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An appropriate approach to the mom & pop shops market: the case study of Metro Cash & Carry in Vietnam

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1. Introduction

Metro Cash & Carry (MCC) in Vietnam is a subsidiary of the Metro Cash & Carry group which originated in Germany. It is a typical supermarket specializing in wholesales business. MCC in Vietnam classifies customers into three groups, such as HoReCa (Hotel-Restaurant-Caterer); traders (retailers and wholesalers) and CBUs (Corporate Business Units including Services Providers, Companies and Offices). The category of the traders account for 44% of the total business (with the subgroups food traders: 31%, and non-food traders: 13%), while HoReCa's and CBUs occupy 15% and 51%, respectively. Among the traders, there are many types of customers, such as big groceries, Mom & Pop (M&P) shops[3], Minimarts, supermarkets, fruit groceries, etc. The main role MCC has played is that of distributor to deliver products of manufacturers to wholesalers, and retailers, and look for a big gross margin. MCC has been active in Vietnam since 2002, and has been popular since then. Therefore, the turnover of the M&P shops in MCC's turnover is a notable 13% in total, and that of the traders group 39%. As a result, M&P shops are worthy of considering, offering an important potential market for MCC.

Due to being a wholesale company, MCC Vietnam concentrates on customers who buy a large amount per visiting. They are normally wholesalers and big retailers. To attract customers, MCC usually gives promotions, e.g. discounts to customers and particularly put them on a top priority to get a big quantity whenever attractive trade promotions run. Besides, MCC is expected to stimulate customers coming to MCC's stores rather than MCC going to them directly asking a contract. Although MCC already set up a delivery department, it only serves for the selected HoReCa and traders while the M&P shops are not included. It means that MCC has not yet developed any strategy to approach the M&P shops, while other competitive suppliers pay more attention to that segment. Based on an internal report of MCC, the visiting frequency and average sales per visiting of the M&P shops are not interesting enough. The initially preliminary rationale behind is that the M&P shops are normally quite busy in their business, so it is difficult for them to manage time to visit MCC. This also shows another disadvantage for the M&P shops to get sale promotion programs of MCC directly. As a result, MCC itself loses opportunities to pick up its share of the M&P shops segment.

Based on the actual situation and the problems just mentioned, objectives of the present paper are: (i) to find out the perception of the M&P shops on MCC; (ii) to identify the M&P shops' needs and expectations to be a partner of MCC; (iii) to think of leading strategies to encourage M&P shops towards MCC more frequently visiting, and buying.

2. Data collection

In order to reach a good survey, in-depth interviews were conducted with five people, two of which are specialized in the marketing department and operational department, and others are representative

[3] See its definition in next session.

M&P shop owners. The purpose of the in-depth interviews is to draft an appropriate questionnaire for direct and personal interviewing. The pilot survey is then conducted on ten M&P shop owners. Respondents are randomly selected, but must be mainly responsible for their shops, e.g. owners or/and managers, particularly having their business at least one year already started. The survey takes place in district 2, district 6, and district 12 of Ho Chi Minh City, where MCC is located. Because of busy business and the unwillingness of M&P owners and managers to accept personal interviewing, the number of final samples remained rather small, with 80 of 100 samples completely filled out. Hopefully the result is partly a representative voice for the project.

3. Overview of Mom & Pop shop and function of MCC

3.1 Definition of Mom & Pop shop

According to MCC, a M&P shop is a small scale grocery shop selling a wide variety of products, such as personal care products, dried food, beverages, confectionery, and so on. Other criteria of M&P are as follows

- A floor space of around 10-20 square meters on average located at the owners' house.
- A monthly turnover of around 10 million VND[4] on average.
- Mainly run by 1-2 people, who normally are the store owner and/or the spouse with/without help from some other family members.
- Focused on day-to-day business, and supply and demand.
- Unaware of market issues and current and future challenges in retail - happy to simply survive.
- Very price sensitive and focused on margins - looking for the best possible price in all situations.
- Business opened during seven days in a week between 7:00-22:00 hours.

Consumers of M&P are anyone who has demand, mostly families, students, workers, etc. living around where M&P shop is located. Other consumers are not living nearby the shop, however, but buying because underway and having unplanned demand.

3.2 Business function of MCC

MCC pays much attention to the following principles: (1) focusing on professional customers; (2) one stop shopping; (3) efficient store concept designed for professional needs; (4) advanced customer service, considering a micro-perspective[5]; (5) enhanced customer's competitiveness; (6) excellence in supply chain and quality management; (7) strengthening of local suppliers; (8) development of national infrastructures; (9) career opportunities; (10) internationally transferable concept.

There is a variety of products that MCC takes into account for its business. The most popular categories are body care products, cooking materials, washing-up liquids, confectionary and milk, stationary, batteries or tissues/nappies. Moreover, Metro supermarket is the top choice for hair care

[4] 1 USD = 20,000 VND.

[5] A micro-perspective implies consideration of issues that affect perception at the individual level. This includes applying principles of Gestalt to explain image formation, and also includes the individual level variables such as personality traits, pre-consumption expectations, goal behaviors, and cognitive style in research projects (Lin, 2004).

products and washing-up liquids purchase, whereas monopoly suppliers and wholesale share the major sales for drinks (beer/alcoholic drinks, milk), noodles of all types, confectionary and spices.

MCC only accepts customers who registered a business card. Customers can use that business card as a means to access and to pay directly at the MCC's store. A reason that MCC has set up a system of entering card for customersis to allow a specific strategy to position a typical supplier. However, MCC's ignorance of home delivery services is disadvantageous to attract M&P shops, since the competitors (e.g. wholesalers, monopoly distributors) as dynamic suppliers, are willing to provide products accompanied by M&P's orders of home delivering service.

3.3 Business function of MCC

M&P market size is still large, with some 300,000 outlets nationwide. Although MCC is just taking account of a small share of wallet[6], its potential market is not completely disclaimed. This can easily be seen by looking into the turnover of the M&P shops which was 73 billion VND[7] in 2002[8], but this value rocketed up 980 billion VND in 2009. The annual growth rate of the M&P shops' sales during the 2002-2009 period was 30%.

Additionally, MCC gets an average margin ranging 4-5% when selling products to the M&P shop, while it takes between 2 and 3 % if selling to the wholesalers[9] (big trader). Thus the M&P market segment is offering more benefit than the wholesale market.

