale of products offered there, for instance “ sales” or discounted products.

On the other hand they guide customers through the establishment using indicating posters of different sections, or in the case of super/hypermarkets, the different zones where the different kinds of products are placed (Flores, 2009)<sup>30</sup>. B. Shelves “ Shelves” strategy is focused on the collocation of products on the shelves (how supermarkets put or organize them) . In relation to Hita (1997)<sup>31</sup>, shelves of supermarkets have three levels where products are placed; eyes, hands and feet. Kerfoot, Davies & Ward (2003), Visual merchandising and the creation of discernible retail brands’.

International journal of retail and distribution management . [accessed 10. 05. 09] 28 Khakimdjanovaa & Park (2005), Online visual merchandising practise of apparel e-Merchants’. Journal of retailing and consumer services 12 [accessed 10. 05. 09] 29 David Newlands and Mark Hooper (2009), the global business handbook: The eight dimensions of international management. Chapter 18, p. 300 [accessed 10. 05. 09] 30 Flores (2009), Definicion de cartel. Downloaded March, 30, 2009, from webpage <http://www.definicionabc.com/comunicacion/cartel.php> [accessed 10. 05. 09] Elena Hita (1997), Trucos para “ picar” en el supermercado, from <http://www.lmundo.es/sudinerro/noticias/act-95-06.html> [accessed 19. 02. 09] 31 27 11 Marketing Strategy of the supermarkets The first level and the most important one is the eyes level, because the consumer is able to see clearly the product. Super/hypermarkets use this level to place the most expensive products which usually belong to the most wellknown brands. Manuel (2007)<sup>32</sup> says in his article that the brands often pay supermarket

because they want to place their products on this level. The second level is hands level. This level is also easily accessed by the consumer.

Here, the products are frequently cheaper than on the eyes level, but more expensive than on the feet level. The brands are well-known as well. The third level is the feet level. On this level the cheaper products are placed. Access is more difficult than to the other levels, and the consumer has to do effort to take the product. The “ private label brands” are frequently placed on this level. “ Private label brands”( also called “ private brands”) are those owned not by a manufacturer or producer but by a retailer or supplier who gets its goods made by a contract manufacturer under its own label<sup>33</sup>.

Speaking about shelves in a horizontal line, the most expensive products are placed in the beginning and in the end. In this way consumers who want to buy inexpensive products have to walk two times in front of the expensive ones being tempted to buy them. Another characteristic feature of shelves is their beginning, also called gondola (Martinez, 1997)<sup>34</sup>. Gondolas are parts of shelves situated in their endings and placed next to main corridors. There are placed products that marketing managers want to sell easily.

Products placed on gondolas not necessarily have to belong to the same “ family” of products placed on their respective shelves; for example, if products of the shelf are snacks, on gondolas can be placed drinks. <sup>32</sup> Jose Manuel (2007), article about: 10 trucos que utilizan las grandes superficies para que compres y 10 trucos para defenderte, from <http://intercambia.net/temas/index.php/10-trucos-que-utilizan-lasgrandes-superficies-para-que-compres-y-10-trucos-para-defenderte/> [accessed 20. 02. 09] <sup>33</sup> <http://www.https://assignbuster.com/marketing-strategy-of-the-supermarkets/>

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businessdictionary. com/definition/private-label. tml Matias Martinez Ferreira , Monograph about Merchandising from <http://www. monografias. com/trabajos16/merchandising/merchandising. shtml> [accessed 19. 02. 09]

34 12 Marketing Strategy of the supermarkets C. Product placement This strategy consists of organization of products using “ cold-zones” and “ hot-zones”. “ Hot-zones” are those places where the flow of consumers is heavier; for example, a cross between two hallways or near the entrance<sup>35</sup>. In these zones, products are easier sold because they are more visible for customers. In “ cold-zones” sales are lower.

These are generally transitional spaces, poorly illuminated or hidden<sup>36</sup>. In such areas are often placed essential products as sugar or salt. These products are placed there because do not need to be boosted and customers will buy them anyway. D. Using music, lighting and visual effects These tools are always related with other tools supporting them. Baker (1992)<sup>37</sup> and Morin (2007)<sup>38</sup> state that music has been shown to affect consumers’ responses to retail environments, typically in a positive manner. According to Fulberg (2003)<sup>39</sup>, music communicates to people’s heart and mind and serves as a powerful influence on emotions.

In others words, music helps supermarkets making customers’ visit more comfortable and pleasant. Sometimes music is imperceptible for consumers. They are not aware of its “ presence” while they are shopping. In that case music is working on a subconscious level. Finanzas. com (2003) article: ? Que tecnicas se utilizan para hacernos comprar algo que no necesitamos? from <http://www. finanzas. com/noticias/finanzas. php? id=> [accessed 20. 02.

