

Media Markt

towards Sustainable Enterprise

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Executive Summary

This thesis answers the question how a company such as Media Markt can introduce projects aiming at sustainable enterprise without compromising their mission statement, ideas and beliefs. In doing so, difference is made between Corporate Social Responsibility, Sustainable Enterprise and Sustainable Development through explaining the shift of thought from Profit, Planet and People, such as described in the book of John Elkington. Coming to the conclusion that in this thesis the definition of Sustainable Enterprise is probably the most useful, the question why sustainable enterprise is necessary is answered. A research about climate change shows that one third of the Dutch respondents is worried about the climate. While many companies think that sustainable enterprise only costs money, this thesis shows that it also can bring money in return. Something that is very important to consider for companies, is that they will have to make the difference between acting 'green' with ecological motives and with commercial motives. The answer to the question if sustainable enterprise will remain interesting lies in the fact that the WBCSD¹ reports how companies with sustainable enterprise can have better financial results, compared to companies without sustainable enterprise.

In the segment of white and brown goods is Media Markt one of the largest with a good organisational structure, marketing strategy and good service, although not well known. The size makes it difficult to step into new directions. Growth is one of the most important goals of Media Markt, combined with low prices. Trends in the exterior surroundings of Media Markt are the growth of internet shops, higher rotational speed and supplies, focus on city centres, better service, growth of experience centres, more ecological products, growing second hand circuit, growing role of appliances in lifestyle and new products are launched with early announcements (to create a hype). The largest competitors are BCC, It's, Correct, Kijkshop, Dynabite, Modern and MyCom.

The conclusion of this thesis is that Media Markt should integrate sustainable enterprise in phases: first start with a "green" corner with eco-products, train staff to raise awareness and knowledge and create flyers and web space for extra information about the eco-products and different labels that are used. The next step is to open a second hand shop in one branch, examine the outcomes and decide to proceed with this strategy in other branches.

¹ World Business Council for Sustainable Development

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Introduction

The aim of this thesis is to show that a company such as the Media Markt can, without much effort, adopt measures to reduce waste and CO2 emission.

Competitors as well as other multinationals have already successfully adopted measures and are aware of the impact of climate change on consumer behaviour.

The central question of this thesis was formulated during conversations with John Brouwer, working at the head office of Media Markt Netherlands. He wanted to research how Media Markt could improve eco-efficiency in the day-to-day office work, while at the same moment this thesis was looking for a subject that was covering sustainability. These motives combined formed the central question, formulated as:

'How can Media Markt Netherlands adopt measures to improve sustainability in and around the company'?

To help answer this central question, the following sub-questions were formed:

- ❖ What does sustainable enterprise and sustainability mean?
- ❖ Why and how do other companies make their business more sustainable?
- ❖ What type of sustainability suits Media Markt Netherlands the best?

Structure

Chapter one

Which definitions are used in describing sustainability, and in particular, which definition will be most useful to answer the central question of this thesis. The question why companies should make their business sustainable will be answered, and clarified with examples of companies that already have implemented sustainability into their business. Chapter one will be concluded with a view on sustainability as a trend, and the difference between sustainability as a trend and as a company's view will be defined.

Chapter two

To examine what strategy the Media Markt would suit the best; in chapter two we will take a look at the corporate identity of the Media Markt.

Chapter three

In chapter three which we will examine the possibilities to integrate sustainable enterprise into the business strategy of Media Markt. In this chapter the best actions in the area of sustainable enterprise will be explored.

Chapter four

Chapter four, therefore, will conclude with everything described in this thesis. This conclusion finally will lead to the recommendations of this thesis.

Research methods

The research methods used in this thesis consist mostly of internet and book research, as well as an interview with John Brouwer of Media Markt Netherlands (J. Brouwer, personal interview, 09-07-2008). First research was done by book and internet research, in order to find more information for the first chapter on the different definitions of sustainable enterprise. To find out more about Media Markt as a company, an interview was held with John Brouwer (J. Brouwer, personal interview, 09-07-2008).

Chapter 1

What is Sustainable Enterprise?

Demarcation of the subject

1.1 Introduction

In today's world it is almost impossible for a company to neglect the processes of sustainable development. No company can say that they do not care for people or the planet. Stakeholders have the power to force companies to take action and the reputation of a company can be harmed easily. This is the reason why many companies explore the world of sustainable development and try to broaden their activities in terms of sustainability as much as they can. However, there still is much room left for improvement and companies need to find the area that suits them the best. It is not necessary for companies to wait for a disaster to happen before they take action. In other words, the question is not whether *if* a company should be sustainable, but *how* companies should make their business more sustainable. A company from which sustainability is least expected, can surprise and therefore get positive attention instead of negative.

1.2 Sustainable Enterprise

More than one definition is used when people describe actions in the area of sustainable development. A good definition of sustainable development was formed by the UN Commission:

The challenge of meeting the needs of present generations without compromising the ability of future generations to meet their needs moulded by the Commission into the concept of sustainable development, a new political concept that includes equity and justice, within and between generations. (United Nations [UN], 1948, section, ¶ 1)

The SER (Sociaal Economische Raad), an advisory council to the Dutch government, uses the *Triple P bottom line* to explain more clearly to which fields sustainable development extends (Sociaal-Economische Raad [SER], 2000, p.13). This definition derives from the British bestselling author John Elkington. In his book '*Cannibals with forks*' (as cited in SER, 2000) he describes the interaction between environmental quality, social justice, and profitability. The first P, Planet, focuses on the effects of the company on the natural environment. The other two P's are People and Profit. With people is meant the consequences for people, inside as well as outside of the company. Profit is the production of goods and services, and is defined as a criterion for the social appreciation of it.

Though the definitions are constantly changing, and new fields are discovered, the difference between Sustainable Enterprise, Corporate Social Responsibility and Sustainable Development can be explained more clearly with the following diagram, named in a report of VNO-NCW:



Figure 1

Source: VNO-NCW (2001), p. 13

The diagram above shows that Sustainable Enterprise focuses more on the areas of Economy (Profit) and Environment (Planet), with an emphasis on the Environment while Sustainable development can be seen as a definition that extends to all three of the fields. Corporate Social Responsibility on the other hand is extended to Economic and Social (People) aspects.

This thesis focuses more on Sustainable enterprise, because there seems to be an opportunity and open mind from the head office to increase the sustainability within and around the company. Therefore, the attention is now at the relation between the Economic and the Environmental aspects. Sustainable enterprise means that companies, in order to assure continuity of their business, not only have to create return on investment, but also have a responsibility to the society. The latter is expressed in the reputation of a company.

1.3 Why sustainable enterprise?

There is a developing trend towards sustainable enterprise. More and more companies take action in terms of sustainable development and consumers demand this trend to expand. More people see the consequences of their actions with regards to environmental changes. The question now rises, in what ways companies can insert projects into their company profile and if it is really necessary to do something. To answer the last question, we have to take a look at a survey from the TNS-NIPO, a Dutch research agency. Their research '*Klimaatverandering?, Mensenwerk (Climate change? Work of man)*' describes that two third of the Dutch population believes that the climate changes and that they notice it in their personal surroundings (TNS NIPO, 2007, p.1.) This is only a confirmation of the current trend where people feel that something is changing and where they are searching for a solution.

The group of consumers that cares most about ecology, social equity and attentiveness for the environment and that criticizes materialism is called the 'cultural creatives'. According to the NIMA² this group is constantly changing. Where it now consists of about fifteen percent of the Dutch population, it is said to be growing the next few years until about twenty five or even thirty percent of the population (Sleiffer, 2007), section, ¶ 1). This information leads to the conclusion that it is definitely necessary for companies to start acting.

