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**MediaMarkt*****The price-active market entry into  
Switzerland*****Christian Belz, Thomas Rudolph and Hermann Schindler**

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Category killers experience success in many retail industries and countries. Examples are Toys 'R' Us and Ikea. Their expansion rate is very impressive. Through their expansion, these category killers have developed new foreign markets and changed the rules of doing business for all those involved in these markets. The market entry of a new competitor challenges the existing retailers. In Spring 1994, the price-aggressive category killer MediaMarkt opened two outlets for consumer electronics in Switzerland.

This case deals with European marketing as seen from the perspective of the competitors and market participants in a country and the challenges they face from a new market entrant. International marketing means more than internationalization or expansion into new markets abroad. It also means successfully asserting oneself in one's own market *vis-à-vis* new international competitors.

How successful will Europe's largest electronics retailer, MediaMarkt, be in Switzerland? How will the market structure and the rules of competition change? How should suppliers of consumer electronics behave? How can the existing retailers (discounters, specialty stores, chains) react against this new competitor? These are the questions to be discussed.

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**Challenge through price-aggressive category killers**

Category killers are operations with large, mostly ground floor, sales areas. An essential element of this retail format is its concentration on one or very few product categories. This leads to a positive image of competence. Locations are normally found at city peripheries and are easily accessible by

car. The goods are usually transported home and installed or assembled by customers themselves. This concept is based on presenting the merchandise so that self-service is possible. The customer can look at the goods, often test them, and then choose. Assistance is available, if it is requested by the customer.

MediaMarkt, a category killer for electronics (a Metro/Kaufhof subsidiary), entered the Swiss market and opened two stores in Spring 1994 in Dietikon and Dietlikon, near Zurich. Up to that point, MediaMarkt operated in Germany, Austria and France. Other European countries (for instance Scandinavia, Belgium, Netherlands, Great Britain) have been targeted for future expansion and another eight to ten branch openings have been announced for Switzerland. MediaMarkt has a particularly aggressive, as well as a clearly focused and innovative, concept.

Until recently operations with such big sales areas, offering large quantities and many products within a product category, did not exist in Switzerland. Even Migros, for example, does not make use of a large sales area within its stores for its household appliances and consumer electronics. With the existing retailers, assistance and product information was obligatory for the customer to make a consumer electronics purchase. Even in discount stores, customers had to ask for assistance; self-service and in many cases self-selection with optional assistance was not possible.

Both the manufacturers and the existing electronics retailers are facing a variety of challenges. What opportunities and problems will arise and which strategies will be the right ones? Are Swiss retailers vulnerable? This case focuses on 'brown goods' (TV, radio, video, HiFi, CD players), because MediaMarkt has proved to be very successful in this product category.

### **A highly competitive consumer electronics market**

The market for consumer electronics is saturated and has been severely hit by the recession. The entire Swiss market for consumer electronics shrank approximately 15% between 1992 and 1993. The development of the different product categories varies: stereo equipment and colour televisions have seen stable sales whereas video equipment sales have continued to decrease.

Consumer electronics specialty stores have a 62% market share. The rest of the market is divided between chains (24%) and department stores (14%; including Migros and mail order). The continued strong market position of specialty stores has, on the one hand, been maintained by increasingly professional management, often supported by cooperatives, and, on the other hand, is due to the Swiss customer's demand for high quality and good service.

Yearly per capita spending on consumer electronics in Switzerland is high compared with other European countries; for example:

- Switzerland sFr.590
- Germany sFr.574
- Netherlands sFr.474
- Austria sFr.462
- Belgium sFr.462
- Norway sFr.459

The behaviour of Swiss consumers differs from that of consumers in other countries. The essential differences are:

- up to 1994 the consumer showed little price sensitivity; however, a tendency towards greater price sensitivity is now apparent;
- consumers are very security and quality conscious – product warranties are very important;
- consumers are not used to travelling long distances to make purchases.

The Swiss market, in comparison to the German and EU markets, shows some special qualities, as can be seen in the following Exhibit 1. Exhibit 2 shows the different market positions by retail format and product category, and Exhibit 3 shows the sales decrease in the market for consumer electronics.

## **MediaMarkt**

MediaMarkt is a subsidiary of the Kaufhof group. In European retailing the MediaMarkt group is the leader in electronics, with a turnover reaching DM6.8 billion in 1995. The total number of employees is approximately 8000. The MediaMarkt group has about 90 stores in different countries, including Germany, Austria, France and Switzerland. Expansion into other countries such as Spain, Belgium, the Netherlands, Finland, Sweden, Norway and eastern European countries is planned.