09] 36 Finanzas. com (2003), *ibid.* [accessed 20. 02. 09] 37 Baker, J. , Grewall, D. and Levy, M. 1992), “ An Experimental Approach to Making Recall Store Environmental Approach to Making Recall Store Environmental Decisions”, *Journal of Retailing* 68(Winter), pp. 445-60 [accessed 22. 02. 09] 38 Morin, Dube & Chebat (2007), “ The Role of Pleasant Music in the Dual Model of Environmental Perception”, *Journal of Terailing* 83(1), pp. 115-30 [accessed 22. 02. 09] 39 Fullberg, P (2003), “ Using Sonic branding in the RetailEnvironment–An Easy and Effective way to Create Consumer Brand Loyalty while Enhancing the In-Store Experience”, *Inform Design*, [http://www.informedesign.umn.edu/Rs\\_detail.aspx?sld=1694](http://www.informedesign.umn.edu/Rs_detail.aspx?sld=1694). [accessed 19. 02. 09] 35 13 Marketing Strategy of the supermarkets The main aim of this strategy is to control human flow<sup>40</sup>, through different kinds of music. Depending of the kind of music, flow can become slower or faster. When the store is overcrowded the ideal is to use fast-paced music which compels consumers to make purchases quickly and rashly. When the establishment is less crowded the best option is slow music, encouraging customer to spend more time inside the store which rises the impulse buying. Regarding to the lighting, Quintana (2003)<sup>41</sup> says that it is a very important factor.

It is used, for example, in the section of perishable foods to enhance the feeling of freshness. Supermarkets use the lighting to improve the presentation of the products. As Newland and Hopper (2009)<sup>42</sup> state, using suitable lighting to merchandise increases visibility and can make stores seem more inviting. The use of fluorescent can improve sales of a specific zone, for example, using fluorescent in the vegetables zone makes vegetables seem more “ fresh”. Markets use “ visual effects” to attract

attention of consumers to specific products. “ Colour” is one of the visual effects.

The language of colours has a significant influence on the buying habits. As Newland and Hopper (2009)<sup>43</sup> say, the colour affects moods and tends to manifest itself in the choices made. For each person, each colour means or represents something, but there are some colours that have a similar meaning for everyone. White is a neutral colour; red and orange encourage to eat, being mostly used in the meat section; blue suggests freshness and coldness and is used in the seafood zone; and the green reminds “ nature” and it is generally used in the section of vegetable and fruits<sup>44</sup>.

Finanzas. com (2003) article: ? Que tecnicas se utilizan para hacernos comprar algo que no necesitamos? from [http://www. finanzas. com/noticias/finanzas. php? id= 3372429](http://www.finanzas.com/noticias/finanzas.php?id=3372429) [accessed 19. 02. 09] <sup>41</sup> Yolanda Quintana (2003), she is from Spanish Confederation of Organizations of housewives, consumers and users. From [http://www. finanzas. com/noticias/finanzas. php? id= 3372429](http://www.finanzas.com/noticias/finanzas.php?id=3372429) [accessed 21. 02. 09] <sup>42</sup> David Newlands and Mark Hooper (2009), the global business handbook: The eight dimensions of international management. Chapter 18, p. 299 [accessed 06. 05. 9] <sup>43</sup> David Newlands and Mark Hooper (2009), the global business handbook: The eight dimensions of international management. Chapter 18, p. 299 [accessed 06. 05. 09] <sup>44</sup> Finanzas. com (2003) article: ? Que tecnicas se utilizan para hacernos comprar algo que no necesitamos? from [http://www. finanzas. com/noticias/finanzas. php? id= 3372429](http://www.finanzas.com/noticias/finanzas.php?id=3372429) [accessed 19. 02. 09] <sup>40</sup> 14 Marketing Strategy of the supermarkets III. Methodology In this

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chapter are discussed and explained the methods and research types used during this research. In this study it has been alternated a descriptive and an explorative type of research, using a qualitative method. . Method As Mattson & Ortenblad (2008)<sup>45</sup> state, the method consists of a series of choices that the author makes through the study. A qualitative study consists of studying specific phenomenon or facts in the place where actually happen (Tebelius, 1987). Qualitative research methods are used primarily to define a problem and generate hypotheses. Qualitative research involves fieldwork, the researcher physically goes to the people, setting, site, or institution to observe and this kind of research is descriptive in that the researcher is interested in process, meaning, and understanding Merriam, S. B. (1988), Creswell, J. W. (1994)<sup>46</sup>. While the aim of a quantitative method is to classify features, count them, and construct statistical models. This research wanted to get a better comprehension of the marketing managers choices, understanding the meaning of their actions, a quantitative research would follow and uninvolved rapprochement of these actions (Bryman & Bell, 2007)<sup>47</sup>, and that would not fit with the objective of this research.