Many companies ask the question: 'What does sustainable enterprise bring in return?' They tend to focus only on the costs that they will have to make. However, this is only partly true in practice. Indeed it is necessary to ask time and money to start the process of sustainable enterprise. When we look further, we can see that on short term money also can be saved with reducing the amount of company waste or reducing emission because of the lower taxes. Another way for the company to save money on short term is by reducing the energy costs. This can be achieved by adjusting appliances more economically. Finally a company also can save raw material by environmental design. These are all ways of direct cost saving.

On the long term financial gain can be achieved by investing in education and staff training within the company, replacing a production process by a more energy saving system or adjusting the organisational structure and gathering information about sustainable enterprise. (Cramer, 2002, p. 17)

² Nederlands Instituut voor Marketing

There are many different motives for a company to start sustainable enterprise. These motives vary for example due to the difference in nature of the company, different product range, company strategy and the differences in pressure that is put on the company by the government or social organisations.

Potential motives named by Jacqueline Cramer are:

- ❖ cost reduction (short or long term),
- ❖ improvement of internal organisation,
- ❖ increasing attractiveness of the company as employer,
- ❖ increasing the motivation to work for the company with employees – leading to higher productivity,
- ❖ building better reputation – leading to better customer relations,
- ❖ acquisition of new customers and increasing market share,
- ❖ entering new markets,
- ❖ increasing innovative strength - leading to a stronger market position,
- ❖ increasing functional quality of the product,
- ❖ synergy with product demands other than functional quality and or costs,
- ❖ increasing possibility to survive on the long term,
- ❖ certainty of a worldwide market sales and possibility to be part of sustainable investment funds. (Cramer, 2002, p.14)

A model that assesses the added value of CSR and that can be used for sustainable enterprise as well is the Triple Value Assessment™. This model makes a distinction between the 3 ways in which corporate social responsibility can add value for a company: enhancing economic performance, increasing reputation value and contributing to the parenting advantage (the horizontal and vertical linkages that interexist in a company).

The *economic performance* is expressed in the following values:

- ❖ revenue growth by strengthening market position,
- ❖ cost reduction: eco-efficiency and lower absence levels,
- ❖ higher productivity;
- ❖ increased employee satisfaction and finally the
- ❖ lower cost of capital: inclusion in CSR funds.

The *reputation value* consists of:

- ❖ a distinctive message about CSR,
- ❖ focussed communication about CSR,
- ❖ consistency of CSR messages,
- ❖ transparency (reporting, stakeholder dialogue),
- ❖ CSR as part of the corporate identity.

The third pillar of the model, *parenting advantage* consists of:

- ❖ CSR competence center,
- ❖ leverage of CSR competences,
- ❖ better access to the market through responsible products in portfolio and reducing risk through inclusion of CSR business lines. (Kim, van Dam, 2003, p. 7)

Something very important that companies have to keep in mind, is that customers can see the difference between companies that act 'green' with ecological motives, and companies that act as such with commercial motives. A recent research held under Dutch citizens, shows that people are very disturbed by commercials that give the idea that a company is ecologically sound, while in fact they are this only on a certain (very low) level. Because nowadays there are so many of these commercials, people get the feeling they are overwhelmed by them, and the situation arises where the acceptance and believe in sustainable companies tends to get very low. (Nederlandse Omroep Stichting [NOS], 2007)

Of course these motives are not all applicable for the Media Markt, because some of them are only valid for larger companies. They do however give a good view on the reasons why companies start with sustainable enterprise. The next question is: how can Sustainable Enterprise be implemented in a company? As is mentioned above, there are plenty examples of companies that already implemented new styles of governing and marketing in ways of climate change and the environment. Therefore it can be interesting to see how they act and what they do.

1.4 Examples of businesses that implemented sustainable enterprise

InterfaceFLOR, experienced in the area of sustainable development advises other companies, even their competitors, not to wait too long with sustainability:

“Within ten or even 5 years there will not be a discussion about sustainability anymore, because it will be inserted into the legislation. Companies have two choices: be regulated by legislation or provide a positive contribution to sustainability on one’s own initiative. Invest time, people and money to find the right way, and do not wait too long,” warns Lindsey Parnell, CEO of InterfaceFLOR. (InterfaceFLOR, 2007, p.1)

This company managed to save over \$ 1300 million since 1996, through emission, energy use and waste control.

In an article in P+ (People, Planet, Profit), marketing-expert Bart Brüggewirth is asked to name his personal top ten of businesses that successfully introduced sustainable enterprise in their commercials. Within these businesses, he shows a difference between explicit and implied expressions in their commercials.

“With commercials, it is important to translate sustainability in a relevant, creative and appealing way. For example by using it as a statement or as supporting evidence for a consumer advantage, such as a low price, or quality. The marketing power of corporate social responsibility lies in the nuance.” (Bom, Brüggewirth, 2005, p.42)

An example of a company that is named in this top ten is Shell with their corporate identity campaign. While their (explicit expressed) campaign lets the customer speak (testimonial-concept), the credibility of the campaign is much higher than in previous campaigns of Shell. This is because the relationship with the product is more obvious and is more closely related to the image of the company.

(Bom, Brüggewirth, 2005, p. 42)



An example of a TV commercial that expresses the message of sustainability in an implied way is Rabobank. This commercial ‘Het is tijd voor de Rabobank’ links the success of the Rabobank and its origin and (cooperative) structure. The message in this commercial: because of the fact that Rabobank does not have shareholders and cares not only about profit, the bank is more successful. In the article named above, Brüggewirth says that this message is powerful and authentic and that it is a good representation of the bank’s

identity. This commercial gained a golden 'Effie' (communication prize). (Bom, Brüggewirth, 2005, p. 45)

In a report of InterfaceFLOR about trends in sustainable enterprise in Europe they advice that "marketing professionals have to take the lead and 'educate' customers, bearing in mind that sustainability and sustainable enterprise are the only right concepts for the future." Credibility and authenticity are the basic conditions for sustainable marketing. (InterfaceFLOR, 2007, p. 1)

However, many entrepreneurs see sustainable enterprise more as a way to build a better image, than they actually care for the environment and society. Research in assignment of teleconcern BT showed that everything is a matter of PR. For this research, managers around the world were asked about sustainable enterprise: 31% of the managers admitted that their dedication for sustainable enterprise is more about communication, than about actual changes.

This conflicts with prospects about sustainable enterprise, because when an entrepreneur wants to see the profit of his enterprise growing he will need to have more eye for sustainable enterprise, concludes dr. Miguel Angel Rodriguez of the university Navarra in Spain. When entrepreneurs only have attention for one of the three P's (Profit, People or Planet) they put the profitability of the company in danger, he said at the publication of a report about sustainable enterprise. (Logistiek, 2008, section, ¶2)

The report '*The added value of corporate social responsibility*', in which the Triple Value Assessment™ model is used, also makes a distinction between four CSR archetypes of companies. According to this report, companies can be divided into the following types:

1. Core operators,
2. Irresponsible participants,
3. Peripheral players, and
4. Hidden Champions.

The difference lies in extent to which companies have included CSR to their economic benefit and how much their efforts are recognized by their stakeholders:

Core operators have included CSR into their economic benefit and are also recognized for their efforts.

Irresponsible participants on the other hand, neither have included CSR into their economic benefit, nor are they recognized for their efforts.