Exhibit 4 shows the milestones of MediaMarkt's market entry into Switzerland.

### ***Purchasing strategies: negotiation power and new rules of doing business***

Purchasing is an important part of retail management. It also plays an important role in MediaMarkt's concept.

In its first negotiations with potential Swiss suppliers, MediaMarkt clarified the rules of doing business. The purchasing concept MediaMarkt presented to its potential suppliers before the market entry was as follows:

- 1 Purchasing conditions. MediaMarkt takes advantage of its negotiation power (high buying volumes) in the area of purchasing. While being frank is an important aspect of their negotiations, they also push to

**Exhibit 1 Special qualities of the Swiss consumer electronics market**

Environment	Special qualities
Legal/political	Federal legal system (i.e. store closing hours) Specific laws regarding unfair competition and collusion Restrictive construction laws (building permits for shopping centres are scarcely available)
Technological	Different norms for some products, especially for large home appliances Different electrical system standards
Economic	High percentage of rented apartments: direct sales of large household appliances from the importers/producers to real estate owners High savings rate Road infrastructure: few parking places, but well developed public transportation system High personnel and rent costs Few national manufacturers; high percentage of imports High number of stores per inhabitant
Social	Consumers unwilling to travel long distances to make a purchase High environmental awareness

**Exhibit 2 Market positions by retail format and product category**

Market position	Specialty store	Department store	Chain
A Very strong	Stereo	Personal audio <sup>a</sup> Cassettes	Personal audio
B Strong	TV/video		
C Average			TV/video Cassettes Stereo
D Weak		TV/video Stereo	
E Very weak	Personal audio Cassettes		

<sup>a</sup> i.e. Walkman, portable CD player.

**Exhibit 3 Sales (sFr. m) and sales changes in selected product categories in the consumer electronics market**

Product categories	Feb. 1992– Jan. 1993	Feb. 1993– Jan. 1994	Sales change
<b>TV/video (total)</b>	<b>966.3</b>	<b>842.6</b>	<b>-12.8</b>
TV	589.0	527.2	-10.5
Video recorder	219.5	181.6	-17.3
Camcorder	150.4	129.7	-13.8
<b>HiFi (total)</b>	<b>362.0</b>	<b>314.2</b>	<b>-13.2</b>
HiFi set	237.3	220.5	-7.1
CD player	44.9	32.7	-27.2
<b>Personal audio (total)</b>	<b>132.3</b>	<b>131.2</b>	<b>-0.8</b>
Radio receiver	66.7	61.6	-7.6
Walkman	33.1	30.2	-8.8
CD player	23.2	25.0	7.8
<b>Cassettes</b>	<b>112.1</b>	<b>101.2</b>	<b>-9.7</b>

Source: IHA Retailer Panel for Consumer Electronics, 1993

#### Exhibit 4 Milestones of MediaMarkt's market entry into Switzerland

Time period	MediaMarkt	Competitors
1992	Search and evaluation of alternative locations	
March 1993	First announcement of commitment	
Summer/ Autumn 1993	Beginning of the search for partners (Some services like installation, repair are outsourced)	
November 1993	MediaMarkt informs all suppliers about the MediaMarkt concept and the way of doing business/terms of payment	
Spring 1994		Decision made by some competitors to rebuild/renovate some stores
February 1994		Fust calls itself 'category killer' and changes its ad layout; national TV campaign
9 March 1994		The Manor group opens its own category killer concept: 'Elektro-Plus'
13 March	First ad in a daily paper	
14 March	Announcement of opening on national TV (DRS)	
19 March	Beginning of a broad PR campaign	
22 March	Start of a concentrated ad campaign (primarily print ads)	
24 March	Opening of the first markets in Dietikon and Dietlikon	

obtain the best deal possible. MediaMarkt requires the following from its Swiss suppliers:

- the best purchasing terms in Swiss retail or
  - if MediaMarkt gets better purchasing terms for one specific brand in Germany, France or Austria, then they expect to get these terms in Switzerland as well. This is particularly problematic, because MediaMarkt's buying conditions in Germany are based on a higher volume and German suppliers have a better cost structure than Swiss suppliers.
- 2 Terms of payment. Negotiations dealing with the (basic) terms of payment are first taken up with MediaMarkt's central office in Switzerland. It is expected that individual branches that buy directly from the supplier will require further discounts and financial contributions (special terms of payment).
  - 3 Purchasing and logistics. MediaMarkt has no central warehouse. Instead a small warehouse is attached to every MediaMarkt store and most of the products are placed directly on the sales floor. The merchandising is handled by the supplier in cooperation with the responsible MediaMarkt

manager. MediaMarkt requires a final date for payment which is based on the time it takes to sell the goods. This means that the suppliers themselves finance the products MediaMarkt offers in its markets. In its negotiations with the suppliers, MediaMarkt emphasizes that the suppliers do not need storage facilities because the merchandise can be put directly onto the sales floor after production. By using this approach MediaMarkt is able to encourage competition among the suppliers. In Germany, MediaMarkt was able to negotiate a date of payment of up to more than 100 days.