4. Materials and methods

MCC refers to a business store based on self-service as a supermarket. Supermarkets are generally viewed as providing outputs superior to those of traditional formats (Goldman, 1981). However, some consumers may view supermarkets as providing similar or inferior outputs than traditional stores (e.g. higher prices). Currently, there are positive changes in the consumers' attitude. Consumers think that shopping in supermarkets is helpful to save time. At the same place and the same time consumers can buy a lot of items or product categories. Also they partly accept reasonably high prices because they are compensated by an attractive internal environment and/or serivescape (Lin, 2004), such as cool air, free looking and selecting, etc. Goldman (2005) also argued that a higher opportunity cost of time is making multi-stop shopping in many small stores more costly than the one-stop shopping associated with the supermarket.

4.1 Service quality management

The concept of perceived service quality has been developed in the services marketing literature during the past decade. In order to keep a strong position in the market place, service quality has played an important role for retailing and wholesale companies. There are various approaches as to the concept of quality, which are summarized in figure 1. According to Vazquez, et al. (2001), service

[6] Expert evaluation from MCC
[7] 1USD = 15,441 VND in 2002; 1USD = 16,973 VND in 2009.
[8] Internal report of MCC
[9] According to the internal report of MCC, the delivery cost accounts for 1%.

quality is based on the demand approach, recognizing that quality of a service depends on its evaluation by the consumer.

Figure 1 : Approaches to the concept of quality

Objective quality	Subjective quality
+ Internal view of quality	+ External view of quality
+ Production/Supply approach	+ Marketing/demand approach
+ Adapting to pre-established specification	+ Customer real judge of quality
+ Error-free service transaction, lowing costs and avoiding deviations from the set standard	+ Company's ability to determine customer needs and expectations
+ Appropriate for standardized activities	+ High customer contact activities

Source: Garvin (1988)

The concept of service quality can be measured by the difference between perceptions and expectations of customers (Parasuramand et al., 1988). If perceptions exceed expectations, the service provided by companies will be considered excellent; if perceptions only equal the expectations, it will be regarded as good or adequate; if perceptions do not meet expectations, the service will be classed as bad, poor or deficient. Also according to Parasuraman et al. (1988), service quality consists of five generic dimensions: tangibles, reliability, responsiveness, assurance, and empathy.

Customer satisfaction, which according to the dominating expectancy-disconfirmation paradigm is defined as a function of the customer's expectations and perceptions of performance (Tse and Wilton, 1988; Anderson and Sullivan, 1993), is a phenomenon closely related to perceived service quality. According to Anderson et al (1994), two major conceptualizations of customer satisfaction can be identified: transaction-specific and cumulative satisfaction. As Cronin and Taylor (1992) argue, customer satisfaction is affected not only by the quality of what the customer receives, but also by price and convenience.

4.2 Attributed characteristics to the grocery store identified

In a traditional way, price has been considered as an important element at the moment for determining the perception that the consumers have on a store (Ruiz, et al., 2010). Thus, frequently, retail distributors use price as a key aspect to their commercial policy with the purpose of obtaining a certain image in the market. For this reason, they design and carry out strategies oriented generally to obtain a positioning of discount prices. With the purpose of achieving this objective, sometimes fixed prices are specially reduced for those products and product categories (loss leaders) that are important to the consumers.

To analyze supermarket buyer decisions, Montgomery (1975) conducted a survey on 124 new products with 18 variables: (1) Promotion; (2) Company reputation; (3) Quality; (4) Newness; (5) Introductory allowances; (6) Competition; (7) Packaging; (8) Gross margin; (9) Advertising; (10) Private label; (11) Guarantee; (12) Distribution; (13) Broker; (14) Sales presentation; (15) Category volume; (16) Category growth potential; (17) Shelf space; (18) Cost.

4.3 Study approach framework

Based on the literature review, plus secondary information of internal reports of MCC, and in-depth interviews, a questionnaire for personal interview was designed. Variables included in the questionnaire are shown in figure 2. Accordingly, M&P shops are also asked about their consideration when buying product categories. Meanwhile M&P shops are convinced to express their opinion on the attractiveness of MCC.

Figure 2: Consideration and evaluation of M&P shop for MCC

Consideration

Product

Assurance of product quality
Well-known brands/products
Availability of products
Wide variety of product categories
High hygienic standards on all items
Fresh products

Price

Competitive Pricing
Consistent Pricing
Customer Specific Pricing (Based on volume/quantity of operation or other factors)
Fixed Pricing
Everyday low prices

Promotion

Regular Specials and Discounts
Promotion gifts or gifts from manufactures
Value added offers (trips, show, etc. ,,,)

Delivery

Free home delivery
Quick and on time delivery

Payment

Late payment
Rolling payment

Customer services

Friendly, helpful, understanding and informative staff
Offer salesman to support the business
Knowledgeable salesman
Good after sales services
Strong personal relationship
Ease of return guarantee
Ease of return products
Order by telephone/fax

How attractive

Service

Clean Floors
Large displays
Friendly Sales Associates
Regular visits by Customer Consultants
Fast check-outs
100% in stock conditions
Ease of parking

Product

Assurance of product quality
Range of/diversity of categories
Range of well known local brands
Range of well known international brands
Exceptionally hygienic fresh departments

Communication

Regular communication of promotions via Metro Post
Regular communications of promotions via staff

Price

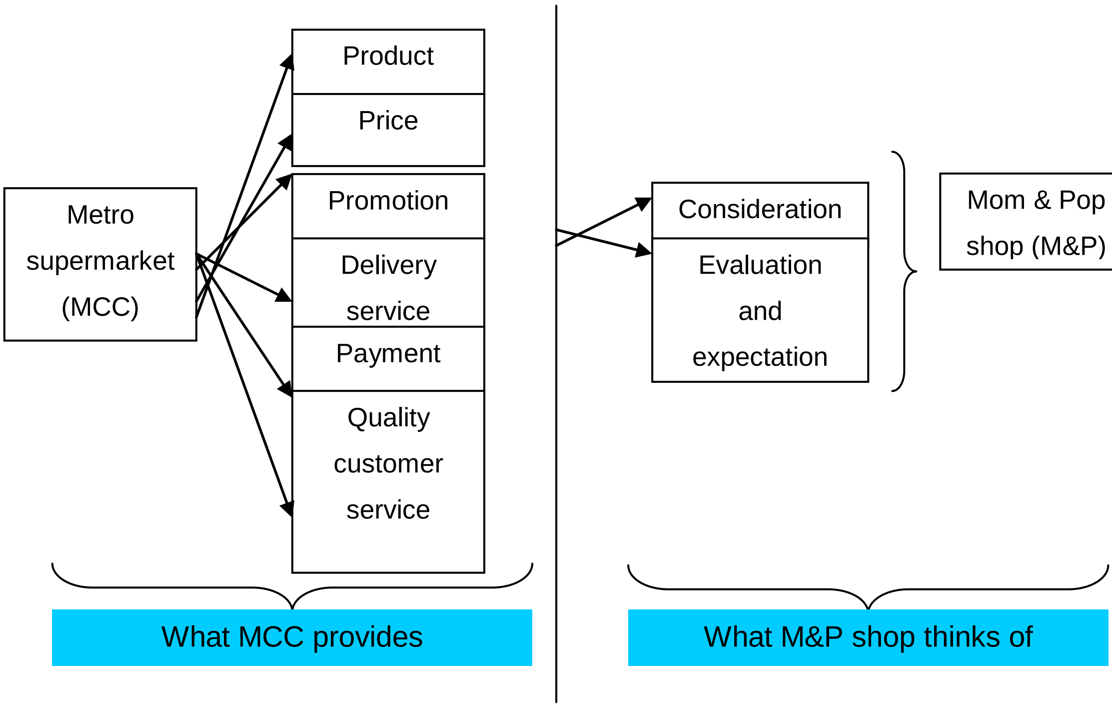
Pricing clearly marked on shelves and displays