According to Miles & Huberman (1994)<sup>48</sup> individuals' interpretation of events is important in qualitative method which aim is to get a complete, detailed description; for this reason, a qualitative method is used in this thesis where the objective is to find out a description of the supermarket's strategies and obtain a better understanding of the subject. Mattsson & Ortenblad (2008) Scientific Reports and References Techniques, Hogskolan i Halmstad, kompendium nr 235, sektion SET [accessed 04. 05. 09] 46

Merriam, S. B. (1988) Case study research in education: A qualitative approach. accessed 07. 04. 09] 47 Bryman & Bell (2007) Business research method. Oxford, 2nd edition [accessed 02. 05. 09] 48 Miles & Huberman (1994) Qualitative Data Analysis [accessed 05. 04. 09] 45 15 Marketing Strategy of the supermarkets 2. Research type The research design is a framework for conducting marketing research (Malhotra, 1996)<sup>49</sup>. The type of research guides the theory collected in the frame of reference, the data collection and the analysis. The thesis' frame of reference consists of an explorative research where its main theory, " merchandising" is explained.

An explorative research is an initial research that clarifies and defines the nature of a problem (Zikmund 1999, p. 50)<sup>50</sup>. An exploration of the material written on the subject was necessary to understand where the thesis had to be focused, " The objective of exploratory research is to gather preliminary information that will help define problems and suggest hypotheses" (Kotler, 2008)<sup>51</sup>. According to Mattson & Ortenblad (2008)<sup>52</sup> from the previous knowledge of other authors the researcher can gain inspiration and suggestions for proceeding.

The exploration of previous published text about the studied topic is the first step which conducts all the study. A Descriptive kind of research is used to develop the empirical data section. As Zikmund(1999)<sup>53</sup> states a descriptive research aims at describing characteristics of a population or a phenomenon, and this kind of research has been used to collect the empirical data which consists of an investigation about the application of the strategies mentioned in the " frame of reference" inside the supermarkets of the sample.

As Mattson & Ortenblad (2008)<sup>54</sup> said, a descriptive research describes how something is and thus not how it should be, so the presentation of the empirical data has focused on showing how Malhotra, N. K. (1996) Marketing research: On applied orientation. Prentice Hall Inc. 2nd edition [accessed 03. 05. 09] 50 th Zikmun, W. G. (1999) Business Research Methods. Orlando, 6 edition, The Dryden press. [accessed 06. 05. 09] 51 Kotler, P (2008), Principles of Marketing, Prentice Hall. [accessed 28. 04. 09] 52 Mattsson & Ortenblad (2008) Scientific Reports and References Techniques, Hogskolan i Halmstad, kompendium nr 235, sektion SET [accessed 04. 4. 09] 53 th Zikmun (1999). Business Research Methods. Orlando, 6 edition, The Dryden press. [accessed 06. 05. 09] 54 Mattsson & Ortenblad (2008) Scientific Reports and References Techniques, Hogskolan i Halmstad, kompendium nr 235, sektion SET [accessed 04. 04. 09] 49 16 Marketing Strategy of the supermarkets supermarkets are really applying the strategies. This type of research has been chosen because it was desired a realistic and objective view of the strategies in reality. This description is analyzed and explained through the theory collected in the “ frame of references” section. .

Population and sample As Brymand and Bell (2007)<sup>55</sup> state, a population is the universe of units from which the sample is to be selected, and the sample is the segment of the population that is selected for investigation. The population of this research are all the supermarkets and hypermarkets, and as sample have been chosen two supermarkets, Lidl and Netto, and two hypermarkets, Maxi and Coop Forum. Through examples of supermarkets and hypermarkets is possible to discover if there are differences between hypermarket and supermarket strategies.

These samples were selected using the method of Judgemental sampling, which consist of using judgement to identify representative samples, and is very useful when the sample size is small, approximately under 10 (Aaker et al. , 2007)<sup>56</sup> The choice of this sample was made because these super and hypermarkets chains are international chains (with the exception of “ Coop forum” but which features do not differ from the others) and theirs characteristics are on the average, so the conclusions of this thesis can be generalised to the majority of the actual supermarkets and hypermarkets.