- 4 Support from the suppliers. Supplying MediaMarkt requires a different logistics concept and infrastructure on the part of the suppliers. The details involved in arranging the products and the meetings with department and branch managers at each branch alone require a qualified employee to spend at least one half-day every one to two weeks at MediaMarkt. MediaMarkt asks its suppliers to send sales representatives frequently and regularly. During these visits MediaMarkt obtains the newest information about products and technologies; furthermore, promotional activities can be discussed.
- 5 Negotiation power of the importers. Since MediaMarkt Switzerland has no interest in building up an import department or a logistics and storage system, it works with the existing Swiss importers for consumer electronics. In the long run, the MediaMarkt system thus depends on the support of the importers. Nevertheless, many Swiss importers fear that the subsidiaries in the different European countries could be consolidated and the importers would lose their function.

### **Marketing concept**

The category killer concept depends on low prices and a deep assortment (i.e. a large choice of similar goods) in the product categories the category killer carries. By focusing on just a few product categories a positive image of competence is created in the customer's mind. Customers are free to select and test the products themselves. If requested by the customer, experienced and competent service and assistance is available. MediaMarkt strives for sales of around sFr.40–50 million for each market.

*Assortment: a wide selection of brand names* The product range carried by MediaMarkt Switzerland corresponds to that offered in Germany: consumer electronics, household appliances, computers, photography and communications equipment. MediaMarkt offers all of these product categories in each of its outlets. The company carries branded products across all price ranges (i.e. products of one brand with price levels ranging from low to premium prices).

MediaMarkt advertised 35,000 stock-keeping units at each of its outlets, including CDs and cassettes. MediaMarkt reasons that a neutral sale is only possible if the customer finds a wide choice and can compare all of the

different brands and products. Referring to this, Mr Walter Gunz, Managing Director of MediaMarkt International, stated: 'We don't sell what we have, but rather sell the customers what they want, because we have everything.'

The MediaMarkt concept is therefore based on customers being able to inform themselves about the extraordinarily large selection of goods. The size of the sales area, the presentation of the merchandise and the quantity of products play an important role in customers' perceptions. From the marketing perspective the decisive factor is not the exact, actual number of stock-keeping units, but rather how the customer perceives the selection and the availability of the products (see also discussion of store design below).

*Price: a favourable price image* MediaMarkt strives for price leadership. Prices have an important function for both consumers and competitors. Prices are easier to communicate than, for example, outstanding assistance or all-encompassing customer service. In the initial phase of opening up an outlet this is an important advantage. The prices, therefore, have a large impact on what happens in the market. In the start-up phase of MediaMarkt Switzerland, very high price reductions were featured in multi-page ads. By giving high discounts on a few selected products, MediaMarkt tries to create a good price image for the whole assortment. MediaMarkt and other discounters face the task of building up a favourable price image while keeping the average margin profitable.

*Promotion and advertising: product versus price* In its advertisements, MediaMarkt advertises product prices in big letters. The ads are clearly arranged so that six to eight products can be seen on one page (for CDs and cassettes this number can be higher). A red background is used to attract the attention of the reader and thus increase the effectiveness of the ad. In the entry phase multi-page ads were placed in local and a few national newspapers. Attention-grabbing and entertaining radio spots were used to obtain a high degree of recognition. For the two Swiss stores, advertising expenditures in the first six months are estimated at sFr.3.8 million.

*Location: large sales areas, easily accessible by car, and a high number of potential shoppers* In order to achieve success, MediaMarkt needs large sales floor areas and a high number of potential shoppers. Locations of the appropriate size and meeting MediaMarkt's specific requirements (shopper frequency, a good road network, complementary branch structure etc.) are hard to come by, as are the building permits. MediaMarkt normally selects locations in industrial parks that have existing super- or hypermarkets and good road links.

Opening stores with such large sales areas took a long time: MediaMarkt needed approximately three years for its first two stores. A further eight to ten stores have been announced for Switzerland, but there are few locations in the country with the market potential which Zurich offers.