Promotion

Promotion campaigns

The study approach framework presented in figure 3 is applied to find out how the M&P shop perceives MCC's services, as well as to evaluate the M&P shop's thinking. In parallel, a customer service quality measurement is also envisaged by looking for what the M&P shop wants from MCC in terms of service.

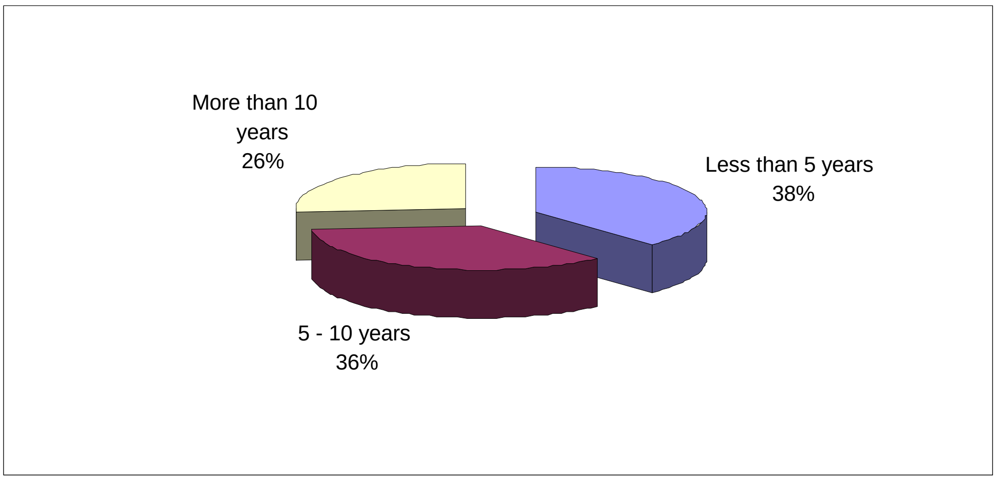
Figure 3: The study approach framework



5. Analysis and empirical results

Based on the descriptive analysis, M&P shops in the sample being less than 5 years in business account for 38%, and these with a duration of business from 5 to 10 years accounting for 36% (figure 4). In order to avoid bias due to businesses being active less than one year, the category of business activity of less than 5 years consists of these with a duration of 1-5 years.

Figure 4: Years in business of M&P shops

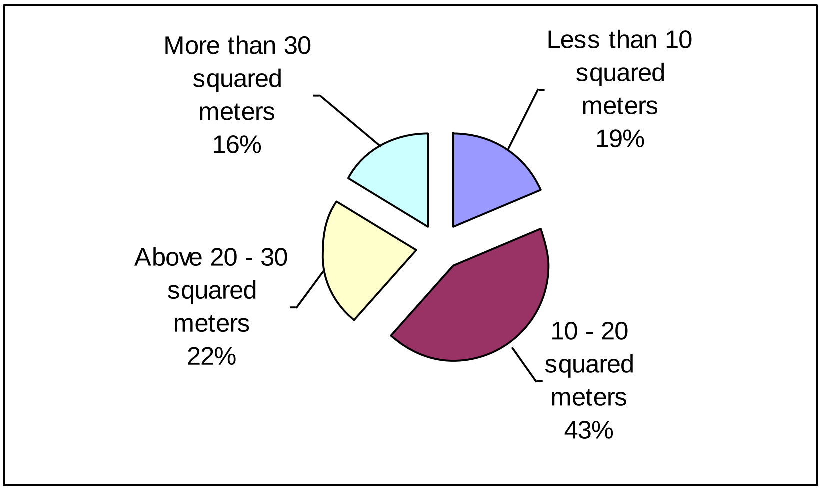


Source: Own survey

The M&P with outlet size from 10 to 20 square meters accounts for 43% of the total sample, and these from 20 to 30 square meters represent 20% (figure 5). The share of the M&P's with outlet size of more than 30 square meters is the smallest, due to the high cost of land or the rent at a comfortable location.

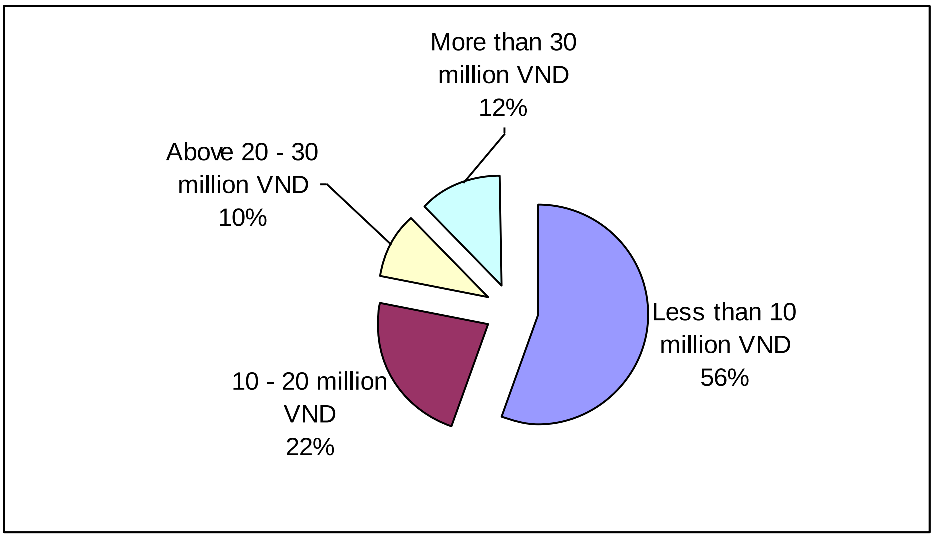
As shown in figure 6, M&P shops with a monthly revenue of less than 10 million VND account for the highest share (56%), followed by these with a monthly revenue range of 10-20 million VND (22%).

