

**West-Hungarian University
Economic Faculty**

**THE USE OF COMMERCIAL STRATEGIES AND THE
EXPECTATIONS OF COSTUMERS OF THE HUNGARIAN
GROCERY- RETAIL OUTLETS**

PhD thesis of discourse

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1. The significance of the topic

The role of the commercialism got bigger at the end of the 1990's in Macroeconomics. The increase of the sector is based on the structural and technological development. Next to the development the competition got much bigger between the commercial SME's and commercial networks. The appearance of the **strong capital-based and huge floorspaced** networks made a big change in the retail trade, the competition got stronger. The turnover of the retail trade is handled by only few enterprises. The commercial market is marked with this tendency and the rate of **vertical integration** that can be explained by the better relationship between the producers, raisers and dealers.

The domestic and the foreign literature are dealing mostly with the multinational enterprises and the commercial strategies used by them and not dealing with the preference of the costumers which is the basis of their choice of stores they are going to shop. This is very interesting in Hungary, because there were Hungarian enterprises in the top 5 of grocery-retailing companies in the year of 2004 (CBA Hungary, Metspa group, Tesco Global, Co-op Hungary Co., Reál Hungary Grocery Co.) The independent grocery-retailers are getting known that they have to be a part of the different networks to survive and to keep their competitiveness.

The professional-journals and the different researches are dealing with the development of the retail markets and the costumers' purchase habits and their satisfaction and the literature of commercial marketing and the grocery-marketing are trying to make different models about these. These are **too specific** to make a uniform picture about the tool system of marketing strategy of Hungarian grocery-retail trade.

After the appearance and spread of the multinational networks/chains and the habits of costumers are compared with the retail strategies to understand to analyze the claims of the costumers.

The question that is it possible *to make a common model* that shows the difference between the product-, price-, communication and selling policy by the different retail trade enterprises, and how these components effect the purchase habits of costumers and their preference, was really interesting for the nominee.

2. The goals of the dissertation and the methods of the research

The nominee's main goals were the following:

- One of it was to write a summary about the domestic and foreign literature about the marketing of the grocery-retails and about the consumers' habits. The first part of the discourse is handling about the used marketing of the grocery-retails through the consumers' habits.
- The introduction and analysis of the marketing activity of the domestic retail's.
- The analysis of the habits of costumers in hypermarkets, supermarkets, in discount stores, and in small stores which are parts of different networks.
- Suggestions to develop a new model, which is dealing with the different retailer strategies used by the different grocery stores, and also the needs of the costumers.

The methods of the research can be separated into the following points:

- The use of different comparing analysis about the used strategies of the retails and the consumers' habits.

The nominee used the following quantities and qualitative tools to prove her hypothesizes:

- Focus-grouped analysis by the grocery consumer- and costumer about to get know their habits, in the city of Sopron. The members of the group have been chosen randomly, next to their demographic character (as sex, age, income, address, qualification). The analysis has been done in April of 2006, with 39 males and 16 females.

- Interviews with the manager of the different grocery-retails in two different cities, in Sopron and Kapuvár. The nominee chooses these managers in the way that the aspect was what their main channels of distribution are. The interviews were done in April of 2006, 6 in Sopron, 3 in Kapuvár.
- The surveys of the costumers were done also in both cities. The persons that are asked have been chosen randomly also. The fill out of the surveys were done for one week long time period by each and every stores, in three daytimes (in the morning, in the afternoon and in the evening). The survey has been done in June of 2006. I asked the costumers of 15 stores in Sopron and 8 stores in Kapuvár that means 470 people that have been asked.

3. The analyzed hypothesizes of the dissertation

H1.: The most of the Hungarian costumers are going to shop into Hungarian stores, but they can not make a difference between the domestic and foreign stores by their names.

H2.: The price is the main aspect by the Hungarian costumers when they are buying daily used products in the different hypermarkets, supermarkets, discount stores and small shops.

H3.: The Hungarian costumers are buying mostly commercial brands than other brands in the different hypermarkets, supermarkets and store, shops.

H4a.: The Hungarian costumers like the hypermarkets if they have to choose by the aspect of price, quality and range of selection.

H4b.: The Hungarian costumers do not like the discount stores if they have to choose by the aspect price and range of selection.

H4c.: The little stores that are members of different networks are good, by the opinion of the Hungarian costumers if they have to choose by the aspect of price, but they are only middle ranged quality if they measuring by the measure of quality.

H5.: Most of the costumers of different supermarkets are getting flyers and spam, and they are buying the groceries and daily products based on the information written in these issues. They mostly buying the products that are having huge discount on.

H6.: The Hungarian costumers are preferring the hypermarkets, supermarkets, stores and shops that are closer to their home, than those which are giving good prices and wide range of selection.