Exhibit 5 Examples of MediaMarkt's advertising campaign

# Andere verkaufen jetzt Ladenhüter, wir hüten die Dauertiefstpreise.



**SHARP**



**220.-**

**SHARP 827 14 Microvide**  
2. Lichtschalter, Videotext, 200  
Voll, 10 Jahre Träger



**1398.-**

**SONY**

**SONY 43 HIFI-Set**  
Verstärker TA-F 230: 2x15 Watt Stereo, 8 Eingänge, Toner  
ST-6 211: 40 Bandpassfilter, CD-Player CD-6 2:  
Stimmrichter 20 Töne, Digital Sound-Processor, Type-  
Deck TC-6 211: Autorevers, Dolby B-C, 32-Freq.,  
Lesepuffer 20-20 Hz: 2-Doppelschaltkreise, voll



**99.-**

**ZETTLER Telefonbeantworter**  
100, 200 Card Compact/100, 147 Card Compact Forward.  
Beantworter auf 200-2000 oder 147-1470 oder auf  
200-2000, Aufnahmeprogramm 20000 Std., Auf-  
nahmeprogramm pro Anruf unbegrenzt oder auf 100 Std.,  
Reprozent, Leseführer, 8 220 x 8 72 x 7 210 mm



**886.-**

**Canon**

**CANON Sommer Set EOS 100 + 35-80 USM**  
Autofokus-Spiegelreflexkamera  
Schnittprogramm, Selbst-Entfessel, übertriebene  
Sensitivität, Mehrfachbelichtungen, abgestimmtes  
Anspruch



**799.-**

**SONY**

**SONY XRU-306 RDS + CDX-U 303**  
Autoradio mit CD-Wechsler  
10fach CD-Wechsler, Toner-Schaltprogramm 204/200, 12 UKW/90 600-  
Stationenweiche, Verstärker 4x30 Watt, 2 Clock Pre-Set-  
Anzeige, Cassette-Slot, Autorevers, abgestimmtes Gehäuse



**MediaMarkt**

## MediaMarkt

VIDEO TV HIFI CD ELEKTRO FOTO COMPUTER TELEKOMMUNIKATION

# 70'000 x GÜNSTIGER.

**Exhibit 6** *MediaMarkt's store design***Exhibit 7** *MediaMarkt's product presentation*

**Exhibit 8** *MediaMarkt's product presentation*



**Exhibit 9** *MediaMarkt Dietlikon*



*Store design and presentation of merchandise: 'pallets instead of marble'* Products such as TV sets are displayed along the walls. The packaged equipment is placed in the middle of the sales floor on pallets. Despite the sales floor's warehouse atmosphere, the area is also open, bright and friendly. The customer can enter, get oriented and freely walk around. A sample of every piece of equipment is displayed and plugged in so that customers can test each one. Sometimes this freedom has led to product damage. Exhibits 6–9 illustrate the store design and product presentation of MediaMarkt.

*Service: available if requested* MediaMarkt displays a different approach to assistance and customer service. Customers should be able to inform themselves about the products based on the presentation of the merchandise. The displays themselves and the labelling on the goods provide the answers to many customer questions. Through this approach the company aims to create the atmosphere found at a fair or exhibition. Nevertheless, a customer can also request competent assistance and this is clearly indicated by signs throughout the store.

### ***Differentiation of MediaMarkt***

Exhibit 10 shows how MediaMarkt differentiates itself. The Rudolph model (Rudolph, 1993) contains the eight most important marketing instruments of a retailer (location, store layout, personnel, communication, price, service, product range and new technologies).

Starting from the inside, the model distinguishes three zones:

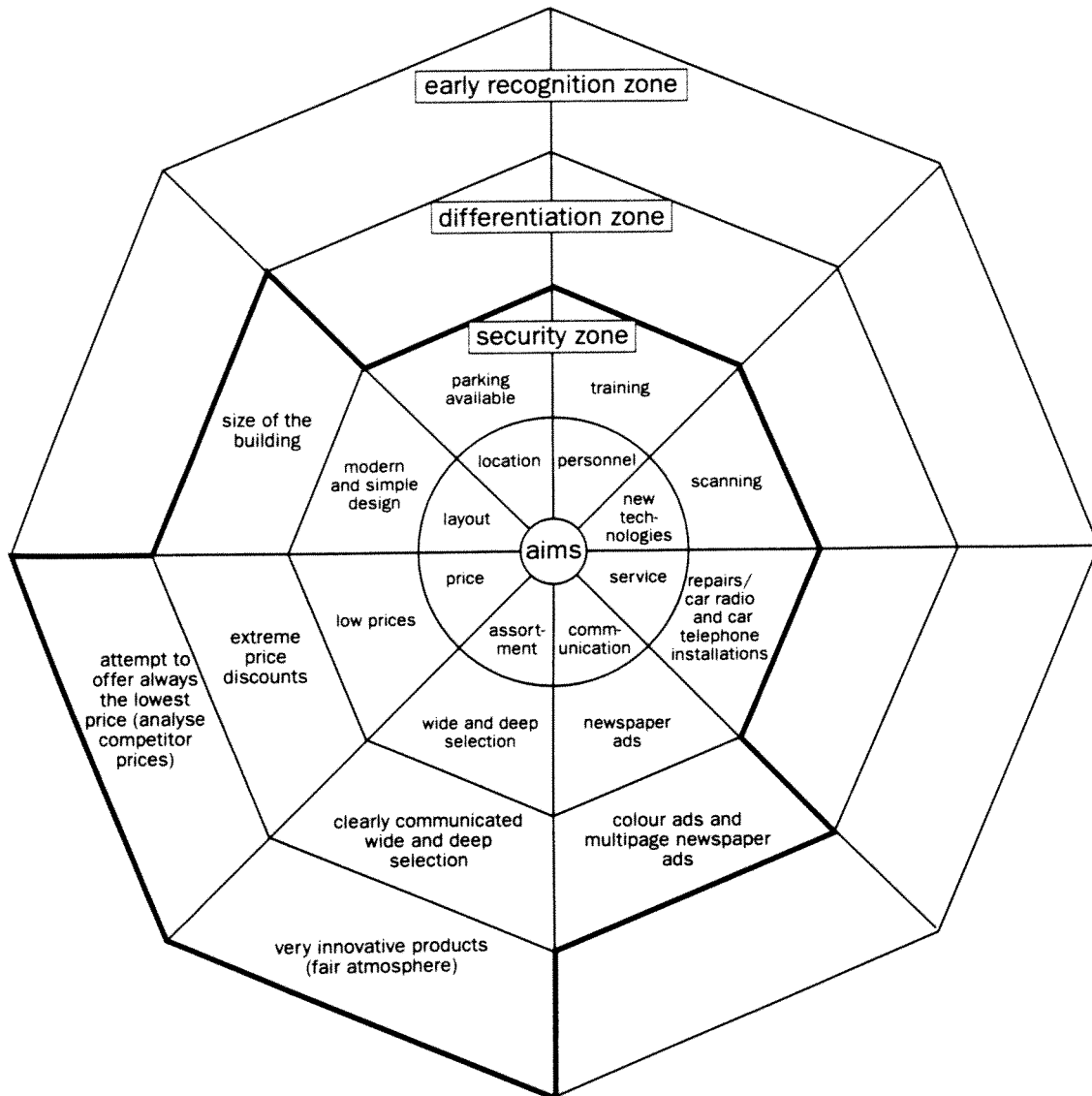
- 1 Certain measures are found in the *security zone*. These are expected by the customer and offered by all competitors. Through these measures a retailer cannot differentiate any further.
- 2 The measures in the *differentiation zone* help the retailer to satisfy the customer's needs better than the competition. These measures contribute to a company's differentiation and its profits.
- 3 Measures in the early *recognition zone* are those which no competitor offers at the moment and only few customers are ready to pay for. These are basically innovative measures through which a retail company can gain a competitive advantage in the future.

## **Competitors in the electronics market**

### ***Description of important competitors***

There are many different competitors in the electronics market; for example, a specialty store for CDs and cassettes represents a competitor, while a specialty store selling computer or office communication equipment represents a different competitor. A short description of MediaMarkt's most important competitors follows.

## Exhibit 10 Differentiation of MediaMarkt



Although the independent specialty retailers play a very important role, they display great diversity in their concepts, which makes them difficult to consider as a whole; even in the cooperatives, the members differ greatly, and it is dangerous to speak in general about 'specialty stores'. The Manor group has been picked out here to represent the department store concept.

*Fust: integration of price and service leadership* Fust offers large and small household appliances, consumer electronics, some CDs and cassettes, lighting/lamps and most recently photography equipment. The area of consumer electronics is in rapid growth. Today Fust sells consumer electronics in 51 of its 117 Swiss stores and achieves sFr.378.9 m in sales. Fust also places great importance on customer service. It offers advice, delivery, installation, maintenance and repairs. Approximately 400 of the 790 employees work in service areas; of these, about 100 do repair work. The number of service and leasing contracts is also significant.