For the empirical data research were studied the supermarkets and hypermarkets placed in Halmstad (Sweden). Choosing two of each type was enough to identify the most common similarities and the differences among applied strategies. The two supermarkets analysed belong to these chains:  
55 56 Bryman & Bell (2207) Business research method. Oxford, 2nd edition [accessed 02. 05. 09] Aaker, Kumar & Day (2007) Marketing Research, Wiley 9th edition [accessed 02. 05. 09] 17 Marketing Strategy of the supermarkets

#### A. Lidl

It is a European discount supermarket chain of German origin that operates 7, 000 stores. It belongs to the holding company Schwarz, which also owns the store chains Handelshof and Kaufland. It was founded in the 1930s by a member of the Schwarz family; then called Schwarz Lebensmittel-Sortimentsgrosshandlung. In the 1970s, the first Lidl stores of today's incarnation opened. The first Lidl discount store was opened in 1973, copying the Aldi concept. In 1977, the Lidl chain comprised 33 discount

stores. Lidl has established itself in over 17 countries its expansion began in 1990s (source: Lidl)<sup>57</sup>.

To achieve its position as discounter supermarket they offer a little amount of brands which are mostly “ private label” products and not a great line of well known and expensive brands. Another feature is the simplicity of its establishments where the products are often placed on pallets. As Kotler (2008)<sup>58</sup> states Lidl targets low and middle income groups. The core market for stores like Lidl is families with income under 20, 000€. B. Netto It is a chain of discount supermarkets. Netto is owned by the Dansk Supermarket Group, which in turn is owned by A. P. Moller-M? rsk Group.

The first Netto store opened on Godthabsvej in Copenhagen, Denmark in 1981. Today Netto has stores in German, Denmark, United Kingdom, Poland and Sweden (source: Netto)<sup>59</sup>. Being Netto a discounter supermarket like Lidl it shares the same target audience, it is low and middle income groups, families with income under 20, 000€. The two hypermarkets analysed belong to these chains: 57 58 Lidl, from <http://www.lidl.co.uk>. [accessed 15. 04.

09] Kotler, P (2008). Principles of Marketing Prentice Hall. 5th edition.

[accessed 28. 04. 09] 59 Netto, from <http://www.netto.co.uk/> [accessed 15.

04. 9] 18 Marketing Strategy of the supermarkets C. ICA AB It is a Swedish retailing corporate group. The company was started in 1938, based on a business model which was introduced by Hakonbolagen in 1917. Most of its operations are based in Scandinavia, and the company is the largest retail company in the Nordic countries. The stores have different profiles, depending on location, range of products and size but in concrete the sample



that is studied is Maxi(Ica) which is described as a Hypermarkets with a full range of groceries as well as fashions, home wares, entertainment and electrical.

Smaller stores do not offer the fashion and electrical ranges while the largest stores also have a DIY and gardening department (source: ICA)<sup>60</sup>. They sell a big number of well-known brands products and a small quantity of “ private label” products. The customer target of Maxi is broad, and covers people who want a big variety of products and people that are more price-sensitive and are focused on “ private label” products. D. Coop Forum It is a Swedish hypermarket chain. The concept is owned by the Swedish arm of Coop Norden who also runs most of the stores.

Some stores are run by the regional co-operative societies through an agreement with Coop. The chain was created through the conversion of many B, Robin Hood, Prix and Obs! Stores into the Coop Forum format in addition to new openings. The largest Coop Forum stores carry a full hypermarket range including groceries, clothes, home wares and electrical. The smaller stores are more compact selling only a full range of groceries and a selection of home wares. <sup>60</sup> ICA from [www.ica.se](http://www.ica.se) [accessed 15. 04. 09] <sup>19</sup> Marketing Strategy of the supermarkets Many Coop Forum stores also have a branch of Coop Bygg attached to the store.

Coop Bygg is a small DIY store. 4. Instrument of collecting data For this research, a Multiple-Case design has been chosen, so this study contains more than a single case. According to Herriot & Firestone (1983)<sup>61</sup> the evidence from multiple cases often considered more compelling, and the

overall study is therefore regarded as being more robust. As Yin(2003)<sup>62</sup> said “ each case must be carefully selected so that it either (a) predicts similar results(a literal replication) or (b) predicts contrasting results but for predictable reasons (a theoretical replication)”.

In this research were predicted similar results in the study of the different super and hypermarkets. About the number of literal replications Yin (2003)<sup>63</sup> said that it depends on the certainty that the researchers want to have about their multiple-case results. In this research have been studied 4 literal replications which were mentioned in the sample and are enough for getting a robust conclusion. During this study Primary and Secondary Data have been used. Secondary data is information collected and recorded by someone other than the researcher.