4. Summary of the results of primary and secondary researches

4.1. The results of the secondary research

By the different grocery-retailers (hypermarkets, supermarkets, discount stores, shops) are using similar marketing strategies to win the sympathy of costumers.

The following table is handling about the secondary information about the retailer strategy tools that are used in the four different channels of distribution.

| Commercial tools of marketing | Hypermarket | Supermarket | Discount stores | Store related to different Chains |
|---|---|--|--|--|
| Range of selection | Wide and deep Grocery and chemical and non-food oriented | Not that wide and deep. Grocery and chemical oriented | Limited grocery and chemical or grocery chemical and non-food oriented | Very limited grocery and chemical oriented |
| The number of the commercial brands in the selection | The 60-70 per scent of the selection | 40 to 50 per scent of the selection | 30-40 per scent of the selection or more than 80 % of the selection | About 25-40 % of the selection |

| | | | | |
|---|---|---|---|---|
| The use of the category management | All the time | Sometimes | Rarely | Rarely |
| Price-strategy | EDLP-, cheap products, discounted products, High/Low strategy | High/Low-, premium-, discount strategy | EDLP-, High/Low-, cheap product-, discount strategy | Premium-, discount strategy |
| Range of services | Wide | Middle wide | None | None |
| Flyers, spam | High standard, non-food products, mostly long issues | High standard, mostly grocery or grocery and chemical oriented, long issue, like the spam of hypermarkets | Middle standard, grocery or non-food oriented, short issues | Middle standard, grocery oriented, short issues |
| Types of service | Self-service, non-personal | Self-service, non-personal or personal contact | Self-service, non-personal or personal | Self-service, personal connection |
| Premise | In malls in the downtown or suburb | In malls or in the downtown | Integrated in the living quarters | Integrated into living quarters or exploitation of market gap |

4.2. The results of the primary researches

- The **first hypothesis** is dealing with the consumers of the cities of Sopron and Kapuvár do not know the Hungarian grocery network by their name. The responders had to answer to opened questions. The results showed that 42,2 % of the responders from Sopron, and 46,8% from Kapuvár did not answer to the question. The following enterprises got mentioned: The CBA in Sopron, and the Co-op in Kapuvár.

The hypothesis is proved in both cities.

- The nominee analyzed four different retailers about the dominancy of price against the quality by **the second hypothesis**. The responder ranked the elements using the Likert scale, from one to five. It can be tabled from the averages that the price and the quality are very important for the costumers in Sopron and in Kapuvár also in all channels of distribution. This hypothesis is important because the secondary research shows that the Hungarian costumers are sensitive to the purchase of daily used products.

Because of these the hypothesis H2 got dismissed by all channels of distribution.

- The **third hypothesis** is dealing with the frequency of the purchase of the commercial brands. The proof of this hypothesis was done by closed question. The research showed that most of the responders do know the different commercial brands, but they buying these only by determinate products, like bread, sodas, pasta.

The following should be determined: The costumers of Sopron are buying more commercial brands than the costumers of Kapuvár.

- I separated this **fourth hypothesis** into three sub-hypotheses based on price, quality and range of selection, which did analyze the significant differences in the different channels of distribution separately. The responders used the Likert-scale by this question also; they had to judge the grocery stores by the three given elements.

The Hypothesis made by hypermarkets got proved in Sopron, so the judgment of the three elements is positive. By the other two sub-hypothesis the nominee had to dismiss them in both cities.

- The **fifth hypothesis** analyzed the spam and flyers, and the different sales promoting tools of the supermarkets. The costumers had to answer to three closed questions.

The primary research did not prove this hypothesis either, so the responders do not get any spam or flyer, and they not buying the groceries because they read about the discounts in these issues.

- The **sixth hypothesis** says that the costumers are choosing the stores by the distance from their homes, against the range of scale or price. By the analysis of the survey it can be stated that the costumers of both cities are not preferring the distance firstly by the choosing process of which grocery stores will they go to shop. The responder valued the factors on a five scaled scale, they had to point that how important is the given factor when they are choosing the stores.

The rank in Sopron and by the supermarkets and discount stores in Kapuvár is the following: Price, range of scale, distance. By the small stores in Kapuvár the rank is the following: price, distance, range of scale.

From the data - which are handling about the chouce of which stores are the costumers preferring - of the answers of the survey the nominee used independency analysis.