Fust's position in household appliances is also particularly strong. Novamatic, its own private label, holds a significant position in Fust's assortment and strengthens its position in relation to its competitors. In some areas of household appliances, Fust is considered one of the biggest European retailers.

Fust is acting in a price-oriented way and is therefore able to meet MediaMarkt's prices. A low price guarantee makes the customer feel sure about Fust's honest price policy. Moreover, Fust manages to combine both price and service leadership. The customers are able to choose the extent of service they need or want. Prices are differentiated depending on the individual extent of service asked for.

The location of Fust stores varies – shopping centres, downtown, city outskirts – and the size of the stores may range from approximately 500 to 2,000 m<sup>2</sup>. The assortment of goods offered is put together differently, according to the size of the store.

*Interdiscount: a discounter with emphasis on portable products* Interdiscount has 110 sales locations (shopping centres and downtown areas) and therefore a good market coverage in Switzerland. Sales for the Interdiscount chain reached sFr.373.5 million in 1993. The Interdiscount group also has a share in several other companies, which also run category killer formats in other countries.

Interdiscount follows a discount strategy and strives to be the price leader. The product range offered includes a large percentage of own labels and small, easily transportable products in a low to medium price range. The company gives a low price guarantee. Interdiscount rarely uses print ads, but rather makes use of catalogues. Interdiscount stores only weakly embody the discount philosophy; they are more easily comparable to specialty stores and follow a different concept compared to MediaMarkt.

*Elektro-Plus: a newcomer with a demanding expansion strategy* On 9 March 1994, Jumbo AG (hypermarkets for food and non-food) opened two electronics category killers under the name 'Elektro-Plus'. Jumbo (Maus Frères) is looking for complementary activities to its existing 28 Do-It-Yourself markets (two more under construction) and its seven hypermarkets (two more under construction). With 15–18 branches in Switzerland, Elektro-Plus has higher expansion objectives than MediaMarkt. However, most of its store locations are found in rural areas and the relevant market area covers fewer consumers. Sales objectives are thus set at between sFr.10 and 15 million per year for each store.

*Tetora-Expert and Interfunk: cooperatives of diverse specialty retailers* There are altogether 375 specialty businesses with over sFr.580 million in sales in the Tetora-Expert and the Interfunk cooperative. Tetora-Expert's central office is managed by a small full-time staff. The cooperative assists its members in advertising, setting up the stores and offering training courses

Exhibit 11 Example of a Fust advertisement

# Nur Fust-Ausstellgeräte sind noch billiger!

**1585.-**  
**1085.-**

**Geschirrspüler Bosch SP5 5122**  
Freistehend, besonders schmal, nur 45 cm, passt in jeden Haushalt.  
H/R/T 85x45x60 cm.  
Miete 69.-/Mt.\* inkl. SA

**790.-**  
**489.-**

**Videorecorder JVC HR-J 200**  
HQ-VHS-Videorecorder, Hyperbandempfangsteil, einfachste Vorprogrammierung mit LCD-Fernbedienung, VPS-System eingebaut.  
Miete/Mt.\* 32.- inkl. SA

**1440.-**  
**890.-**

**Fernseher Neovetronic CTV 2594 TX**  
63 cm Flachbildschirm mit Kontrastfiberscheibe, 60 Programme/Hyperband-Empfangsteil, Teletext/HiFi-Stereo-Ton, Fernbedienung, Pol./Secam.  
Miete/Mt.\* 53.- inkl. SA

**Fr. 1000.- gewaltiger**

**3540.-**  
**2540.-**

**Wäschvollautomat V-Zug Adora SL**  
5 kg Trockenwäsche, 1500 Schleudertouren, 5 Hauptprogramme, 8 Zusatzprogramme.  
H/R/T 85x59,5x60 cm.  
Miete 152.-/Mt.\* inkl. SA

**1248.-**  
**998.-**

**Stereomagneto Sony Mili D-259**  
Verstärker mit 2x30 Watt Sinus, 2x5-Band-Equalizer/Bassverstärker/Surroundsound, Radio mit 30 Senderspeicher, Doppel-Kassettengerät/Plattenspieler, 5fach CD-Wechsler, Fernbedienung.  
Miete/Mt.\* 39.- inkl. SA

**299.-**

**Tiefkühlbox Movematic TF 50**  
55 Liter Nutzinhalt, Energieverbrauch 1,0 kWh/24h.  
H/R/T 47x59x60 cm.  
Miete 17.-/Mt.\* inkl. SA

**239.-**  
**159.-**

**Espresso-Maschine Jura 605 A**  
Espresso-Maschine mit Siebhälter für 1 oder 2 Tassen, abnehmbarer Wassertank, mit Düse für Heißwasser/Dampf, Kunststoffgehäuse, Wassertankinhalt 0,9 l, 1050 Watt.

