MAKRO: THE OMNICHANNEL STRATEGY IN ACTION[1]

"Some top-brand suppliers say they don't serve us. And we have run out of stock on some products. Customers still don't believe that we will keep those prices consistently."

It was April 2023, and David Martínez Fontano, CEO of Makro Spain, pondered the comments of his purchasing manager as he reviewed the first-quarter figures of the year. It had been a year and a half since he had assumed this position. The company had emerged stronger from the Covid crisis, and he was pleased with the results. After all, the fiscal year 2021/2022 had marked a historic record in sales (1,461 million EUR), up 33% compared to the previous year, with a 21% growth in product volume. However, he was still at the beginning of the journey. His goal was to double revenue by 2030, a very ambitious target, although he had no doubt that he could achieve it. He had a clear plan (see **Exhibit 1: Makro's key figures**).

He reminisced about a valuable clue he had received in September 2021, during his first Metro AG[2] meeting with country managers in Düsseldorf. Steffen Greubel, the group's CEO since May of that same year, had conducted an in-depth analysis of the company and, to his surprise, mentioned Spain as an example of the potential of an omnichannel strategy. *"At Makro Spain, customers who engage in omnichannel shopping exhibit an average ticket that is 13% higher compared to the average customer's ticket."*

The opportunity seemed to be clear: increasing the percentage of omnichannel customers, which in 2022 accounted for 5%. This could be the formula they had been searching for years to reignite a growth trajectory that, despite their best efforts, had been reluctant to take off.

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[1]. Case published by the Research Division of San Telmo Business School, Spain. Prepared by Professor Julio Audicana Arcas and Marisa Martínez Jiménez as a research assistant of San Telmo Business School. This case is developed only as the basis for class discussion. Cases are not intended to illustrate any judgement on the effective or ineffective management in a specific situation.

[2] Metro AG, Makro's parent group, was the evolution of the well-known Metro Group, which in 2016, announced that it was splitting into two independent companies: CECONOMY, for the electronic products stores Media Markt y Saturn, y METRO AG, which would comprise Metro Cash & Carry y Real, sold in 2020 to a Luxembourg group.

He was aware that the starting percentage was low and was ultimately familiar with Marko's inertia. He understood that it would take significant changes rather than minor adjustments to achieve the goal of surpassing 3 billion EUR in Spain by the end of the decade.

FROM HOSPITALITY PARTNER TO OMNICHANNEL PROVIDER

METRO AG, the parent company of Makro, stood as a prominent global wholesaler of food and non-food product specializing in hotels, restaurants, and catering companies (HoReCa), as well as independent retailers. Boasting a customer base exceeding 17 million, it held a presence in 22 countries through 680 establishments and employed over 95,000 individuals worldwide. In the fiscal year 2020/21, METRO achieved a remarkable sales figure of 29.8 billion EUR, and it proudly maintained its inclusion in the Dow Jones Sustainability Index for eight consecutive years.

Makro entered Spain in 1972, pioneering the first cash & carry (C&C) concept in the country. They offered a wide range of food and non-food products at competitive prices, along with comprehensive services catering to the supply needs of hospitality professionals. *"In its initial phase, this concept competed with central markets and eventually transitioned to compete with superstores, serving various types of customers and end consumers[3]. The lack of focus led to years of price wars and sales at a loss."*

It was from 2009 onwards that MAKRO Spain, aware that the country was a leader in out-of-home food consumption, decided to focus on the hospitality sector and began building an entire ecosystem of the Horeca industry, comprising suppliers, associations, hotel and business schools, bar and restaurant owners, and renowned chefs. (**See Exhibit 2: Percentage of out-of-home dining expenditure by country**).

Ten years later, right before the pandemic, Makro still held confidence in this customer segment. Despite being the leading player in the cash-and-carry (C&C) market with a 28% market share and having successfully captured 65% of independent Horeca establishments as customers[4], only 2.6% considered Makro as their primary supplier, with an annual expenditure of 40,000 EUR. Independent Horeca customers showed a preference for foodservice distributors (referred to as FSD) over C&C (65% market share versus 12%), with a growth rate of 3.4% for the former and a decline of -0.7% for the latter[5].

[3] The result of a policy of agreements with Professional Associations that provided numerous groups and families with a Makro card.
[4] 204,000 clients over a base of 300,000 independent hospitality businesses in 2020.
[5] Based on Makro's internal data for the 2014-2020 period.

To tackle this landscape, in 2018 Makro Spain relaunched a strategy[6] that aimed to position Makro as the partner of choice for independent hospitality businesses. This country-specific strategy was complemented by Metro's launch a few months later of ***"WHOLE-SALE 360***[7]***,*** which aimed at evolving from a merchandise-focused wholesaler to a provider of comprehensive solutions for SMEs."

The path ahead involved embracing an omnichannel strategy and moving beyond the store-focused approach (*FSD first*), breaking with some established traditions within Makro. It called for adopting new perspectives, such as: "from store manager to area manager," "from product-centric to customer-centric," "from 'I have everything' to 'I want to sell you everything'," "cash & carry is just another channel, not the only one," and "draw inspiration from the shop but there is no need to travel to restock."

The Covid-19 crisis had a significant impact on MAKRO, resulting in a 16% decline in sales in 2020 compared to 2019 on a comparable basis. Faced with this challenging outlook and a 40% drop in sales within the hospitality sector, Makro saw an opportunity to assist small and medium-sized hospitality businesses in surviving and growing. They launched initiatives such as the "#unopuntosiete" platform, training webinars covering topics like hygiene, digitalization, take-away/delivery, and the "Makro Responde" program, offering free advisory services in legal, tax, and labor matters, among others.

Makro recognized the vulnerability of many wholesale distributors in a highly fragmented market (the top 10 players, including Makro, accounted for only 14.8% of the FSD market)[8]. They decided to seize the moment with a "back to attack" initiative, a true guerrilla warfare strategy that deployed 300 sales representatives to "comb" selected high-density areas, identify competitors, and establish lasting relationships with potential customers.

They carried a robust omnichannel proposition and the Makroplus[9] program, targeting those willing to make the company their primary supplier. This plan involved building relationships with hospitality businesses, delivering excellent service levels, offering flexibility in orders and deliveries, and learning from the local assortment and competitor prices. In essence, placing the customer at the center to become their partner. **(See Exhibit 3: Makroplus and Exhibit 4: Omnichannel Proposal 2020)**.

[6] This strategy was named **GUIDE 2023**
[7] "*Our path to becoming the wholesaler of the future*" (Visit WHOLESALE 360).
[8] Approximately 75% of hospitality suppliers are specialist companies, often family-owned, operating as small and medium-sized enterprises (SMEs).
[9] Makro entered into contracts with hospitality businesses that included scaled purchasing commitments and benefits associated with volume.