This secondary data provided a better understanding of the problem and helped to make the Methodology chapter (Aaker, Kumar & Day, 2007)<sup>64</sup>. It was collected through several books and articles of marketing found in internet and in libraries. Primary data is the data that is specifically gathered for the research project at hand (Zikmund, 2000)<sup>65</sup>, this data has been collected by the researcher, how is explained below, and it's exposed in the presentation of the empirical data. <sup>61</sup>

Herriot & Firestone (1983) Multisite qualitative policy research: Optimizing description and generalizability. [accessed 02. 04. 09] <sup>62</sup> Yin, Robert (2003), Case Study research, p. 47. [accessed 25. 03. 09] <sup>63</sup> Yin, Robert (2003), Case Study research, p. 47. [accessed 25. 03. 09] <sup>64</sup> Aaker, Kumar & Day (2007) Marketing Research, Wiley 9th edition [accessed 02. 05. 09] <sup>65</sup>

Zikmund, W. G. (2000), Business Research Methods. Harcourt College Publishers [accessed 06. 05. 09] 20 Marketing Strategy of the supermarkets  
The direct observation method has been used to collect the empirical data.

Using this kind of method, the researcher is observing certain sampled situations or people rather than trying to become immersed in the entire context (William M. K. Trochim, 2006)<sup>66</sup>. Field study research can explore the processes and meanings of events (Marshall, C. , & Rossman, G. , 1980)<sup>67</sup>. To collect the empirical data a field study research has been used inside the establishments described in the sample. Before collecting the data, some questions were prepared to be answered during the field research.

These questions were formulated previously expecting to find some answers but, as Yin (2003)<sup>68</sup> states, “ You should not think that a case study’s design cannot be modified by new information or discovery during data collection”, so a flexible design has been adopted being the researcher ready to discover new findings that were not expected. The instrument of collecting data is the following guideline created through the questions mentioned below. <sup>66</sup> <sup>67</sup>

William, M. K. Trochim (2006) Research Methods Knowledge Base. [accessed 26. 03. 09] Marshall & Rossman (1980) Designing qualitative research.

[accessed 26. 03. 9] <sup>68</sup> Yin, Robert (2003), Case Study research, p. 47.

[accessed 25. 03. 09] 21 Marketing Strategy of the supermarkets • Guideline  
Instruments Advertising Information Collected • Kind of posters and displays  
• Distribution of displays and posters Shelves • Use of the three levels •  
Distribution of brands • Use of “ Gondolas” Placement products of •

Distributions of shelves • “ Hot zones” and “ cold zones” • Kind of lighting • Zones of special lighting Lighting Music • Background music • Kind and tempo of music Visual colours effect: • Colours on posters and zones 22

#### Marketing Strategy of the supermarkets IV. Empirical Study

The fieldwork was made in the different super/hypermarkets during the day April 6, 2009 , and through the following section are described the different ways that marketing strategies have been applied in each of them. 1. Coop Forum A. About advertising There were plenty of yellow posters with red letters. Most of them were only price indicators and only few were real offers. The biggest one was located in the main corridor and in a high place, which was clearly exposed. The presence of posters was more intense in the section of frozen food and in the fruit and vegetables section. There were very few promotional products.

The only one kind of discount were rebates applied depending on the sales amount (the product is cheaper if you buy a determined quantity). Usually it was applied to groceries (for example: in case of buying 3 products the price is a little bit lower than buying them independently). To show these promotions, was used the same kind of poster used as price indicator. There were two places marked as “ sale” places. The first one was a book sale placed just in the entrance and quite visible. The second one was a sale of various products like bikes, toys, children’s clothes; this was not placed in a very visible place.

Yellow posters of “ REA” (it means “ sale”) were written with red letters to indicate the presence of these sale places. 23 Marketing Strategy of the

supermarkets B. About background music The background music was almost imperceptible in the majority of the places and was easier to hear it near the checkout. The music style was modern and its tempo was moderate.

According to some staff of the hypermarket the music style or volume does not change depending on the time or the flow of people shopping inside the establishment. C. About lighting

The lighting was almost the same in the entire hypermarket, white light not very intense. In few places some spotlights were used, aiming at fixed places. These places were the flower section, the dairy products and juices section. D. About establishment's organization The organization of the establishment was "open", allowing customers to go directly from the entrance to the checkout, with not a predetermined route. Wide corridors were used mostly with household items and with clothes. Narrow corridors were used mostly in lines of groceries.