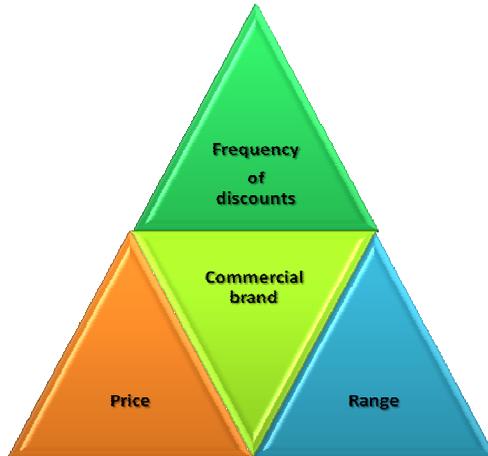
After done the independency-analysis the nominee could choose those elements that are connected to the **four channels of distribution**, which had the biggest Khi-square value. By these elements the nominee used the weighted arithmetic mean to find out the pyramids of the grocery-retails.

Based on the answers of the responders **by the hypermarkets the peak of the pyramid is the range**, because the costumers find the biggest range of scales in this type of stores. There are a huge range of different brands and commercial brands. Next to the commercial brand the costumers find producer brands also. Because of this the hypermarkets are able to satisfy the costumers that are price-sensitive or quality-sensitive. The costumers pointed the **frequency of discounts** as the third important element and the **price** as the fourth element of the pyramid of hypermarkets.



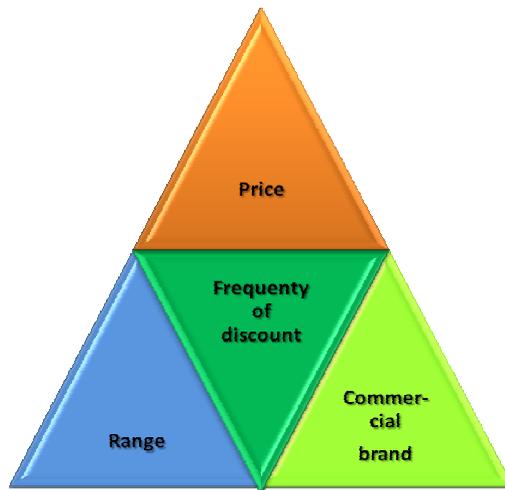
Pyramid of hypermarkets

Based on the answers of the responders, the **peak of the supermarkets' pyramid** is the **frequency of discounts**. The second element which influence the selection of the stores are the products which are **commercial branded**. The third element is the price. The **price** got a better judgment than the range of scales other producer brands.



Pyramid of supermarkets

The most important element from the four influential elements is the **price** by the **discount stores**. The discount stores can ensure the low price with huge **discounts** and with the sell of different **commercial brands**. But the costumers of these stores prefer the **range** of scale better than the range of scale of commercial brands.



Pyramid of discount stores

By the fourth channel of distribution – by the **little stores which do members of different networks**- the costumers prefer the scale of **commercial brands** better than the **range** of scale of all products, which are available in these stores. The rage of scale is much smaller than in the other three kind of channel of distribution, it can be explained by the small floor space. The **price** of commercial and producer brands are rated into third rank by this pyramid. The **discounts** and sales and its' measure is smaller, than in the other three channels of distribution.



Pyramid of the little stores which are members of different networks

4.1 The summary of the new and newly results of the discourse

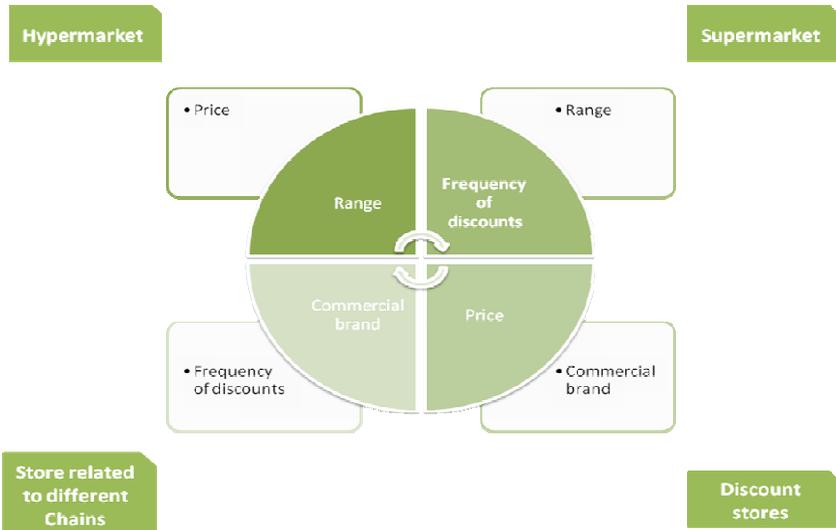
1. Use and adaption of independency analysis (Khi square) by the elements of choice of given grocery-retails.

The pyramids of hypermarkets, supermarkets and discount stores and little stores which are members of different networks are based on weight arithmetic mean.

- On the peak of the pyramid of **hypermarkets** is the range of scale, which is handling about the presence of own or commercial brands, which is followed by the frequency of discounts and price.