Peripheral players have not included CSR into their economic benefit, but are recognized for their efforts, where

Hidden Champions only have included CSR into their economic benefit, but are not recognized for their efforts. (Kim, van Dam, 2003, p. 4)

A company that could be an example for the Media Markt is BCC. While in the same market for electronic equipment, they managed to launch a campaign for ecologically sound enterprise. This campaign consists of six projects to reduce waste and CO₂ emission, formulated in dialogue with social organisations, such as WWF and Natuur en Milieu. One of these projects is called 'Groene Stekker' (Green Plug) and is designed to help the consumer pick the appliance that is most economical in energy. Other projects consist of computer-planned routes and GPS-systems for delivery, collection of old appliances and divided collection of waste and environmental sound waste disposal, better isolation when constructing new buildings, energy economical lighting and personnel with knowledge of the energy consumption of appliances. (BCC, 2007)

However, BCC was also named in the NOS broadcast (see Chapter 1.3 for more information about this broadcast), as one of the companies that irritate their customers with loud campaigns around sustainable enterprise.

1.5 Sustainable Enterprise as a trend: will it remain interesting?

The UN Conference on Environment and Development in 1992 started an increased concern for the influence of companies on the environment and society. This development resulted in two movements: on one hand there was more confidence in free market forces, and on the other hand companies tended to be more vulnerable. Where they always had to have regard for their impact on society, in terms of employment, local economies etcetera, they now were held (partially) responsible for problems such as global warming or human rights by NGO's (Kim, Van Dam, 2003, p. 6). It will become easier for people to act themselves, such as driving hybrid cars, install solar energy panels and low energy bulbs. Not only Stock Exchange listed companies feel the pressure, also small and medium sized companies feel the need to start with Sustainable Enterprise. They use it for marketing purposes, or even as a sustainable 'opportunity', which means using their core competences to add something good to society (Walburg, 2007, section, ¶1, ¶3, ¶4). Now and in the future more power will go to the stakeholders, this asks for companies that are more transparent, especially in their annual reports. They have to be more open and honest about their good and bad results.

A report by the WBCSD about eco-efficiency³ explains how ‘environmental improvements (...) yield parallel economic benefits’. (WBCSD, 2006, p.3) The following examples of companies that managed to improve their eco-efficiency show how important the relation between environmental sustainability and economic sustainability:

“Interface, one of the world’s largest producers of commercial floor covering, saved over \$200 million from 1996 to 2002 through its sustainability efforts.

- HP in California reduced its waste by 95% and saved \$870,564 in 1998.
- STMicroelectronics, a Swiss-based technology manufacturer, saved £38 million in energy and \$8 million in water costs, with a total saving over a decade predicted at \$900 million.
- Dupont reduced energy use by one-third at one facility saving over \$17 million per year on power while reducing greenhouse gas pollution per pound of product by half. In 2000, it saved almost \$400 million due to resource and productivity improvement.
- In five years, SC Johnson increased production by 50% while waste emissions were cut by half, resulting in annual cost savings of more than \$125 million.
- United Technologies Corporation’s sites eliminated almost 40,000 gallons per year of waste water and saved over US\$50,000 per year with a fundamental change in the way it manages its test cells, underground storage tanks and waste streams.” (WBCSD, 2006, p.3)

³ “eco-efficiency is achieved by the delivery of competitively priced goods and services that satisfy human needs and bring quality of life, while progressively reducing ecological impacts and resource intensity throughout the life-cycle to a level at least in line with the Earth’s estimated carrying capacity.” (WBCSD, 2006, p.3)

Chapter 2 Corporate Identity of Media Markt

2.1 Internal Analysis

Media Markt is part of the Metrogroup, which has a separate stock exchange quotation on the Frankfurt Stock Exchange. Metrogroup is a worldwide operating organisation and one of the largest retailers in the world. Next to Media Markt and Saturn, the following brands also are part of the Metrogroup: Metro Cash & Carry, Makro Cash & Carry, Real and Galeria Kaufhof. In 2007 the Metrogroup consists of 2.469 branches in 32 countries, 250.000 employees and has a turnover of €65,9 billion. The first Media Markt was opened in 1979, in München, Germany. In 1999, the first step is made on the Dutch market. The main idea behind Media Markt is that:

- ❖ All electronics, CD's, white goods etcetera are all bought in one shop
- ❖ One buys in big shops
- ❖ One has an huge amount of options, which vary from very simple to exclusive
- ❖ Options are from an enormous assortment, with an average of 45.000 different articles and always more choice than the competitors
- ❖ To be the first to present new innovations in the field
- ❖ All articles are visible, can be touched and tried
- ❖ Prices are kept low
- ❖ Media Markt is price leader as well as market leader

Media Markt is a decentralised company, which means that in the Netherlands Media Markt is represented by Media Markt holding Nederland. This holding represents all Dutch Media Markt branches. Every branch of the Media Markt is a private limited company, which has an impact on the power division. 90 % of the stocks are in hands of the holding, and 10% of the stocks are owned by the branch director. Each branch can make their own decisions about e.g. the products that are on sale, bearing in mind the national campaigns created by the head office of Media Markt Nederland. Every branch is responsible for its own success. The larger part of the identity of Media Markt is created at the holding, though the branches can have separate thoughts on how they present this identity, by defining the range of products, marketing and prices. Because each branch decides on pricing, Media Markt does not have a web shop. The holding makes agreements with the suppliers about purchasing. ("Media Markt", "Over ons", 2008, ¶3-6) The following diagram shows generally the corporate structure in the Netherlands:

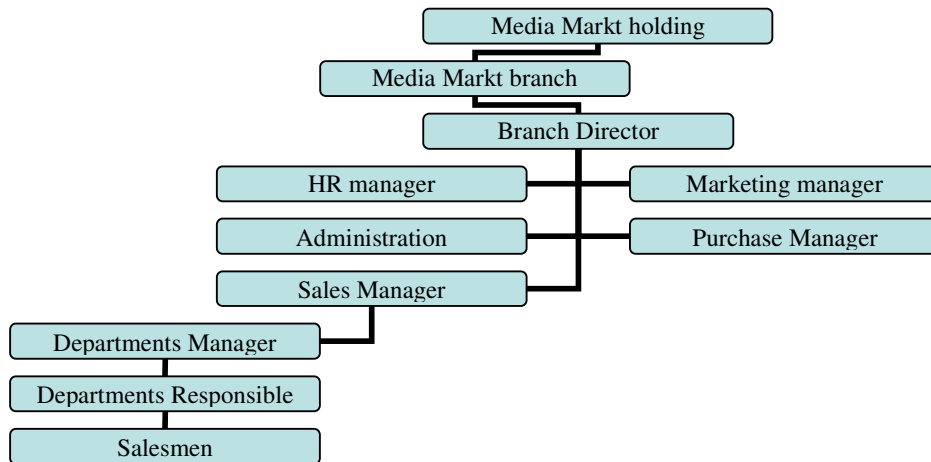


Figure 2

What does the Media Markt stand for? Important values lie in the fact that Media Markt is one of the most affordable in its segment. This is a very strong competitive advantage. Combined with the good service (though low-cost) it is something no competitor can compete with. Service is kept low-cost by letting customers wrap their goods themselves, and by paying little attention to the shop-experience of the customers and the surroundings of the products. This contributes to the recognizable image the Media Markt has as a brand. The low-cost look shows that no money has been spent at for the customers useless matters, such as lighting, shelves, bags, and so on. However, this also means that at this point there is no room for a “green” image and that Media Markt does not try to show they care about sustainability.

Marketing is organized by a marketing agency at holding level, and this means that generally at a lower level there is not much room for new marketing input. However, new ideas are welcomed, as long as they are in line with the main beliefs of Media Markt.