Figure 5: Size group of M&P shops



Source: Own survey

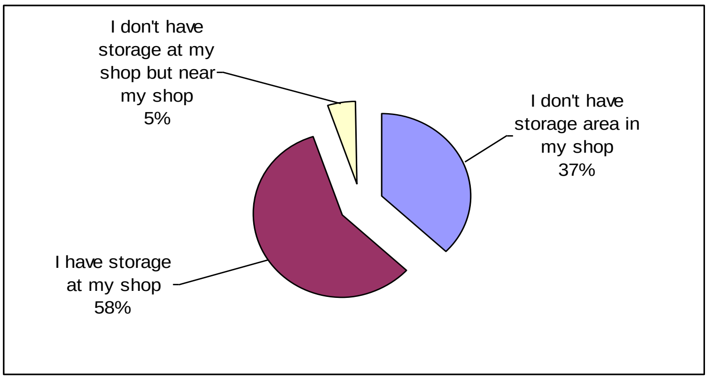
Figure 6: Monthly average revenue of M&P shops



Source: Own survey

M&P shops mostly have their own storage. Therefore, 58% of the M&P shops in the sample have storage at their shop, and 5% has storage capacity nearby (figure 7). As a result, the M&P segment is dynamic, with more than 60% of the M&P shops having their own storage, as they want always to be available for catering to the consumer's need and to also respond to future shortages at higher prices.

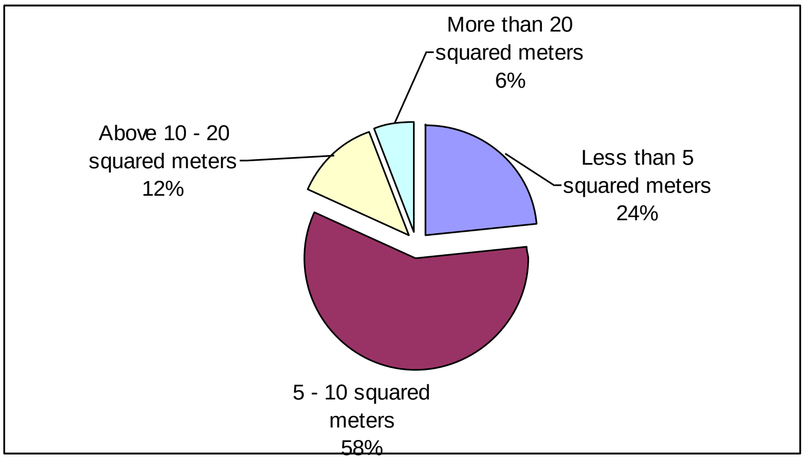
Figure 7: Storage of M&P shops



Source: Own survey

However, from figure 8 it appears that the storage capacity of the M&P shops is not big, but suitable to its business scale. The storage size class from 5 to 10 square meters accounts for 58%.

Figure 8: Storage size of M&P shops



Source: Own survey

5.1 Input and output market of M&P shops

The M&P shops function as an intermediary actor. Its business is based on procurement and selling with an expected large profit margin. The input and output channel system of M&P shops is shown in figure 9, with four suppliers: wholesale market (21.3%), wholesalers (28.8%), monopoly supplier (23.8%), Metro supermarket (26.3%).

According to MCC's definition, the wholesale market consists of suppliers doing business at formal markets[10], for example, the Cho Lon market, the Saigon market, etc. Wholesalers who are not located at such a market play an intermediary actor's role specializing in wholesale distribution. Monopoly suppliers are distributors under manufacturing companiessuch as Unilever, Vietnamese Beer Company, etc.

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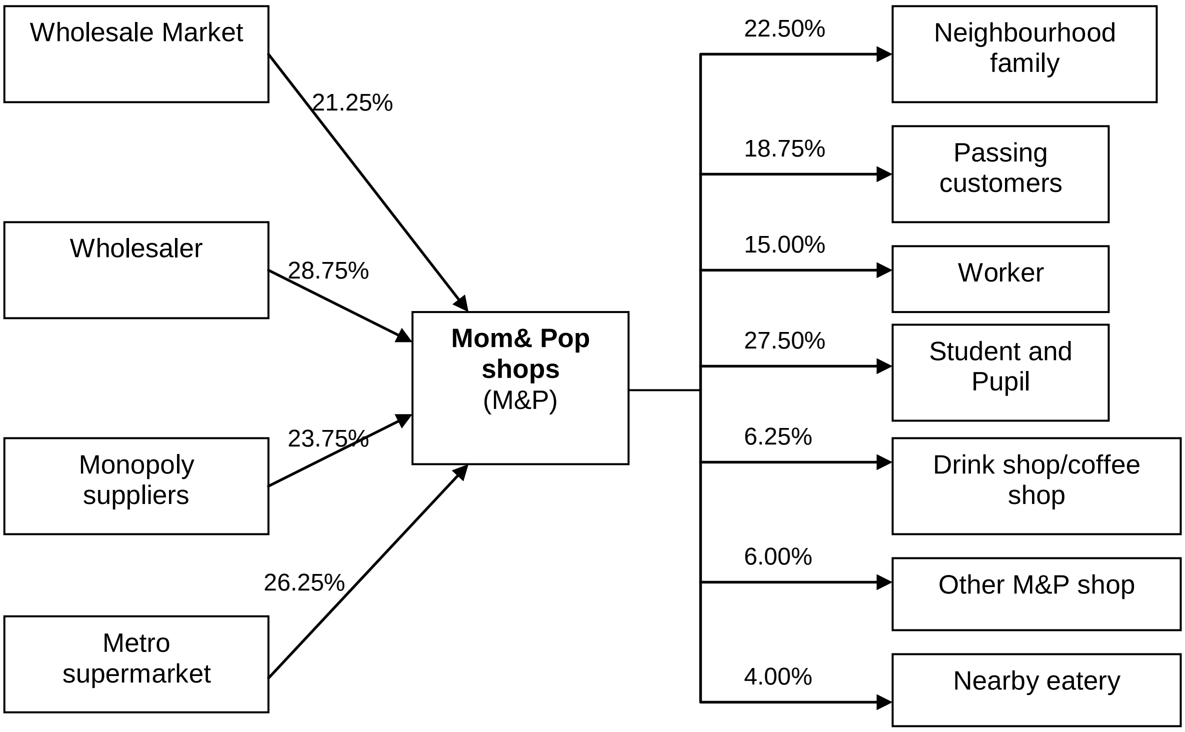
[10] Formally established and approved by the authorities, and municipal governments responsible for the construction and operation markets (Maruyama and Trung,2010).