**FUST 5-Stern-Garantie \*\*\*\*\***

- \* Tiefpreisgarantie (Geld zurück, falls Einkaufsbeleg innerhalb 5 Tagen offiziell billiger)
- \* Servicegarantie, Erklärung und Ansdhnen durch Fust-Spezialisten
- \* Garantierter Reparatordienst, Garantieverlängerung bis 10 Jahre
- \* Garantierte Fachberatung
- \* Garantierte Grossauswahl aller Marken

**FUST Fachmarkt** ELEKTRO-HAUSHALTAPPARATE  
KÜCHEN/BADER, LAMPEN, TV/HIFI/VIDEO

St. Gallen Hauptmarkt, Tel. E-LIE 071/22 52 33/03 • Oberkochen-Stein an der Mtl. Tel. E-LIE 073/50 50 50 • Wülflingen-Bühlwilerstr. 7, Tel. LIE 073/22 72 44 • Münchenbach-Weh. WARG-Zentrum, Tel. E 073/23 58 77 • Haag Haag-Zentrum, Tel. E 081/771 17 22  
Aarau St. Gallen, S. Tel. E-LIE 071/48 01 46/47 • St. Margrethen Rheinfelden, Tel. E 071/71 50 71  
Sennwalden Bachler, 17, Tel. E 072/72 31 82, Tel. LIE 072/72 31 83  
E=Elektro-Haushaltapparate, LIE=Unterhaltungselektronik

**FUST. DER FALL IST KLAR!**

for employees. Central buying is also very important. This improves the members' negotiating position *vis-à-vis* the manufacturers.

Interfunk, on the other hand, is managed by a board made up of retail members. Tetora-Expert and Interfunk cooperate in the field of purchasing, with higher total sales offering a stronger negotiating position. Tetora-Expert especially tries to use this synergistic potential not only in the purchasing

## Exhibit 12 Specialty store advertisement

*Warum sollte ich  
für HiFi ins  
Musikhaus?*

*Wohin gehen Sie  
denn für einen  
Massanzug?*

Ihre HiFi-Anlage kaufen Sie mit Vorteil dort, wo die Begehung für Musik eine angestammte Tradition hat. Wir wissen aus Erfahrung, wie die Instrumente und Stimmen klingen, die Sie ab Tuner, CD-Player oder Tape Deck hören möchten, und wir sind sehr darauf bedacht, das Hörerlebnis ebenso natürlich zu gestalten. Nehmen Sie sich also die Zeit und sehen Sie uns Ihr Ohr. Lassen Sie sich etwas Erlebnis bald bei Ihnen zu Hause statt Jecklin HiFi und Video in Zürich am Platten. Ramoner 42, Tel. 261 77 35

*♪*  
**Jecklin**

area, but also in marketing. While the possibility of a television campaign in Switzerland, like the one used by Expert in Germany, is still in the distant future, new challenges, such as the market entry of category killers, increase cooperation among the members and make new solutions possible.

*Migros: own brand labels and an outstanding image* Migros, the largest Swiss distributor in grocery retailing, offers a narrow assortment of non-food items, which includes many of its own brand labels, at a fair price. Migros follows a low price strategy but offers good service as well. By reconstructing and renovating some of its existing stores, Migros was able to redesign its consumer electronics sales areas. In spring 1994, the company began a four colour print ad campaign emphasizing household appliances.

Migros is a successful large retailer in both the food and non-food sectors. The operation benefits from synergies between all categories and Migros has an outstanding corporate identity. The company has a cooperative structure with decentralized decision-making on a regional level. This hampers nationwide marketing measures and the start-up of new retail formats. A new entrant into the market forces the different regional members to make use of innovative measures and to develop new retail formats.

*Manor: integration in the department store* Manor department stores, which are found in downtown areas, differentiate themselves through retailing a wide assortment in numerous non-food categories. They also offer consumer electronics at a fair price. Manor is particularly successful in the software area, which is also a traffic builder.