Strengths	Sustainable opportunity?	Weaknesses	Sustainable opportunity?
S1 Size	X	W1 Difficult to implement new strategies	X
S2 Good organisational structure	V	W2 Responsibility of branches	V
S3 Marketing strategy	V	W3 No “green” image	X
S4 Service	V	W4 Service not well-known	X
S5 Low prices	X	W5 No web shop	X

2.2 External Analysis

2.2.1. Consumer Analysis

Target group

The target group of Media Markt is quite broad; customers are generally aged 18 to 35. The strategy is determined in order to reach the mass and to make the shops attractive for everyone. The ‘cultural creatives’, the group of consumers that cares most about ecology, social equity and attentiveness for the environment and that criticizes materialism, is therefore not a specific target group for Media Markt. As is named above, the focus is on the other hand on cost-conscious people, who search for the most affordable products. Van Alsem (Van Alsem, 2001, p. 95) describes different market segments, of which the target group of Media Markt can be seen as the group of ‘Convenience oriented’. This group is low class, modern and adjusted for convenience.

Geographical

Since the opening of Media Markt in Germany in 1979 and ten years later the first international move in France, Media Markt has been expanding fast and is now with over 500 shops in West and East Europe present in 15 countries:

Figure 3 (Media Markt, Over ons, 2008, ¶ 1-2)

Germany	Hungary	Portugal
France	Poland	Greece
Austria	Spain	Sweden
Italy	Netherlands	Russia
Switzerland	Belgium	Turkey

Psychographic analysis

Media Markt started with the idea to fulfil the need for a shop where you could buy all electronics in one large store, with many options, new products and a low price.

Customer values

What customers of the Media Markt value the most, is that it tries to keep the prices low, and the fact that they have many options.

Behavioural analysis

Customers tend to prioritise prices and quality. Sustainability is not important for the current customers of the Media Markt. However, there seems to be a fast growing group of consumers that do care for sustainability that could be an interesting target group for Media Markt as well.

Conclusion

Media Markt's intentions are clear; as is shown by their growing number of international shops: they are expanding rapidly. Next to this they want to put the customer at the centre of attention and have as low prices as possible. This is also what customers value and the reason why they go to the Media Markt, the low prices and many options.

Opportunities	Sustainable opportunity?	Threats	Sustainable opportunity?
O1 Broad target group	V		
O2 Fast expanding	X		
O3 Customers more interested in environmental impact	V		

2.2.2. Branch Analysis

Macro environment of the company

Demographically the expectation is that the current trend of ageing will sustain for the period of 2009 – 2040 (Centraal Bureau voor Statistiek [CBS], 2010). Since Media Markt tries to appeal to a very broad group of consumers, this should not have a great impact on the size of the target group. The type of this group of consumers however can change due to the ageing, which may be an interesting fact for Media Markt to take into consideration.

Economically the recession has its impact on the buying behaviour of consumers, more than ever consumers will search for the lowest prices.

One of the social-cultural trends is that appliances become more and more part of the lifestyle. Functionality is no longer the most important stimulant to buy appliances. Status and lifestyle are now more important factors to buy new products, such as mobile phones. Retailers can focus more on this.

The environmental conscious of customers increases strongly. More and more customers pay attention to the environmental impact and energy use of appliances. This creates a wider market for new products with an environmental touch, such as solar panels. Producers in brown and white goods use this opportunity to create new products.

Local governments draw large shops towards city centres:

Even though large shops (It's, Media Markt) are moving their attention peripheral, local governments try to pull them into old buildings in the city centres. The local governments make sure there are enough facilities, such as parking spaces.

Market

Which markets is Media Markt in?

- ❖ Audio/Television
- ❖ Computer
- ❖ Photo/Video
- ❖ Telecom/Navigation
- ❖ Household appliances
- ❖ Wellness/Beauty appliances
- ❖ Music/Film/Gaming
- ❖ Online services: Cartridge shop, Photo service and Internet, Telecom & Digital TV

Expenditure on product groups in white- and brown good stores:

	2007	2008
Audio/Video	47%	46%
Large Household appliances	28%	28%
Small Household appliances	8%	8%
Computers/Software	4%	7%
Vision/Sound	3%	2%
Photo	4%	3%
other	6%	6%
Total	100%	100%

Figure 4 Source: HBD

Branch analysis – intensity of competition

To analyze the branch of industry, and in particular the intensity of the competition around Media Markt, the five forces model of Porter can be a good tool. Underneath figure 5 are the current trends in white- and brown goods explained by subdividing them into the five forces.

Figure 5 Porter Competitive Strategy:

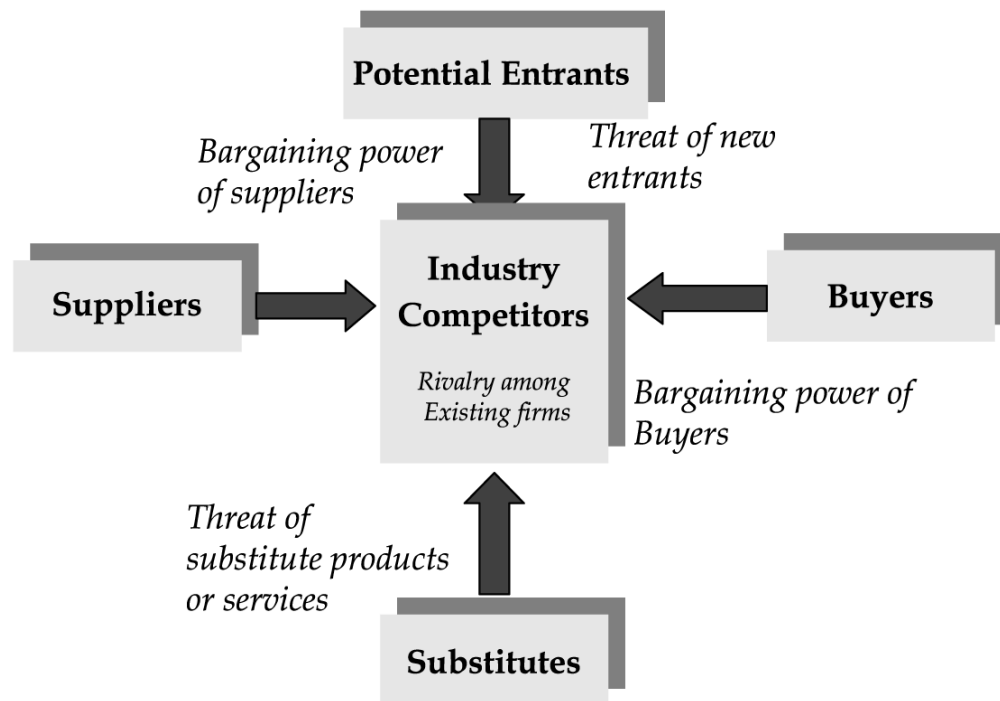


Figure 5 shows the “competitive forces” that influence the competition structure of a branch of industry. The intensity of the competition of external factors for Media Markt is as follows:

Potential Entrants

- ❖ More sales on the internet:

More and more Dutch but also international companies sell their goods on the internet to the Dutch consumer. In 2006, consumers spent € 329 billion on the internet, which is almost the double amount they spent in 2004. This is without expenditure on computers and software. Interesting is also the fact that in 2009 with 60 % of the purchases in white and brown goods made, consumers first orientated on the internet before making their decisions. 20 % of the actual purchases were made on the internet. Buyers have more power by the possibility to combine forces and demand low prices, but also have the opportunity to compare prices and product qualities. The threat for Media Markt is that there is a growing group of web shops of which Media Markt is not part.