Figure 9: Market channel



The share of those four actors in the market channel is not very different, but the wholesaler and MCC are somewhat more important suppliers occupying 28.8% and 26.3% in the total procurement of the M&P shops respectively. As a result, the M&P shops market for MCC offers a large potential, and MCC's image is in the customer's mind, this is a good signal for MCC. However, in order to explore that opportunity, MCC must act in a dynamic and strategic way.

The output market of the M&P shops consists mainly of individual consumers, who are students and pupils (27.5%), neighborhood families (22.5%), and passing-by customers[11] (18.8%).

There are many items offered by the M&P shops, with the five leading ones being instant noodles/vermicelli and household care products (powder/washing up liquid/floor detergent), ranking first; shampoo/conditioner/hair lotion ranking third; and cakes/sweets/chewy and spices/seasonings, ranked as the fourth (appendix 1).

Based on appendix 2, MCC has the highest share in the M&P shop's procurement for product categories, with soap/shower cream accounting for 36%, shampoo accounting for 40%, washing-up liquid accounting for 41%, spices accounting for 30%, rollpaper/tissue accounting for 35%. All of these almost belong to product groceries leading in the M&P shop's procurement as mentioned in appendix 1. In conclusion, the market of the M&P shops offers important potential for MCC, because most product categories offered by the M&P's are bought from MCC.
Depending on a type of suppliers, the M&P shop has a different way to contact when buying items. As mentioned in appendix 3, the M&P shop normally goes to the suppliers directly for procurement. In

term of that, MCC accounts for 92%, being a popular supplier. Next comes the wholesale market (58%), and the wholesalers (46%). Because the monopoly supplier[12] under the manufacturer normally has a salesmen force to directly contact the M&P shop, the M&P shop could get the product directly from these salesmen. As a result, the M&P shop prefers to contact the monopoly supplier through the salesmen (41%) and by telephone (36%), for saving shopping time and transportation cost. In sum, unlike the other three suppliers, MCC mainly concentrates on self services at the stores, does not care of customers' order by telephone, by fax, by e-mail, and is even not interested in sending salesmen to the M&P shop for dealing about the sales contract. Conversely, the M&P shops pay much attention to home delivery services, because it wants to save time and transportation cost. Based on that, the buying frequency during the week of the M&P shop is denser for the wholesale market, wholesalers and monopoly suppliers than MCC (Appendix 4), and with normally visits of MCC once a month (35%).

Despite the unusual buying frequency from MCC, the M&P shop has a big amount of procurement from this supplier for each visit. The value in terms of procurement amounts between 1 million and 5 million VND per visit, which occupying 71% (Appendix 5), while that of wholesale market, wholesaler and monopoly supplier, relate to less than one million VND per visit. Although the M&P shop pays more attention to buying a big amount with an unusually buying frequency from MCC, it must be responsible for its own carrying (95%) (Appendix 6), and does not receive any free home delivery (Appendix 7). However, if the M&P shop buys product groceries from the wholesale market, wholesalers and monopoly suppliers, it could get free home delivery of those suppliers, and take late payment and rolling payment.

5.2 Considerations, evaluation and expectation of the M&P shop

Considerations

Note that variables concerned in this section are measured on a five point scale, with 1 = not worried at all, 2 = not worried, 3 = neutral, 4 = somewhat worried, 5 = extremely worried.

Consideration on product

As depicted in figure 10, we can get a clear picture how much the M&P shop pays attention to the product when buying product categories from four suppliers. All seven variables (assurance of product quality, well-known brand/product, product availability, wide variety of product categories, high hygienic standards on all items) have mean values less than 3. It can be concluded that the M&P shop does not worry excessively with regard to the products provided by the four suppliers. However, if comparing among the four suppliers, MCC is a key point, whose reliability is highly evaluated by the M&P shop and for six of the seven variables relating to product, the M&P shops are most at ease.

