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SITUATIONAL ANALYSIS to RETAIL MARKETING in MONGOLIA

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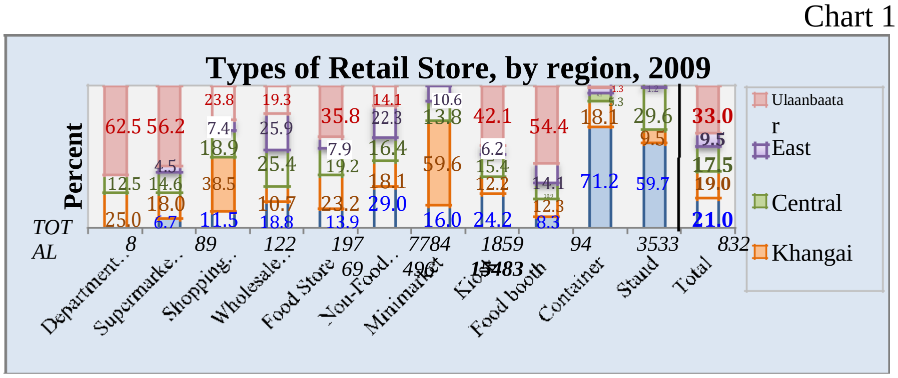
Abstract: *In the framework of this thesis, we have given a brief conclusion of current marketing management of retail organizations in Mongolia and we have determined the situational analysis of retail marketing in Mongolia on the basis of primary survey on marketing the biggest chain-stores and consumers.*

Mongolia has been transferred into the market economy since 1990, as the privatization process was carried out in the trade sectors since the state owned retail organizations transferred into private ownerships and their structure and reform process was speeded up entirely.

The survey shows that today one of three business entities is engaged in commerce business whilst others have been running domestic and foreign trade. Currently, over 15.000 small business branches have been conducting retail business activities, which are shown in the chart1.

Chart 1.



Source: Information of State Professional Inspection Agency of Mongolia, 2009.

1.3 percent of the retail business is centralized in the capital city and 62.5% of total department stores, 56.2% of supermarkets, 35.8% of food stores, 42.1 % of kiosks and 54.4% of service points are in Ulaanbaatar city. However, 21% of total retail businesses is located in Western region of Mongolia; 19% of these in Khangai region; 17.5% of - in the central region and 9.5% in the Eastern region. The survey shows that the retail business branches are developed intensively alongside to towns, settlements, where there is more density of populations and as well as infrastructure. In addition, this reveals that the new style takes place in modern sales centres such as: department stores, trading centers, supermarkets, hypermarkets, mini -market and chain- stores.

John C. Williams said that "*The retail business is 80% of tactics and 20% of strategy, if you are chosen wrongly the strategy, it will go bankrupt by 100%*"[19]. This shows that one of the most important issues, facing retail businesses is having an advantage strategy from competitors. Therefore, competitions at domestic market economy have become tougher in the chain - stores, supermarkets in the recent years. Thus, they are selling world brand products, becoming their official distributors. On the other hand, those outlets are opening their branches in the country, which shows their constant attention to developing marketing policy for thre competition.

We have aimed to determine the current marketing management of retailing organizations in the frame of the chain-stores, which operate their business activities in Mongolia. 6 biggest companies have been chosen for the reasearch. The companies are the leaders by their marketing policies, sales income, employeres numbers and their branches in the retailing sector. Therefore, the survey on situational analysis of retailing marketing management in supermarkets and chain-stores was carried out.

Average size of chain store operations in Mongolia

Table 1.

Chain store, parent enterprise						Famous brands	Mission	Màrketing policy and programs
Nomin-foods /Nomin holding LLC/	**1997**	**12**	600	Foods, consumer goods, household & electronic products, building materials	UB, Darkhan, Erdenet, Khovd, Khubsgul, Dornod	Bavaria, MacCoffee, Pepsi, Efes, Bonboetti, alfa,Chudo, Meggle, HiPP , Ulker, Lotte, Hollsten, Ovko, VillaRossa, Odenwald,	To sell high-quality brands and goods. Exceeding customer expectation. ***Everyday is new.***	Promotion programm for customer service.

[19]John C. Williams, "Retailing Management"

						РотФронт, Rollton…		
Ìinii delguur /Monkhangai group/	**1995**	**20**	750	Foods, consumer goods	UB, Darkhan Selenge,	Metro cash &carry, Cargil l, Selgros cash & carry, Purcari, Golden Grain, Prahova, Borjomi…	To be the supply chain solutions provider of choice throughout Mongolia region. ***Lowest Prices Everyday.***	Programm of Franchising and market share.
Everyday /Bridge group/	**2002**	**6**	600	Foods, cosmetic product,	UB, Darkhan, Erdenet, Bayan-khongor, Arkhangai	Suntory, Nissin , Meiji, Kanebo,100 yen, Blue nun, Belle, Edika, Langguth, Guaba...	Constantly consider on our customer's needs, permanent selection on our products and constant development in the market. ***Healthy products Everyday.***	Programm of Healthy products and good quality foodstuff
MAX /MAX group/	**1998**	**6**	300	Foods, consumer goods, furnishings cosmetic product	Ulaanbaatar	Budweiser, Ulduz, Fontana, Christinen, Hainich, KingBell, Piasten, Riscossa…	Provide customers high quality food products with a lot of choices in the comfortable environment for a value of money	Social responsibilty programm
BOSA /BOSA LLC/	**1999**	**8**	200	Foods, consumer goods,	Ulaanbaatar	Butter, Blue up , Toffees, Cloud , Bon O Bon, Bebeto…	Immediate and quality service for customers.	To improve trading post operation
Naran /Naran group/	**1993**	**3**	400	Foods, consumer goods, cosmetic product	Ulaanbaatar	Toffifee,Milka,Toblerone,FaMersi,Reison,Dirol,StimorolBiska,L'oreal,Henkel, Colgate, Ðalmolive,Kenzo , Davidoff, Schwarzkopf…	To sell best quality goods-renowned international brands.	Renewing programm for price policy

Source: http://www.mongoliatrade.mn

The chain-stores firstly sold food and consumption goods, but today they are selling electrical goods, furniture, beauty products, clothes, construction materials, medicine, medical devices and serving public catering and many items of services and goods. Most of the chain-companies started conducting their business activities in the middle of 1990. Nowadays, they have been expanding their business activities and have had around 3-20 branches and units, where 200-750 employees have engaged in the business.