Buyers

- ❖ Distinguish on the basis of service

Companies should distinguish themselves more on the basis of service, such as giving advice to the customer and helping them to make decisions ('funnelling'). Next to this, delivery services should be extended and improved, by focussing more on the client's wishes, such as delivery times.

- ❖ Experience centres

Customers want to try products before buying them. To benefit this, shopkeepers create 'experience centres' where customers for instance can try out the difference between induction stoves and gas stoves, or listen to music in a living room atmosphere. A different type of try before you buy is that customers can 'rent' the product for a while, before they decide what to buy. Other suppliers organize weekends to teach their customers how to handle their new video camera.

Suppliers

- ❖ Rotational speed and supply goes up:

Due to the fact that products have a shorter lifespan, rotational speed goes up considerably. This means that the manufacturers need to supply at a higher pace, or they will lose their position to an (faster and more affordable) Asian manufacturer. This also means that the supplies must be larger, to satisfy the demand for new products. The problem is, however, that due to fast technological developments and rapid fall of prices these vast supplies age fast and become less valuable.

- ❖ Hype new products

More and more, products or newer versions of it are announced early beforehand, to create a hype around it on the release date. This evokes queues in front of the stores and media attention around the product, which creates a high level of demand and high prices. Early adopters are willing to pay, as long as prices do not drop too soon.

Substitutes

- ❖ Second hand circuit because of short lifecycle

Due to the fact that 'early adopters' buy the newest products, these products age fast and become less interesting for them, they will replace them for newer items. For people who are not so early in buying new products, these 'older' items are still interesting. This creates a second hand circuit of green stores that patch up these 'older' products, to make them available for other customers. These products are also interesting for their eco-image.

(Hoofdbedrijfshap Detailhandel [HBD], 2008)

Conclusion

For Media Markt these trends certainly haven an impact. Media Markt does not sell products over the internet, service is not well known, experience centres exist only on low scale and off course the fact that local governments try to get Media Markt moving into old buildings in city centres. In chapter 3 we will see how Media Markt can integrate these trends into the business strategy.

Opportunities	Sustainable opportunity?	Threats	Sustainable opportunity?
O4 Recession	X	T1 Ageing	X
O5 Appliances part of lifestyle	V	T2 Shops to city centres	X
O6 More attention environment	V	T3 More web shops	X
O7 Hype new products	X	T4 Trend: better service	X
O8 Short lifecycle products: 2 nd hand	V	T5 Trend: experience centres	X
		T6 Shorter lifespan products	X

2.2.3. Competitor Analysis

The largest competitors of Media Markt in the Netherlands are:

BCC

Since 1969 BCC has been one of the largest electro-retailers with over 1.500 employees and 50 Superstores around the Netherlands. Next to these Superstores, BCC is since 2005 also active on the internet. BCC is part of KESA, a multinational present in 9 European countries. In 2006, BCC initiated a project to make the electronic industry greener. To do this, they work together with WWF, HIER, Natuur & Milieu and Milieu Centraal, all environmental organisations. They created the Groene Stekker Sticker ('Green Plug Sticker') to help customers choose energy saving appliances. (BCC, 2007)

Comparable strengths:

- ❖ size
- ❖ 'green' input

Sustainable competitor?

Yes.

It's

It's is a Dutch chain store aiming on the sale of consumer electronics as well as electronics for the business market. They have over 1500 employees, divided over 100 branches and the head office. It's is part of Impact Retail. Besides the regular branches in the outer parts of shopping malls, there are larger branches; *It's XXL*. Products are also sold on the website of It's. In 2007 It's was nominated for the award 'Best chain store of the Netherlands'. The slogan is: "It's all about you". (It's, over It's, 2008)

Comparable strengths:

- ❖ product range
- ❖ service

Sustainable competitor?

No.

Correct

The slogan of Correct is: '*Als Correct het niet heeft, vergeet het dan maar*' ('If Correct does not have it, you can forget about it'). Correct has only branches in Rotterdam, and is therefore physically not present in the largest part of the Netherlands. The four branches in Rotterdam are divided with:

Correct Consumer and Car & Navigation

Correct DJ, Music and Prof. AV; Bargain Basement; Home and Garden

Correct Computers and Networks; Correct Marine and Water sports

Correct Collect Centre; Correct Service Centre

Next to these branches, goods can be bought from their web shop on their website as well.
(Correct, Het familiebedrijf Correct, 2008)

Comparable strengths:

- ❖ product focus

Sustainable competitor?

No.

Dynabyte

Since 1985 Dynabyte now has 48 branches throughout the Netherlands. Next to this they also have their 'Dynabyte Thuiswinkel' ('*Dynabyte Homeshopping*'), which in 2004 and 2005 won the 'home shopping award'. (Dynabyte, over Dynabyte, 2008)

Comparable strengths:

- ❖ size

Sustainable competitor?

No.

Kijkshop

Kijkshop uses a different formula, compared to other electronic goods shops. They sell their goods (jewellery, perfumes, watches, household and personal care, do-it-yourself, audio/video, telecommunication, office and photography) from behind glass. This means that customers fill in the receipt their selves, pay for it at the cash register and receive the goods unpacked. Kijkshop opened their first store in 1973; in 1999 they started the website kijkshop.nl, to sell their goods online. In 2005 they started the website kijkshop.be.

Kijkshop is part of KIN BV⁴. (Kijkshop, over Kijkshop, 2008)

Comparable strengths:

- ❖ low prices

Sustainable competitor?

No.

Modern

Modern.nl is a web shop for consumer electronics. It is part of a large retail company.

(Modern, over Modern.nl, 2008)

Comparable strengths:

- ❖ size

Sustainable competitor? No.

⁴ Klockgrossisten I Norden Netherlands BV

MyCom

MyCom is a specialized computer shop and has 25 physical shops around the Netherlands, where customers can see, try and buy computers, notebooks and accessories. Next to this they also have a web shop, where these products can be bought online. (MyCom, Informatie, 2008)

Comparable strengths:

❖ service

Sustainable competitor?

No.

Online shops

Telecom/ other specific shops

Warehouses (V&D, HEMA, Blokker, etc.)

Benchmark analysis competitors:

(1 = weak, 5 = strong)

	Weight	Media Markt	BCC	It's	Dynabite
Price	3 x	5 = 15	3 = 9	3 = 9	3 = 9
Quality -sustainability	3 x	3 = 9	5 = 15	2 = 6	2 = 6
N° shops	1 x	2	3	4	3
Service	2 x	3 = 6	4 = 8	5 = 10	4 = 8
Products - offer 'green' products?	2 x	3 = 6	4 = 8	3 = 6	3 = 6
Innovation - opportunity to launch sustainability?	3 x	3 = 9	5 = 15	2 = 6	2 = 6
Marketing	2 x	5 = 10	2 = 4	3 = 6	2 = 4
Total		57	62	47	42

Figure 6

Conclusion

The largest competitor for Media Markt is BCC, mainly because they have sustainability as a competitive advantage. If Media Markt wants to compete in the area of sustainable enterprise, they will have to make it part of their corporate strategy.

In chapter one, a distinction was made between four CSR archetypes of companies: Core operators, irresponsible participants, peripheral players and hidden champions. When looking at the competitors of Media Markt, it can be interesting to see to which archetype these competitors belong. To start with Media Markt itself, it is obvious that Media Markt has not done any effort to include CSR into their benefit, which defines them as irresponsible participant. BCC has in fact included CSR into the corporate strategy, but has received no recognition for their efforts yet. This makes them part of the hidden champions. The other competitors are on the same level as Media Markt: the irresponsible participants. Eventually, the goal of Media Markt should be aimed at being part of the Core operators. These companies have included CSR into their economic benefit and are also recognized for their efforts.