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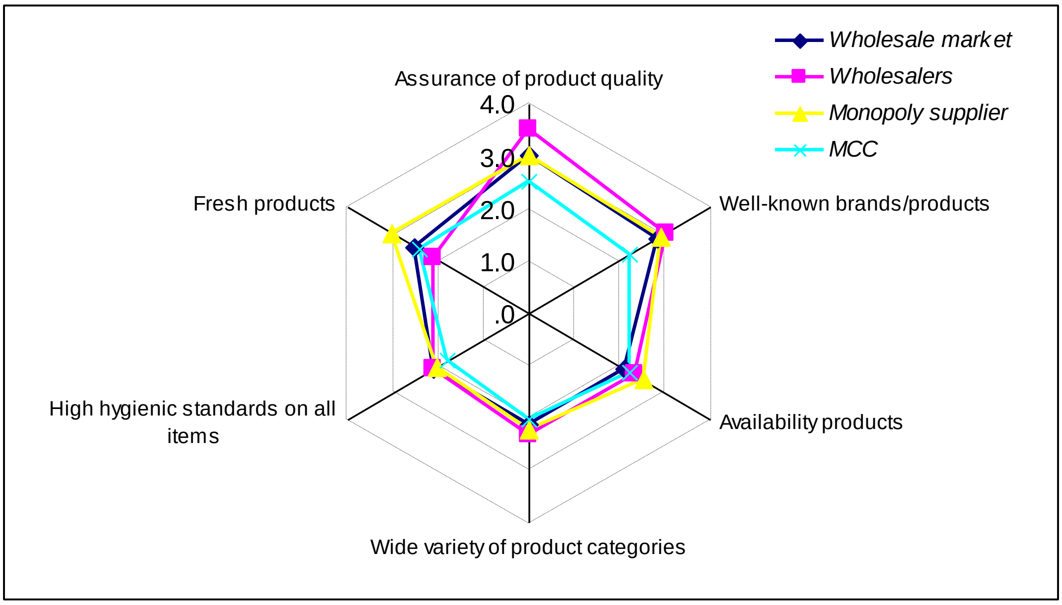
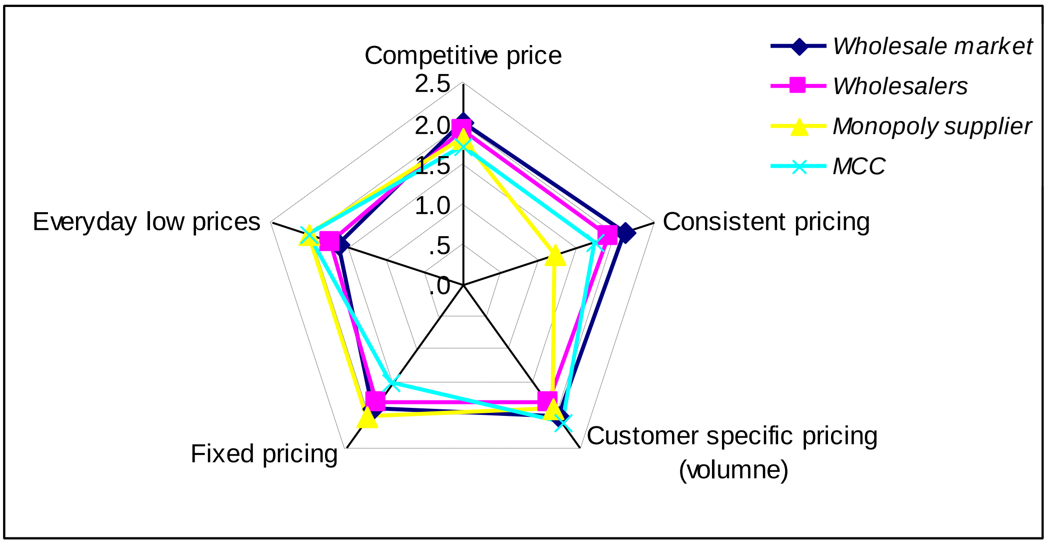
[11] Who are not living around the M&P's location, sometimes shopping because of urgent demands, and rarely repeated.
[12] A monopoly supplier or nexclusive distributor of the manufacturer is not allowed to sell goods from other manufacturers.

Figure 10: M&P shop's considerations on product



Source: Own survey

Figure 11: M&P's shop's considerations on price



Source: Own survey

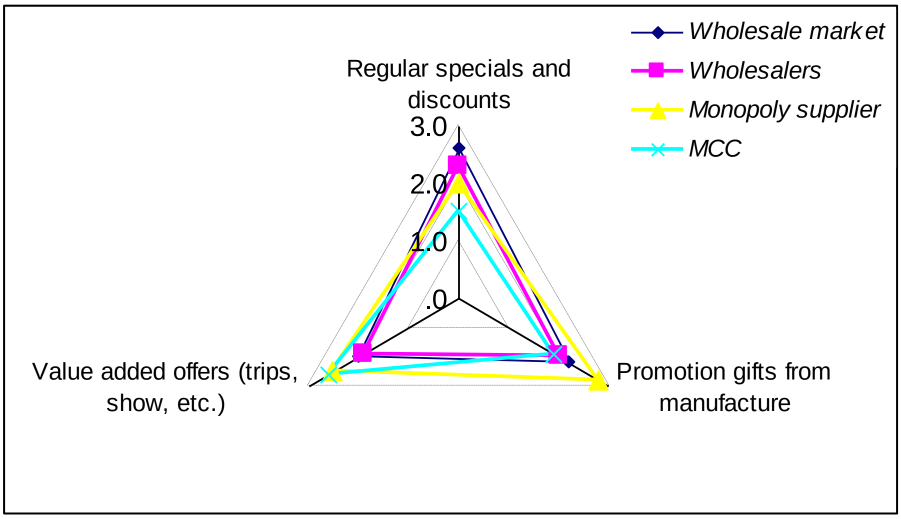
Considerations on price

Similarly to product considerations, as can be seen in figure 11, the five variables (competitive pricing, consistent pricing, customer specific pricing, fixed pricing, everyday low price) have mean values below 3. This means that the M&P shop does not have much worries about prices, when buying product categories from suppliers, in which MCC is thought as reliable to present its competitive pricing and its fixed pricing.

Considerations on promotion

According to the M&P shop's perception, MCC presents good regular specials and discounts, and promotion gifts for them, so the M&P shop does not need to suspect the promotion program of MCC. However, monopoly suppliers are considered better regarding their promotion programs, providing. trips, shows, etc. (figure 12).

Figure 12: M&P shop's considerations on promotion



Source: Own survey

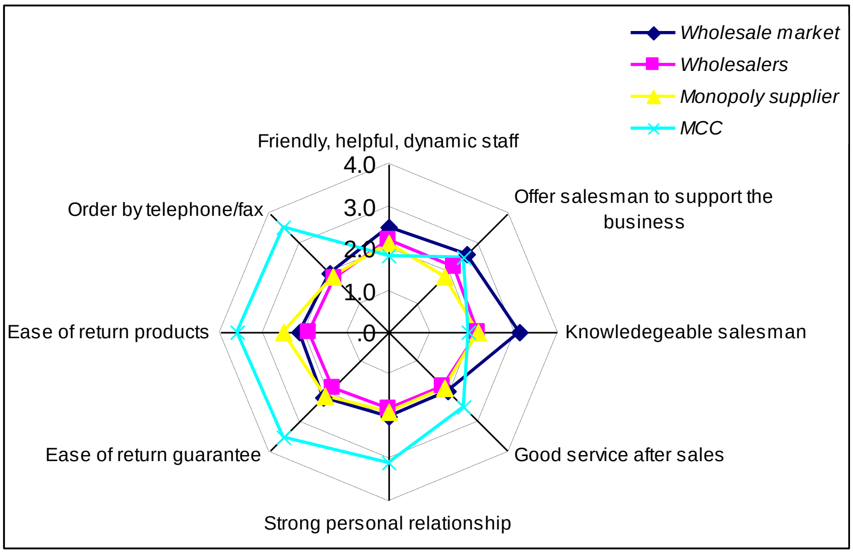
Considerations on delivery and payment

As shown in appendix 8, most of the M&P shops are not worried about what the wholesale market, wholesalers, and monopoly suppliers offer in terms of delivery service and payment conditions. Conversely, the M&P shops want to have support of these services from MCC.