Near the checkout the corridors organization were more chaotic, the shelves were placed randomly without an obvious sense, a lot of pallets instead shelves were used in this section. Some products were placed on pallets in the middle of the main corridor without any concordance with the products placed around them. Some of these products were light bulbs, batteries, sweets... The hypermarket was mostly organized by corridors with shelves on both sides. The main corridor was broader than the others. The shelves had three levels. Some sections of the hypermarket will be described independently.

The first section analysed was the breakfast cereals section. The products were not 24 Marketing Strategy of the supermarkets put how was explained before, if so, the main brand was put on the hands and feet levels and the “ private label brand” (in this supermarket, its “ private label brand” is called “ Coop”) were put in the eyes level. In the beginning and in the end of the shelves were placed the main brands products filling the three levels of the shelves, so if the consumer wants to get a “ cheaper brand”, he has to go to the middle part of the shelf to take this product and come back to the main corridor.

The second section analysed was the pasta section. Its organization was similar to the cereals section. On eyes level there were manufacturer brands and “ private brands”, but on the hands level only manufacturer brands and on the feet level only private brand. The third analysed section was the washing liquid section, which had the same distribution as the other sections. On the eyes level could be found the “ private label”, “ Coop”, and on the other levels were the manufacturer brands. In the corridor’s endings, near to the main corridor, were placed famous brands.

Some of these products did not belong to the same category of the products placed on the other shelves. In the checkout were sold products like sweets, chewing gums, snacks, etc. E. Other strategies According to the flexible method applied in this research, during the fieldwork were found some not predicted marketing strategies: • • Use of posters promoting membership card TV’s near the checkout with various advertisement of product offered

inside the store. • • Play area for children. Shop express: It's a new system of shopping.

The customer uses a device to scan the barcodes of all the products that he adds to his shopping basket. To pay his shopping the customer goes to a special checkout which usually has no queues. 25 Marketing Strategy of the supermarkets 2. MAXI A. About advertising The posters were mostly used as price indicators in the food sections. These posters had yellow background and red print. The promotions strategies were the same as in "Coop Forum", with an exception that in Maxi, on particular days, there was a possibility to taste samples of groceries before buying. B. About background music

The Background music was not distributed in the same way in the entire hypermarket's establishment. Generally it was quiet and the tempo was moderate. Staff of the hypermarket confirmed that the background music does not change regarding to the number of customers. C. About lighting In general the entire establishment was well illuminated creating a comfortable atmosphere. Flowers section and refrigerated food section were more illuminated than other sections. D. About establishment's organization The Organization of Maxi does not let customers to do a free route.

When they enter, they have to walk along all the main corridor of the hypermarket to be able to leave it. There is only one exception; it's a small and not very visible path which links clothes section with house products section. The organization of shelves is the same as in "Coop Forum". Maxi has own "private brands", ICA and Euro shopper. Euro shopper brand is cheaper 26 Marketing Strategy of the supermarkets than ICA brand. On the

eyes level of cereal's section were placed the products of ICA. On hand and feet levels were the manufacturer brands products.

The products of the section of pasta were divided into three levels too. The eyes level was filled with “ private brands” and manufacturer brands. On hands level were only well-known brands and on feet level Euro Shopper products. In the section of washing liquids the products were placed in the same order that in others. Some products were placed on pallets in the middle of the main corridor without any connection with products placed around them. Some of these products were light bulbs, batteries, sweets... In the checkout were sold products like sweets, chewing gums, snacks... Plus the sale of tobacco. E. Other strategies According to the flexible method applied in this research, during the fieldwork were found some not predicted marketing strategies:

- In the entrance, in the electro-domestic section and in the checkout were placed some TVs showing advertisements of some products offered in the hypermarket or about a contest conducted by the hypermarket chain.
- • On some occasions were given free samples of food.

Shop express: It is the same system as the one described in Coop Forum. 27

### Marketing Strategy of the supermarkets 3. Lidl A. About advertising

Three kinds of posters were used, indicating discounts or promotions were utilized pink or orange posters with black prints and indicating prices, yellow ones with black prints. There were two types of promotions, price discounts and rebates which were applied depending on the sales amount. The promoted products were mainly placed in the middle of the corridors using pallets or in the borders of the corridors. The promoted products were all



kind of food and drinks. B. About background music Total absence of music. One of the employees confirmed that there is no background music.