Opportunity	Sustainable opportunity?	Threat	Sustainable opportunity?
		T7 BCC advanced sustainable enterprise	V

2.2.4 Distribution Analysis

Media Markt sells its products in over 500 shops in Europe. In the Netherlands Media Markt has 26 physical shops. All these shops are separate limited companies with 90 % in hands of the Media Markt Netherlands holding. The holding also makes agreements with suppliers about the purchase, as is mentioned above in the internal analysis.

Media Markt has the following online shops:

- ❖ Cartridge shop
- ❖ Photo Service
- ❖ ADSL-internet
- ❖ Digital TV

2.3. SWOT-analysis

	<p>Strengths</p> <p>S1 Size</p> <p>S2 Good organizational structure</p> <p>S3 Marketing strategy</p> <p>S4 Service</p> <p>S5 Low prices</p>	<p>Weaknesses</p> <p>W1 Difficult to implement new strategies</p> <p>W2 Responsibility of the branches</p> <p>W3 Service not well-known</p> <p>W4 No “green” image</p> <p>W5 No web shop</p>
<p>Opportunities</p> <p>O1 Broad target group</p> <p>O2 Fast expanding</p> <p>O3 Customers more interested in environmental impact</p> <p>O4 Recession</p> <p>O5 Appliances part of lifestyle</p> <p>O6 More attention to the environment</p> <p>O7 Hype new products</p> <p>O8 Short lifecycle products: 2nd hand products</p>	<p>SO strategies</p> <p>SO1 Open a second hand department</p> <p>SO2 Take back old appliances</p> <p>SO3 Open a corner with specialized eco-products</p> <p>SO4 Start a marketing campaign to hype new eco-products</p>	<p>WO strategies</p> <p>WO1 Specialize in eco-products</p> <p>WO2 Extend “green” service, help choosing products</p>
<p>Threats</p> <p>T1 Ageing population</p> <p>T2 Shops to city centres</p> <p>T3 More web shops</p> <p>T4 Trend: better service</p> <p>T5 Trend: experience centres</p> <p>T6 Shorter lifespan products</p> <p>T7 BCC advanced sustainable enterprise</p>	<p>ST strategies</p> <p>ST1 Inform ageing population about eco-products</p> <p>ST2 Service as priority: provide information about eco-products</p>	<p>TW strategies</p> <p>TW1 Implement sustainable strategies on corporate level</p> <p>TW2 Expand web shop</p>

Figure 7

SO1 Open a second hand department

This strategy derives from the current trend that appliances have a shorter lifecycle, which means that customers buy new appliances while their old ones are still functioning.

Together with the fact that Media Markt wants to maintain its position as the company with the lowest prices, this strategy can be combined with SO2, take back old appliances.

To integrate this trend into the strategy of Media Markt, it could be an idea to open a second hand department inside the store, where early adopters can sell their (rather new) products; technicians can patch up these products and make them available for other customers.

SO2 Take back old appliances

Old appliances that still function or may need small repairs can be brought back to the store and sold in the second hand department. Companies that feel responsible for the products they sell, more and more offer the opportunity for customers to hand in their old appliances, either for repair, or for disassembling and recycling. This strategy combines the trend of taking back old appliances, with the service of Media Markt.

SO3 Open a corner with specialized eco-products

Because customers are more and more interested in ecological products, what Media Markt could do, is open a corner in the shops with specialized eco-products. This way, there is a clear difference between ecological and non ecological products and Media Markt pays attention to the group of so-called 'cultural creatives'. Customers that care about the environment (the cultural creatives) can go straight to the part of the shop with ecological products, and customers that are less interested in ecological features of a product or that want to compare other aspects of the products, can decide to look around the shop for other products. Important is that the image of the shop can stay fairly equal, and it does not require too much investments or changes. This strategy can be achieved because of the good organisational structure of Media Markt.

WO1 Specialize in eco-products

To show that Media Markt has other interests besides making profit, it will be of importance that the corner with eco-products is accompanied with staff that has had training in sustainability, information on the web site, flyers with extra information and products that clearly state their energy use and eco-label (if possible). This enhances the "green" image of Media Markt and fulfils the need of consumers for sustainability.

WO2 Extend “green” service, help choosing products

Together with specialization, as is mentioned in WO1, staff has to be up to date with information about sustainability of the company and the products. This way they can help customers better choosing the products. This strategy fulfils the need for sustainability as well, next to enhancing the knowledge of the service of Media Markt.

ST1 Inform ageing population about eco-products

Instead of viewing the ageing of the Dutch population as a threat, for Media Markt this trend can also be seen as an opportunity. Older customers seek more advice and service and are also more open to sustainability than younger customers. The SO1, WO2, WO3 and ST3 strategies all lead to a corner with specialized eco-products, extra service and information which will appeal to the older customers.

ST2 Service as priority: provide information about eco-products

To enhance the service of Media Markt, it can be good to focus on service, especially on the service to provide extra information about choosing eco-products.

SO4 Start marketing campaign to hype new eco-products

Since the attention for sustainability is rising, there will be more consumers interested in eco-products. This will lead to a moment where there will be a need for eco-products. The Media Markt can cater to this moment by creating a hype around these new products and by launching a national marketing campaign around them. Marketing has always been a strong point of Media Markt, and consumers tend to be interested in the hype around products, and easier convinced of the need for these products.

TW2 Expand web shop

Although Media Markt already has a web shop for some products (Cartridge, Photo Service, ADSL-internet, Telecom and Digital TV), other products can not be bought online. Prices are also only available in the shops and (local and national) flyers, due to the fact that each shop determines its own prices. To solve this, they can select articles which are bought online, and make sure these have the same national price. These articles could be the most popular items, or the ones that are on sale. This is a typical example of how cost reduction meets CO2 reduction. Having a web shop can increase sales largely, whilst the cost impact of introducing a web shop is much smaller. The impact on the environment is also much smaller compared to opening a physical shop. Media Markt does get complaints from customers who are looking to compare prices on the internet. Not only do the competitors of Media Markt almost all have a web shop next to their physical presence, the number of sole internet shops is growing constantly. These are specialized internet shops

as well as electronic device internet shops. This strategy is combining the threat of upcoming web shops with the lack of a web shop for Media Markt.

TW1 Implement sustainable strategies on corporate level

Even though the branches have responsibility to decide on certain matters, it would be best to implement the sustainable strategies not on branch level, but on corporate (Netherlands) level. This will prevent a mixed message of the image of Media Markt and it creates a better level for competition with BCC.

Conclusion

The conclusion from this SWOT-analysis shows two main directions:

1. Open a second hand department, where people can hand in their old appliances.
2. “Green” corner with eco-products, emphasis on service and information, attracting the older consumers and eventually leading to a hype around eco-products.

The following conclusions should also be taken into consideration by Media Markt:

- ❖ seriously think about opening a web shop
- ❖ All the strategies concerning sustainable enterprise should be created at the head office Netherlands to ensure a clear message.

Chapter 3 Strategic choices

As concluded in chapter 2, the main direction towards which the strategies from the SWOT-analysis lead can be summarised in two subjects: a second hand department and a “green” corner with eco-products. What does this mean?

A second hand department

This department with second hand products exists of a collection of used appliances. Customers that buy new products (e.g. washing machines) can bring their old appliances to the second hand department, or have them picked up for a small price. If they have their goods picked up, they will receive a coupon which gives them their money back if they buy a new product instead. In some cities it is already obligatory for shops to accept old appliances; this will have to be checked by the branches themselves.