Considerations on customer services

Although MCC has reliable services and personal communication, such as friendly, helpful, dynamic and knowledgeable salesman (figure 13), the M&P shops seem to doubt the others services of MCC, such as good after sales services, strong personal relationship, ease or return guarantee, ease of product return, order by telephone. Unlike MCC, the other three suppliers are considered doing better in taking care of customers, keeping in close contact, accepting products that the M&P shop wants to return, willing to take orders by telephone or by fax. In sum, customer services of MCC are considerd as less dynamic and performing than these of wholesale market, wholesalers, and monopoly suppliers.

Figure 13: M&P's considerations on customer services



Source: Own survey

M&P shop's evaluation on MCC

Mostly the M&P shops have a rather positive evaluation of MCC, in which the services are seemingly good, except to fast check-outs due to a small value of 3.4 (appendix 9). This can be due to a lot of customers online with a large amount of procurement, such that the waiting time for the M&P shops is too long. In general, the elements mentioned in appendix 9 are attractive for the M&P shops, because their value scores are larger than 4.

M&P shop's expectation

Based on the answers to question about the M&P shop's expectation (appendix 10) it can be concluded that the M&P shop wants MCC's offering a reasonable price, due to an acceptable profit margin. A sufficient increase in investment is also found in the M&P shop's expectation.

M&P shop's ranking for elements in future.

As depicted in appendix 11, the product quality is always ranked highest, followed by competitive price. This ranking is consistent with the M&P shop's expectation. Third comes free home delivery service, which MCC does not provide. As a result, three above elements should be kept in mind for the business strategy of MCC.

6. SWOT analysis

The SWOT is a combination of four elements: Strengths, Weaknesses, Opportunities and Threats. The SWOT analysis is a tool for auditing an organization and its environment. It is the first stage of planning and helps marketers to focus on key issues. Strengths and weaknesses are internal factors. Opportunities and threats are external factors. Based on the above results, together with secondary data, a SWOT analysis was conducted as summarized in figure 14 below.

Figure 14: SWOT analysis

Strengths	***Weaknesses***
- MCC Group's expertise and traders approach - Wide range of products including popular and international brands - Regularly run sales promotion particularly on fast-moving items - Reliability: promotion, price, product	- Uncovered by on-field sales force (Key Account Executives) - No delivery and credit - Feel distrustful since Metro just prioritized wholesalers before whenever big promotions taking place - Taking time to pay online - Bad service after sales
Opportunities	***Threats***
- Avoid taking risk as dependent on wholesalers - M&P shops' margin is ranging between 10-15% against that of wholesalers 1-2% - Accounting for a large part of universe retailers in Vietnam (approximately 300,000) - Increase in M&P shop's investment - Increase in market demand	- M & P shop number will decrease due to the development of modern trading techniques and the consolidation of trading business - An increase in competitive services of other suppliers - An increase in Consumer Price Index

7. Discussion

An increase in the number of M&P shops, plus a rise in the retailing business demand, the M&P shops offer a potential market for MCC. Accordingly, the M&P market accounts for the high share in MCC's sales, and holds a notable amount of its procurement from MCC with 26%[13].
MCC occupies a positive thinking in the M&P shop's mind. Product quality, price, promotion, customer service through personal communication presented by MCC is considered reliable by the M&P shop.

Although MCC is a leading and big distributor, it is facing constraints from the market place. The distributors, such as wholesale market, wholesalers and monopolies are doing very well for services of free home carrying, telephone-or salesperson ordered product categories, together with other services of late payment and rolling payment. As a result, marketing actions by MCC are not leading to much results, and could even negatively impact on a good distribution system.

There are many product groceries concerned by the M&P shop, in which the five leading items are supplied by MCC. Although the M&P shop has a buying frequency once a month, it normally gets a large quantity, due to the higher opportunity cost of time of multi-stop shopping in many stores than one-stop shopping (Goldman, 2005).

One more finding is consistent with the argument of Ruiz, et al. (2010). The M&P shop pays very much attention to the price and thinks of it as an important element to get a big profit margin. In addition, the M&P shop has coherent ideas about promotion programs and quality product categories under MCC, and expects good after sales services and tangible actions such as free home delivery, payment installment.

[13] Internal report of MCC.

8. Conclusions

Our findings show that MCC gets a higher margin from the M&P shop than that of the wholesaler (big trader). So the M&P shop market is necessary to be tapped, because the average cost of home delivery service accounts for 1%.

Comparing with competitive suppliers, e.g. wholesale market, wholesalers and monopoly suppliers, MCC had a competitive advantage based on quality product supply, reasonable prices based on discount, and various reliable programs.
However, MCC is not evaluated so well for services of ordering product categories by telephone, by fax, e-mail and through salesman, while competitive suppliers are doing much better and are more dynamic for other services, such as free home delivery, late payment, rolling payment, etc.

Wholesaler and monopoly suppliers offer up to ¾ of total purchased goods delivery which currently Metro has not offered. Personal relationship does play a key role. For monopoly suppliers, salesmen play a very active role in visiting the shops frequently, keeping up on their stock status, and “feeds” when the stocks are nearly finished. Order via telephone is another kind of strength of these suppliers
Wholesalers and monopoly suppliers also offer good discounts when ordered in large quantity. Together with free home delivery service, these suppliers surpass MCC. Although MCC has much of advantages, such as good services consisting of cleanliness, large display and easy parking, and product categories including hygienic and good quality product, offering of well-known brands, etc., it needs to prepare a strategy to better combat other suppliers. For this, we can make the following recommendations.

In order to compete with wholesalers and monopoly suppliers, besides maintaining the reputation of providing high-quality products, MCC should be concerned about the following issues :

- Delivery service: identify the key M&P shops, which buy large quantities at MCC’s stores (of 2 million VND within a 10 kilometer-radius) enclosed free home delivery. It is certain that this service should be communicated to the M&P shops.
- Personal relationship: make the M&P shop thinks that MCC is a part of its business, not just one “wholesale supermarket”.
    - Identify key clients which frequently make large quantity purchase/ bulky purchase, providing them with frequent buyer membership/special discounts and free home delivery/delivery assistance
    - Set up a group of salesmen who will pay frequent visits to these key clients and gradually update them with new products/promotion. These salesmen must be friendly and attentive, and aiming at maximizing the established role of Metro Post.
    - Telephone order service should also be taken into consideration and applied with the M&P shops selected
- Product
    - Supply of products which are “fresher” and have a longer expiry date

    - Assurance of hygienic condition and quality of the products plus a careful selection of famous brands (this is important since it is one of the main strengths of MCC)
    - Ease of product return (in case of damaged or expired products)
- Pricing: focusing on
    - Consistent and competitive pricing, also meeting the M&P shop's expectations of a good profit margin.
    - Flexible pricing negotiation. This may be somewhat difficult for MCC, but it is a major strength of monopoly suppliers that all customers recognize. It might be tackled by targeting certain key clients and offer them special discounts.