- The pyramid of **supermarkets** are consists of discounts, commercial branded products, price and range of scale.
- By the **discount** stores the rank of the four elements are the following: price, discounts, commercial branded products and the range of scale.
- By the pyramid of the **little stores which are member of different networks** the commercial branded products are followed by the price and the frequency of discounts.

3. The nominee produced the spiral of „**the regretting system of the preferences of the consumers**” from these pyramids. She started her work with the different data of costumers, like demographic, economic, social, personal characters. The development of the satisfaction of needs is characterized by these factors. The **main goal of this spiral** is to determine that the costumers are choosing the grocery-retailer that they will shop in by the time, the range of scale and by price, so by their **primary preferences**.



“The spiral of the regretting system of the preferences of the consumers”

4. The introduction of the tools of the used marketing-strategies by the channels of distribution is (hypermarkets, supermarkets, discount stores, little stores which are member of different networks).
5. The summary analysis of the differences between the strategy-tools used by the foreign and domestic grocery-retailers.

5. Further research possibilities

The nominee thinks that the following opportunities are available by any further researches:

- Analysis which is covering the counties of Hungary (focus-grouped-analysis, interviews and surveys). Those cities should be the center of the analysis which are possessing all the four mentioned channels of distribution, these cities could be for example Pápa, Szombathely.
- The healthy nutrition and its effects though the grocery purchase habits. The frequency of purchase – pre channel of distribution - of Bio-products, low fat, sugar-laden products.
- The reputation of Hungarian grocery-networks and more detailed analysis of retailer's strategy, how they can difference from the multinational companies.

6. The author's publications in the topic of dissertation

The domestic publications published on different issues of Conferences:

Adrienn Dernóczy – Katalin Mészáros: The tendencies of development by the retailers, The Hungarian Marketing Association, Club of Hungarian Marketing Tutors, VIII. Conference, SZTE – Szeged, 2002.

Katalin Mészáros: Developments in the Hungarian retail System – Causes and Tendencies, IV. International Conference of PhD students, Miskolc, 2003.

Katalin Mészáros: The effect of hypermarkets on the change of customer habits, MTA VEAB Conference, Komárom, 2003.

Katalin Mészáros: The penetration of malls and hypermarkets into the Hungarian market, In: Józsa – Piskóti – Ladányi edit., University of Miskolc, 2003. 150 – 155 o. ISBN: 963 661 579 9

Katalin Mészáros: Tesco in Hungary, Conference of Marketing Tutors, Debrecen, 2003. ISBN 963 9274 45 3

Mészáros Katalin: The change of domestic commerce, Conference of Marketing Tutors, Sopron, 2004. ISBN: 963 9364 41 X

Csaba Kollár – Katalin Mészáros {edit.}: Abstract, Conference of Marketing Tutors, Sopron, 2004.

Katalin Mészáros: The role and importance of the advertisements done at the stores on the market of grocery-commerce, MTA VEAB Conference, Komárom, 2005.

Katalin Mészáros: The importance of mobile-marketing, Conference of Marketing Tutors, Győr, 2005. ISBN: 9693 7175 25 3

Katalin Mészáros: The change of the structure of commerce in Hungary, Conference of Marketing Tutors, Győr, 2005. ISBN: 9693 7175 25 3

Katalin Mészáros: The role of the tools of sales promotion in the system of retailers, National Scientific Student Conference, Sopron, 2005.

Katalin Mészáros: The introduction of the nature of the domestic grocery-retailers and the analysis of the purchasing habits of the Hungarian costumers' trough focus-grouped analysis, I. KHEOPSZ Scientific Conference, Mór, 2006.

Katalin Mészáros: The habits of grocery-costumers in the city of Sopron, II. KHEOPSZ Scientific Conference, Mór, 2007.

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Katalin Mészáros: The penetration of malls and hypermarkets into the Hungarian market, Marketing booklets I., West-Hungarian University, 2003. 36 – 41. o., ISSN: 1785-7996

Katalin Mészáros: The penetration of the commercial brands, Marketing booklets III., West-Hungarian University, 2004. 20-23. o., ISSN: 1785-7996

Study-aid

Csaba Kollár – Katalin Mészáros {editor}: Case studies in the topic of marketing-strategy, Study-aid, West-Hungarian University, 2004.

Earlier –connected to the PhD topic - researches

Eszter Pataky PhD Szabóné – Tamás Sántha PhD – Katalin Mészáros – Noémi Iszak: The introduction of the effects of the government actual report on the consumers of cooked and fried products, SáGa Foods Rt., 2006.

Katalin Mészáros – Andrea Kópházi PhD – Noémi Iszak – Tamás Szakály: The healthy nutrition by the Hungarian consumers, SáGa Foods Rt., 2007.