Quality

When the products arrive at the shop, they will be checked by quality control and made sure to be functioning and clean. The next step will be either:

- ❖ the products can go directly in to the shop if they are in good shape,
- ❖ or small repairs are necessary before putting them into the shop,
- ❖ or if they are not saleable they will be prepared for disassembling and recycling. This can be done together with local governments.

Social

This strategy can simultaneously enhance the social responsibility of Media Markt, because opening a second hand department creates new jobs. This is a very positive signal in a time where the amount of jobs seems to be decreasing more and more. There can also be an education program offered in cooperation with schools to attract the technicians that are necessary to repair the appliances.

This means that Media Markt shows to be responsible for the products they sell. To see if this could be a successful project, a test shop could be opened in one branch. This is very interesting in a time where the life cycle of products becomes shorter and shorter and where products are thrown away more easily while new products are launched right after each other.

“Green” corner with specialized eco-products

With “green” is meant solely products that save energy or that use less energy than comparable products. These products are in this thesis referred to as eco-products, deriving from the term ecologically friendly, meaning to have as little impact as possible on the environment.

Label

In the Netherlands, to make it easier for the consumer to choose between these products, there are four labels that compare the energy use of electrical appliances and the general impact on the environment:

- ❖ **Ecolabel**

Ecolabel in the Netherlands is only used for some dishwashers. It checks energy use, water use, possibilities to recycle etcetera.

- ❖ **Energielabel**

This label is not a certification label; it is an obligatory information label from the European Union. It categorizes the energy use of the appliances.

- ❖ **TCO**

This label is a Swedish certification label that in the Netherlands is used mainly to compare office furniture and computers. It checks energy use, impact on the environment and ergonomically effects. Demands for energy use are stricter than the Energy Star (see below).

- ❖ **Energy Star**

This is an American label that checks the energy use of electrical appliances, especially when they are on stand by. It is used for office appliances, such as desktop computers, printers and copiers.

(Milieueentraal, 2010)

In the corner with eco-products, each of these labels should be clearly explained by use of flyers with information, or by extra information on the website of Media Markt.

Staff should be able to help the customers choose the product that not only serves their needs, but also has as little impact on the environment as possible. Service should be priority, to make sure that older customers are not intimidated by the amount of electrical appliances. Not only because they find it difficult to compare products because of new technical developments, also because they are interested in reducing energy use but may not be able to compare the different labels named above.

Tests

Apart from the information provided about energy labels, all products in the “green” corner should be best classified by these labels. Many electrical appliances are tested by different organizations; Media Markt can use these tests to determine which products are suitable for the corner with eco-products.

Save energy

The products also should have the opportunity to have a long lifetime. This means they should have the possibility to be repaired if necessary. Next to this they should be able to be switched off completely. Appliances with transformer should be offered together with a plug that can be switched off. Staff should inform customers to buy appliances measured to their family needs, to help customers pick appliances as small as possible.

Climate compensation

To offer the opportunity to customers to buy “climate compensated”, Media Markt could work together with Visa. This credit card company offers special credit cards that compensate the CO₂ emission for each purchase.

“Green” campaign

To emphasize the “green” corner with eco-products, Media Markt can launch a campaign to promote these eco-products and by doing so create a hype around these products. This ensures that all consumers are aware of the fact that Media Markt has an extended offer of “green” products and enhances the image of Media Markt.

Conclusion

The strategy for Media Markt consists of two directions; a second hand shop and a “green” corner with eco-products. Note: chapter two concluded that next to these directions, Media Markt should consider expanding the web shop. Even though this is a strategy Media Markt should explore, in this thesis the emphasis is on sustainable enterprise and therefore this strategy will not be discussed as it has not enough impact on improving sustainable enterprise for Media Markt.

Chapter 4 Conclusion and recommendations to Media Markt

4.1 Conclusion

In this thesis we have taken a look at the following central question: 'How can Media Markt Netherlands adopt measures to improve sustainability in and around the company' and the following sub-questions:

'What does sustainable enterprise and sustainability mean?

Why and how do other companies make their business more sustainable?

What type of sustainability suits Media Markt Netherlands the best?'

What does sustainable enterprise and sustainability mean?

This question was answered in chapter one by exploring the different terms that are used to describe this area. Sustainable Enterprise focuses on the areas of Economy (Profit) and Environment (Planet), with an emphasis on the Environment. A good definition of sustainable development was formed by the UN Commission:

The challenge of meeting the needs of present generations without compromising the ability of future generations to meet their needs moulded by the Commission into the concept of sustainable development, a new political concept that includes equity and justice, within and between generations. (United Nations [UN], 1948, section, ¶ 1)

Why and how do other companies make their business more sustainable? Possible motives (named by Jacqueline Cramer) for the Media Markt to start with sustainable enterprise could be:

- ❖ Cost reduction, such as already has been described in chapter three. This is probably the most frequent heard argument for companies to start with sustainable enterprise.
- ❖ Possibility to survive on the long term. This is an argument for companies that are ready to look at the future and able to see that the demand for alternative enterprise is growing.
- ❖ Increasing attractiveness as an employer and increase employees' motivation; if employees know they work without wasting, they want to work with more enthusiasm. This also increases the attractiveness of the company, assuming that employees are informed about the sustainable situation.
- ❖ Entering new markets; on the long term Media Markt could think of opening shops with more 'ecological products' in it. (Cramer, 2002, p.14)

As is mentioned in chapter one, it is very important for companies that are active in sustainable enterprise, that they are truly committed to the projects and that the reasons for starting them lie in the need to do something good for society and/or the environment, instead of in the PR and communication strategies they invented.

Companies can be divided into four archetypes of CSR:

- ❖ Core operators
- ❖ Irresponsible participants
- ❖ Peripheral players
- ❖ Hidden champions

Media Markt, together with most of its competitors, belongs to the irresponsible participants. These companies have not included CSR into their economic benefit and are also not recognized for their efforts. BCC is the only competitor that has included CSR into their economic benefit and therefore belongs to the hidden champions. This makes BCC the largest competitor for Media Markt in the area of sustainable enterprise. Ideally all companies should aim to belong to the Core operators: these companies have both included CSR into their economic benefit and are also recognized for it. (Kim, Van Dam, 2003, p.4)

Media Markt is quite a big company with a strong vision. It is a decentralised company which means that all branches have the opportunity to make decisions themselves. Strong points are good organisational structure, marketing and service. The focus of Media Markt is not on the cultural creatives, but on the more cost-conscious people.

What type of sustainability suits Media Markt Netherlands the best?

The trends in the branch of white and brown goods are:

- ❖ more sales on the internet
- ❖ distinguish on the basis of service
- ❖ experience centres
- ❖ products have a shorter lifespan
- ❖ hype new products
- ❖ second hand circuit

Together with the strengths and weaknesses and other external factors these trends have led to two final strategies to implement sustainable enterprise at Media Markt Netherlands:

1. Open a second hand department, where people can hand in their old appliances.
2. “Green” corner with eco-products, emphasis on service and information, attracting the older consumers and eventually leading to a hype around eco-products.

These strategies should be created at the head office to ensure a clear message and it creates a better level for competition with BCC.

4.2 Triple Value Assessment™

After implementing these strategies to reinforce sustainable enterprise in the Media Markt, the next step is to examine the outcomes. The Triple Value Assessment™ is used to assess the added value of sustainable, or CSR, performance.