*Steiner: a specialty store chain* Steiner is a subsidiary of Coop, the second largest grocery retailer in Switzerland. Steiner has a total of 80 branches and offers a wide range of services and customer assistance. In 1993 Steiner saw its sales increase by 16.7% to sFr.265 million. Additionally, it was able to differentiate itself through such innovative measures as customer assistance at home and subscription for repair services, as well as rentals. The subscription for repair services can also be used for equipment bought at a competitor's store. This serves as the starting point for building up a long-term and loyal clientele. Steiner's reaction to MediaMarkt's market entry was to become more innovative in its service area and use more targeted advertising and price discounts.

*Other competitors: Eschenmoser and Rediffusion* With four sales locations, Eschenmoser calls itself 'the first and biggest discounter in Switzerland'. Eschenmoser is highly price-oriented and communicates its price competence intensely. Important features of Eschenmoser are its mail order department and its comprehensive catalogue, with more than 400 pages.

Rediffusion is a specialty store for consumer electronics with 60 outlets, sales of sFr.202.0 million in 1993 and approximately 600 employees.

### **Summary of the competitors**

The new aspects of MediaMarkt's concept are the quantity of merchandise available and self-service with optional assistance. The market is saturated and competitive. Objective price comparisons do not show that Swiss retailers have much higher margins than retailers in other European countries.

It is clear from the short descriptions of the competitors that low prices had also played an important role before MediaMarkt entered the market. Interdiscount, Eschenmoser, Fust and Migros all strove to be the price leader, but all focus on different measures or instruments in order to differentiate themselves. Migros offers a limited assortment of goods and one-stop shopping; Eschenmoser focuses on discounts, customer assistance and mail order; Interdiscount differentiates itself through own brand labels, and stresses the sale of portable equipment and 'trendy goods'; and Fust emphasizes an integrated strategy – service, customer assistance and price are all important. Fust in particular has tried to achieve an outpacing strategy. All existing retailers tried to push their sales through the salesforce; service and customer assistance is obligatory. The MediaMarkt concept, on the other hand, emphasizes self-service with customer assistance available if required. Customers can inform themselves on the different aspects of the merchandise and test the products without feeling pressured.

### **The problem facing importers: Hitachi Sales AG, Lenzburg**

Hitachi Sales AG in Lenzburg represents Hitachi Japan in Switzerland. The company is 50% owned by the general manager, G. Werder; the remaining 50% is owned by Hitachi Japan. Ten years ago Hitachi Sales AG also supplied Migros and Interdiscount, in addition to the specialty stores, but decided to stop delivery to these two large distributors and today remains loyal to specialty stores. This consistency and loyalty gives Hitachi in Switzerland more political weight in the industry than is represented by its market share. Of greater importance is its intensive and trusting teamwork with the specialty retailers. Sales in 1993 were at around sFr.33 million. This, however, showed a decrease from 1992 sales.

Hitachi Germany, France and Austria are already supplying MediaMarkt in their countries and Hitachi corporate headquarters in Japan is putting pressure on Hitachi Sales AG to supply MediaMarkt in Switzerland. After years of optimizing production, the corporate HQ in Japan is convinced that 'lean distribution' through channels like MediaMarkt will be necessary in the future. The product and price orientation reflects the Japanese and Hitachi's marketing ideas. Nevertheless, Hitachi's experiences with MediaMarkt in Austria and France are also critical. In Austria, for example, Hitachi does not want to become too dependent on MediaMarkt.

## Questions for discussion/suggested tasks

MediaMarkt's entry into the Swiss market took place on 24 March 1994. Approximately three weeks have passed since that date. It is 10 April 1994. The opening activities are well under way.

- 1 MediaMarkt's decision for market entry and its success:
  - (a) Which are the advantages and disadvantages of entering the Swiss market for MediaMarkt?
  - (b) How do you assess MediaMarkt's middle- and long-term success in the Swiss market?
- 2 Hitachi Sales AG's supply decision:  
How should Hitachi behave with respect to MediaMarkt? What do you suggest?
- 3 How can the existing retailers cope with the new market entrant?
  - (a) Which strategies could be successfully applied by the existing retailers (specialty store, department store, chain . . .) in order to react to MediaMarkt?
  - (b) How can Fust act successfully? Define and explain different possible strategies/measures that Fust can undertake to counter the competitor effectively. Choose three well-founded priorities and develop the strategies and measures.
  - (c) How can a specialty store (member of the Tetora-Expert cooperative) act successfully? Define and explain different possible strategies/measures to counter the competitor effectively. Choose three well-founded priorities and develop the strategies and measures.

## Suggested reading

Rudolph, T. (1993) *Successful Differentiation Concepts for Retailing in Europe* (available from the authors).

## Acknowledgements

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