C. About lighting The lighting in the entire establishment is very clear and intense. In the section of refrigerated products (like meat, dairy milk, eggs... ) spotlights are used. D. About establishment's organization It has a free route, allowing customers to leave the establishment without covering the whole area. There is no a main corridor and the products distribution has not a clear order, for example, there are different kinds of drinks speeded in several places far away from each other and without any connection with the products near them. 28

Marketing Strategy of the supermarkets The use of the pallets is more common than in other hyper/supermarkets. Regarding to the distribution of products on shelves, instead of having the same product but from different brands on each level of the shelf, they have different products on every level. They only have two lines of shelves, feet's line and eye's line. Next to the checkout there are offered some products like sweets, chewing gums, snacks and tobacco. 4. Netto A. About advertising The most common promoted products were those with a soon expiry date.

The posters were small and not very visible. For indicate discounts were used white posters with black print and for indicate prices were used red posters with black prints. B. About background music Total absence of music. One of the employees confirmed that there is no background music. C. About lighting Was used a faint lighting in the refrigerated products section. D. About establishment's organization Netto has a free and near route from the

entrance to the exit, and has not a main corridor. Pallets were used to place drinks and shelves to the rest of products.

The distribution of the products was not very clear, like in Lidl. The product's organization on the shelves was like in Lidl, different kind of products in the same line, but using three lines of shelves instead two. 29 Marketing Strategy of the supermarkets V. Analysis of empirical data 1. Advertising The hypermarkets Maxi and Coop Forum present a large quantity of posters, using exactly the same type of poster for promoting discounted products and for indicating prices of the products, while posters of Netto and Lidl make this distinction through different kind of posters for each purpose.

It is understandable the distinction made by Netto and Lidl, making easier to their customers locate their promotions. Regarding to posters of Maxi and Coop Forum, they may confuse customers, who are not able to distinguish discounted products and normal products The four analysed stores use displays to promote products. The presentation of products is important to get the attention of consumers, as Kerfoot (2003)<sup>69</sup> states, attitudes toward visual product presentation influence browsing and purchasing behaviour in the store.

In such stores display are used as a tool to raise sales of particular products, that fits with what was said by Newlands and Hooper (2009, p. 300)<sup>70</sup>, “merchandising display factor tends to focus on in-stores location and the shopping route to positively affect consumers' propensity to browse”. During the fieldwork were found particular kinds of displays in each store. On one hand, some displays only promote particular brand, for instance, Coca-Cola

products are placed in special fridges or pallets with its logo Display of sweets by Coop Forum and colours. On other hand, some displays are not supporting concrete brands Kerfoot, Davies & Ward (2003), Visual merchandising and the creation of discernible retail brands'. International journal of retail and distribution management . [accessed 10. 05. 09] 70 David Newlands and Mark Hooper (2009), the global business handbook: The eight dimensions of international management. Chapter 18, p. 300 [accessed 10. 05. 09] 69 30 Marketing Strategy of the supermarkets but products which share very similar features, making them more visible for consumers.

This last type of display was used by all the stores to promote sweets and dried fruits. Even though displays have showed to be a great tool getting customers' attention, they have been rarely used by the studied markets, being Maxi and Coop Forum which use more this technique. The photos show three different displays of supermarkets. The first photo is from Coop Forum, the second photo belongs to Netto and the photo on the right is from Lidl. Photo3. Display of sweets by Lidl Photo2. Display of sweets by Netto 2. Shelves Here is where have been found more differences among the four supermarkets.

As Hita (1997)71 comments, markets use three levels of shelves. During the research was discovered that Lidl only uses two levels of shelves; feet and eyes level. The other analysed stores (Maxi, Forum and Netto) use three levels. Shelves of Maxi and Coop forum are placed higher than shelves of Netto. The photo 4 and photo 5 show three levels of shelves. The photo 4 belongs to Lidl (only two shelves), while the photo 3 corresponds to Coop,

where are visible the three levels. Elena Hita (1997), Trucos para “ picar” en el supermercado, from <http://www.elmundo.s/sudinero/noticias/act-95-06.html> [accessed 19. 02. 09] 71 31 Marketing Strategy of the supermarkets

The sections analysed and compared in each store were breakfastcereals, pasta and washing liquid. There it was observed how products were placed on different levels of shelves. It was found out a difference between how uses shelves supermarkets (Netto and Photo4. Shelf of Coop Forum Lidl) and Hypermarkets (Maxi and Coop Forum). While hypermarkets use the whole shelf for the same type of products, supermarkets place different types of products in the same shelf.