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APPENDICES

Appendix

Appendix 1: Items concerned by M&P shops (multiple answers)

No	Items	Percent	Frequency	Rank
1	Packed tea/ packed coffee/ dissolved flour (Tang/ Milo)	23.65	19	13
2	Soft Drinks/Fruit Juices	24.79	20	11
3	Beer/Alcoholic Drinks	21.65	17	14
4	Powder milk/ sugared liquid milk	24.79	20	11
5	Fresh milk/ yogurt	25.07	20	9
6	**Cakes/Sweets/Chewies**	**26.50**	**21**	**4**
7	Snacks	25.07	20	9
8	**Instant noodles/ vermicelli**	**27.07**	**22**	**1**
9	Table oil	25.93	21	6
10	Soaps & Gels	25.93	21	6
11	**Shampoo/ Conditioner/ Hair lotion**	**26.78**	**21**	**3**
12	**Household Care Products (Powder/ washing-up liquid/ floor detergent…)**	**27.07**	**22**	**1**
13	**Spices/Seasonings**	**26.50**	**21**	**4**
14	Batteries	20.23	16	16
15	Stationary	20.80	17	15
16	Tissues/ Napkins/ Wet tissues	25.93	21	6

Source: Own survey

Appendix 2: Average percentage buying from each supplier of each category

Items	Wholesale markets	Wholesaler	Monopoly suppliers	Metro/MCC	Total (%)
Tea/coffee	43	18	25	14	100
Soft drink	15	53	24	8	100
Beer	10	55	30	5	100
Powdered milk	23	25	35	17	100
Fresh milk	20	33	27	20	100
Biscuit/Sweets	26	28	24	22	100
Snack	33	27	15	25	100
Pastal/Noodle	23	39	17	21	100
Cooking oil	22	34	26	18	100
Soap/shower cream	24	22	18	**36**	100
Shampoo	17	22	21	**40**	100
Washing up liquid	16	22	21	**41**	100
Spices	25	29	16	**30**	100
Batteries	26	17	39	18	100
Stationary	39	25	10	26	100
Roll paper/tissue	26	23	16	**35**	100

Source: Own survey

Appendix 3: Ordering method of M&P shop by suppliers

Ordering method	Wholesale market (%)	Wholesaler (%)	Monopoly supplier (%)	MCC(%)
By telephone	34	42	36	2
By fax	1	1	1	0
By E-mail	1	1	1	0
Direct contact with supplier	58	46	22	92
Through salesman	6	10	41	6
Total (%)	100	100	100	100

Source: Own survey

Appendix 4: Buying frequency of M&P shops

Frequency	Wholesale market (%)	Wholesal er (%)	Monopoly supplier (%)	MCC (%)
twice a week or more	50	44	29	8
once a week	31	35	53	10
once of two weeks	12	16	14	26
once of three weeks	3	3	2	15
once a moth	4	2	2	35
less than once a moth				6
Total percent	100	100	100	100

Source: Own survey

Appendix 5: Buying amount of M&P shops by suppliers

Buying amount	Wholesale market	Wholesaler	Monopoly supplier	MCC
Less than 1 million VND	63	61	54	26
> 1 million to 3 million VND	32	32	31	50
> 3 million to 5 million VND	3	5	7	21
> 5 million to 10 million VND	1	1	3	1
> 10 million VND	1	1	5	2
Total Percent	100	100	100	100

Source: Own survey

Appendix 6: Delivery of M&P shop when buying products from suppliers

Delivery method	Wholesale market	Wholesaler	Monopoly supplier	MCC
Free home delivery	39	53	75	3
Carry by myself/staff	59	45	21	95
Suppliers responsible for	2	2	4	2
Total (%)	100	100	100	100

Source: Own survey

Appendix 7: M&P shop's payment to suppliers

Payment method	Wholesale market	Wholesaler	Monopoly supplier	MCC
Late payment	14	14	24	5
Rolling payment	7	15	14	5
Immediate payment/cash	79	71	62	89
Total (%)	100	100	100	100

Source: Own survey

Appendix 8: M&P shop's consideration on delivery and payment

Program	Wholesale market	Wholesalers	Monopoly supplier	MCC
Delivery				
- Free home delivery	2.9	2.1	3.1	3.4
- Quick and on time	2.9	2.8	2.5	3.6
Payment				
- Late payment	2.2	2.1	2.3	4.1
- Rolling payment	2.3	2.4	2.1	4.2

Source: Own survey
Note: Mean value derived by a five point scale, 1 = not worried at all, 2 = not worried, 3 = neutral, 4 = somewhat worried, 5 = extremely worried

Appendix 9: How attractive the M&P shop thinks of metro supermarket

Description	**Mean Value**
Service	
Clean Floors	4.3
Large displays	4.2
Friendly Sales Associates	4.0
Regular visits by Customer Consultants	4.1
Fast check-outs	3.9
100% in stock conditions	4.3
Ease of parking	4.1
Product	
Assurance of product quality	*4.5*
Range of/diversity of categories	4.4
Range of well known local brands	4.3
Range of well known international brands	4.2
Exceptionally hygienic fresh departments	4.4
Communication	
Regular communication of promotions via Metro Post	4.1
Regular communications of promotions via staff	4.1
Price	
Pricing clearly marked on shelves and displays	4.3
Promotion	
Promotion campaigns	4.4

Source: Own survey

Mean value derived by a five point scale, with 1 = Not important at all, 2 = Not important, 3 = Neither important nor important, 4 = Important, 5 = Very important

Appendix 10: M&P shop's expectation for the future

Description	Mean value
Overall	3.8
Supply prices	4.1
Achieving acceptable profit margins	3.9
Grasping Customers' needs	3.5
Competition from other stores like you	3.6
Transporting stock	3.2
Larger retailers entering the mkt (i.e. mod trade, supermarkets)	3.6
Not enough investment	3.8

Source: Own survey

Mean value derived by a five point scale, with 1 = Not worried at all, 2 = Somewhat not worried, 3 = Neutral, 4 = Somewhat worried, 5 = Extremely worried

Appendix 11: Elements ranked by the M&P for the next few years

Description	Ranking
Product quality	1
Competitive price	2
Late payment/Debt	4
Free home delivery	3
Post service (services after sale)	6
Improving ambience of shop (shop décor, etc…)	5

Source: Own survey