First, Media Markt will have to explore how sustainable enterprise has managed to enhance the economic performance. This is done by looking at the following aspects:

- ❖ **How is the revenue growth? Does Media Markt have a stronger market position?**

The expectation is that first some costs have to be made; especially opening second hand shops will require investments. On the long term financial gain and therefore revenue growth can be expected because this strategy, combined with the corner of eco-products leads Media Markt into new markets. This will give Media Markt a stronger market position.

- ❖ **Is there cost reduction? Has the sustainable enterprise led to more eco-efficiency or higher productivity?**

The focus of these strategies is not on the cost reduction, but will lead to more eco-efficiency and higher productivity.

- ❖ **Has the employee satisfaction increased?**

These strategies will increase the attractiveness of Media Markt as an employer and in this way also increase employees' motivation to work for Media Markt. The employees will need specific trainings to both increase service on eco-products and to increase their motivation.

- ❖ **And lastly; could Media Markt be included in CSR funds?**

These strategies are not aimed at total sustainability; they are only the first step for Media Markt to increase sustainability of the company. This means that they probably will not lead to inclusion in CSR funds.

Second, the reputation value has to be studied. This is done by defining:

- ❖ **Is there a distinctive message?**

The strategies described in this thesis have the message: they aim to show that Media Markt is a company for everyone, even people with low incomes or consumers that are interested in eco-products are served.

- ❖ **Is the communication about sustainable enterprise focussed?**

The communication should make a clear distinction between the image of Media Markt as only having low prices and the image of Media Markt as also caring for the environment. The strategies take also into consideration the latter: Media Markt also cares for the environment.

❖ **Is this communication consistent?**

The consistency of the communication should be safeguarded by the marketing agency.

❖ **Can Media Markt be transparent?**

Transparency is the only way to ensure the credibility of the strategies described in this thesis. It is very important for Media Markt to show that these strategies are not only developed because of the need for financial gain, but also showing Media Markt sincerely cares for the environment. Openness of the company will be rewarded with positive reactions of the consumers.

❖ **And could sustainable enterprise be part of the corporate identity?**

As mentioned above, these strategies only are the first step into sustainable enterprise for Media Markt. The next step will be to examine if sustainable enterprise can be part of the corporate identity.

The third pillar of the model, assessing the parenting advantage, is only informative at corporate level (Media Markt Netherlands). Should Media Markt decide to implement sustainable enterprise from the headquarters, then they should look at:

❖ **Is there a sustainable competence center?**

Taking the next step by making sustainable enterprise as part of the corporate identity of Media Markt involves creating a sustainable competence center.

❖ **How is the leverage of sustainable competences?**

Sustainable enterprise should balance between constant revenue growth and the effects of the company on the environment and social justice. The answer of this question should be made on corporate level. Revenue growth will probably continue to be the most important factor for Media Markt, but the weight of sustainability should not be underestimated to maintain growth in the future.

❖ **If there are sustainable business lines, do they reduce the risks?**

The aim of the strategies is that they reduce risks on the long term, by extending the markets that Media Markt is currently in.

(Kim, van Dam, 2003, p. 7)

4.3 Recommendations

Phased implementation

It would be recommended to start with a phased implementation of the strategies. Focus should be step by step to ensure credibility of the company and to reduce costs and risks. The first step is to start with a “green” corner with eco-products in all the branches. Very important with this step is that the staff of each shop is trained and very well informed about these products and the labels that inform about energy use and impact on the environment. Next step will therefore be to produce flyers with information and to create an extra section on the web site with information about the “green” corner and the products that are in it. Management at the head office should continuously be informed of the tests on eco-quality all the products are subjected to. This way the corner with eco-products is always up-to-date.

Test shop

The start of second hand departments should be at one shop that has the space and willingness to start with this project. Extra staff should be hired for checking the products, repairing them if necessary and pricing and selling them. A thorough examination of the effectiveness of this project is necessary, to see if other branches should decide on continuing this strategy. Each new project should be checked with the Triple Value Assessment™.

Next step is the search for cooperation with local schools to start with a training project for technicians that can check and repair second hand electrical appliances. This way Media Markt shows not only to care for the environment, but also for the people living in it.

Communication

Communication should be a very important part of all of the corporate strategies, involving sustainable enterprise or not. With sustainable enterprise the emphasis should be on taking responsibility for the consequences of the actions of Media Markt.

Assessment

With these strategies and the ones that may follow, it would be advised to continuously assess the consequences they have on the company and the environment. In the preceding paragraph the Triple Value Assessment™ is explained, together with possible outcomes and answers to the questions named. This assessment should be kept up to date and checked for new outcomes regularly.

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Appendix 1

Interview with John Brouwer, Media Markt Zoetermeer

09/07/08

What are the mission/vision or main goal of the Media Markt? Does the branch of Media Markt Zoetermeer have its own 'version'?

The main goal of Media Markt is to be market leader in all of the segments they belong to. Next to this they want to be both the largest as well as the most low-cost. Each branch lives up to these beliefs as much as possible. Of course they differ from branch to branch, and each branch can bring in new ideas, as long as they match with the main beliefs of Media Markt.

How many employees does Media Markt Zoetermeer have? On which departments are they employed?

Media Markt Zoetermeer has about 120 employees; most of them work in Sales. Then they also work at: 'Department Responsibles', 'Department Managers', 'Buying Department', 'Sales Department', Administration, Marketing and Personnel Department.

When did the branch of Media Markt Zoetermeer open?

A few years ago.

What product groups do you have?

What markets are you in? What consumer groups, type of customers?

The focus on our target groups is quite broad. We try to aim to reach as many people as possible, from teenagers that buy iPods, to couples that want to buy a new television. Therefore our core group is 18 – 35. But in general we want to reach the mass.

How does Media Markt / branch Zoetermeer sell itself (e.g. as a product)?

As I told you, Media Markt sees itself as the largest, low cost combined with high service. In my opinion this is also something which makes them a strong player in the international market.

What are the strong and the weak points/ the USP's of Media Markt/ branch Zoetermeer?

Strong points are:

- Biggest
- Good organisational structure (flexible, freedom, personal growth possibilities)
- Marketing
- Service

Weak points are:

- Service (not well-known)
- Too big

What does the management structure look like? Who has more power? What are the weaker/stronger points of the management?

Stronger points of the management are:

Open communication, especially within the branch, the sales manager can easily walk in to the Director's office.

A weaker point of the management is that because of its size, decisions made in the Head Office or at holding level take much time before they are enacted at a lower level.

How is the marketing organized? What is determined at the Head office and what is determined at branch level?

There are the countrywide flyers; these are all the same at all branches. Then there are the flyers that are countrywide the same, but have local offers added. And then there also are specific flyers set up for each branch with the offers of these branches.

The marketing is being handled by a German marketing agency, redblue, which creates the global marketing strategy. Every Media Markt branch has to adapt to this marketing strategy, it is a fixed set of guidelines.

What would be your idea to improve sustainable enterprise at the Media Markt?

My idea is that the only strategy that would work in this market segment is to combine our market size with product development. If we work together with manufacturers, we can bring new products to the market, without changing our marketing strategy. For example, with a TV manufacturer, we could develop a sustainable television that would only be sold at Media Markt. This brings out advantages for them as well as for us. They have certainty of buyer and the money and stimulant to develop something new, whilst we will be able to sell an unique product and gain positive marketing publicity.

Simple things that could be improved at the Media Markt:

Reduce packaging material

Price tags: instead of paper, use digital price tags

Use E-mail instead of fax

Do not print out E-mails

Use LED lighting instead of fluorescent lamps

I would like to add to that, that for the customer it is very important to make sustainability tangible. If you can not show them numbers, and if you do not communicate straightforward, the message will not come across.