The reasons could be the different sizes and the broader offer of different brands that Photo5. Shelf of Lidl hypermarkets are selling. Opposing to the theory, it was observed in the 4 stores that well-known brand products were placed on hands level instead of on eyes level, where were placed private brand products. The reason could that during the actual recession; markets have changed their strategy for adapting to new customers’ needs, which are now more interested in cheaper products than in well-known brand products (Soares)72. 72

Joao Ricardo Soares (KP Consultores) La Recesion de la Economia Mundial, from internet <http://www.kpym.com.ar/docs/apartado/larecesionmundial.pdf> [accessed 12. 05. 09] 32 Marketing Strategy of the supermarkets 3.

Product placement The four stores use the strategic placement of products to raise their sales. The studied hypermarkets use in a broader level this strategy than supermarkets; they need focus more on it because their

establishments are much bigger having a lot of spaces that would not be visited unless they use “ hot zones” and “ cold zones”.

Maxi’s establishment has a predetermined and closed route (having only one shortcut), a “ one-way” layout, so the customer has always to cover all the store even he has to buy only one product. This kind of organization triggers that customers buy products that they did not expected to buy before entering inside the establishment. It is raising the sales through the “ impulse buying”. Lidl, Coop forum and Maxi have the fresh products consumed daily (like milk, meat, fruit... in the furthest point from the entrance, forcing customers walk around the entire establishment and watching other products before they can get that they wanted to buy; according to the theory this is a main “ cold zone”. This distribution fits with what was explained by marketing professors Peter and Olson (1999)<sup>73</sup> who state that a supermarket’s design directs customers to store’s side and back walls, where the most sought-after and high-margin items are located. Along the way, shoppers must pass by and see a large number of slower-moving products, which ups the likelihood of their buying items not covered in the shopping list.

On the contrary Netto has a different distribution of its “ cold zones”; its fresh products are quite close the entrance in a side of the supermarket, being not necessary for customers to cover the entire supermarket to get daily products. The reason of this different and not as efficient distribution, could be because the establishment is very small and customers may cover the entire establishment for his own will, being not needed to force them to

do it. J. Paul Peter & Jerry Olson (1999). *Consumer Behaviour and Marketing Strategy*, McGraw Hill. *Store Layout and Customer Flow*, by Dr. Jaime S. Ong [accessed 09. 05. 09] 73 33 Marketing Strategy of the supermarkets All the four stores use in a similar way the “ hot zones” to sell some not essential goods. They distribute these “ hot zones” in the same way described in the theory. The main “ hot zones” found in each store were the endings of the shelves near the main corridor (also called “ gondolas”), small shelves or pallets placed in the middle of the main corridors, and next to the checkout. Another kind of “ hot zone” is next to the entrance where the customers need to have to cross, in this place usually were placed household or some products that are hardly sold if it is not placed in a “ hot zone”. In Netto and in Coop Forum were “ Sales” sections far from the main corridor, and in the case of Coop Forum, almost hidden. Surely there are sold the products that the store’s managers want to get rid of. 4. Music Only the hypermarkets Maxi and Coop Forum play some kind of music while the supermarkets Netto and Lidl do not play it at all. In these hypermarkets the background music is almost imperceptible and the loudspeakers are not well distributed, being the music not listened in the same level in all the places of the establishment, and the kind and tempo of the music do not change depending on such crowded is the store. According to Baker(1992)<sup>74</sup> and Morin(2007)<sup>75</sup>, music has been shown to affect consumers’ responses to retail environments, typically in a positive manner, even so it is obvious that the managers of these stores do not think that the use of music is a very useful tool to improve their sales.

The reason could be that being these stores situated in a small city like Halmstad, the flowing of people never is extremely high and It is not

necessary using this tool to control it. Anyway music is a great tool to create atmosphere and as Fulberg Baker, J. , Grewall, D. and Levy, M. (1992), “ An Experimental Approach to Making Recall Store Environmental Approach to Making Recall Store Environmental Decisions”, Journal of Retailing 68(Winter), pp. 445-60 [accessed 08. 05. 09] 75 Morin, S. , Dube, L. and Chebat, J-C. (2007), “ The Role of Pleasant Music in the Dual Model of Environmental Perception”, Journal of Terailing 83(1), pp. 15-30 [accessed 08. 05. 09] 74 34 Marketing Strategy of the supermarkets (2003)76 states, customers can be encouraged and motivated to make purchases by certain types of music or scents. The music is not only useful to modify the customer’s behaviour, as Newland & Hooper(2009)77 declare music may increase or reduce stress and affect confidence levels of the employees that may facilitate them to solicit customer feedback. Even though music has proved its effectiveness as marketing’s tool, is ignored or not well implemented by the supermarkets and hypermarkets of the sample.

It is not understandable that being a cheap tool (a loudspeakers system and a music player do not mean a high cost for these kinds of companies) and ea