The table 1 shows that competitor supermarkets in the business sector such as Nomin, Minii delguur and Everyday companies were compared to show their diversified goods, trading service zone, main partnerships and determination the missions, marketing objectives and strategy. We have found the marketing policies differ according to the objectives of the companies. For instance: the Nomin supermarket put forward its objective as “To attract consumers, offering various kinds of bonuses”; Everyday chain-supermarket - “To serve consumers with ecologically pure and healthy products” and Minii Delguur chain-store supermarket aimed at “the close service to consumers”. In the framework of the policy “To attract consumers offering various kinds of bonuses “, the Nomin chain-supermarkets have first introduced bonus card service to consumers. Furthermore, the company has carried out the various policies on marketing premiums on celebrations and anniversary days. However, with the policy “The closest service to consumers” Minii Delguur chain-supermarket has been opening multi –branches and stores and offering discount services to consumers during business hours to consumers.

Currently, the growing tendency of any organization is to improve the marketing management and the fulfilment of it depends not only on the effective structure and highly qualified specialists, but also on the complicated process, interrelated within the organizational level[20]. Thus, we have conducted questionnaires and survey, using the method of the probability collection from business leaderships to evaluate the current situation for marketing management of the biggest retailing chain –stores (supermarket). The results of the survey have been divided into three sub-systems such as: Business Activity Management (elaborated by the model of B.A. Soloviev and some scientists), Business Responsible Management and Demand Management and analysed them. The results of survey are shown in the table 2.

Table 2.

Measuring analyse of marketing performance of Retailing organizations and result

Questions		Evaluations						verage score	ax. score	ercent
			.1	**.2**	**.3**	**.5**				
Administration f business affairs/DBA/	1.The importance to Marketing Management							0.44		3.8%
	2. The correlation of management decisions to market and customer needs							0.69		8.8%
	4.Age, porfessional skill and experience of the management							.88		7.5%
	5.Readiness to risks							.044		3.8%
	6. Preparedness to innovations									

[20]Ya.Otgonsuren “Marketing Management of Organization Relaitionship” УБ 2008.

								0,69		8.8%
	Performance of DBA =1+2+4+5+6					**0**	**5**	**0.13**		**2.5%**
/FA/ Functional	3. Mission and values							0.75		5.0%
	7.Results of marketing plan							0.69		8.8%
	8. Results of marketing research	5				9	1	0.58		8.4%
	10. Results of marketing information system							0.23 0.50	.3	5.6% 0.0%
	14.To or not to retrained managers							0.19		8.8%
	15.Results of promotion to deliver the									
	16.Results on functional schedule							0.56 0.00		6.3% 00.0%
	17.Result on sub-division relationships									
	18. Evaluation of employee skills and their work interests							0.75		5.0%
	19. Correlation of organizational and individual interests							0.44		3.8%
	20. Evaluation of result of marketing operations		8					0.09	.5	7.4%
	Performance of FA=3+7+8+10+14+15+16+17+18+19+20	**0**	**9**			**5**	**3**	**0.77**	**.8**	**8.9%**
Demand/DO/ operation	9. Effectiveness research resources, used in management decisions							0.25		5.0%
	11.Result of price policy							0.56		6.3%
	12.Result of Store location							094		3.8%
	13. Result of customer service and relationship							0.56		6.3%
	Performance of DO=9+11+12+13	**0**					**4**	**0.31**		**7.8%**
	Total results=DBA+FA+DO	**5**	**9**			**14**	**2**	**1.21**	**8.8**	**9.6%**

Source: Measuring analyse of Retail marketing operations, 2010.

As survey, the average score of marketing management`s result at the chain – stores (supermarkets) are 59.6% of appropriate level, 62.5% of the result of Business Activity Management, 58.9% of the result of Business Responsible Management and 57.8% of the result of Demand Management. Hereby the descriptions of organization are more affected such as the chain-stores (supermarkets) are given a less importance in marketing management, they are concluded by worse evaluate the working result, they will not make unfortunately decision, leaderships have inadequate marketing knowledge, inconsistent interests between organization`s value and individual person, and a fruit of survey`s information using at leadership decisions is worse. We are considered that our retail business entities determined their marketing policy and general situation of their direction but they are considered marketing activity by superficially and are more paying attention to advertisement and premium.

We are given a conclusion by our primary marketing survey on situation of retail marketing management and the consumer`s satisfaction, theirs interests and to study changes of their trend.

We have chosen 2100 consumers from department stores and trading centers using probability non collection method.The measurement of the collection was calculated by “Sample Size calculator” using the formula $\mathbf{SS+Z^2 *(p)*(1\text{-}p)c^2}$**.** Hereby, we have expressed that: (Z- sample set, p-main set, and c-probability measure it deems its confidence level is 95% its interval becomes 0.175 that possible represents the main set).

73% of total the respondents are aged 20-40, 24% of them are 41-60 years old and 67% of total respondents are female. The consumer`s the average monthly income were 36.3% of participants are till 200.0 thousand tugrugs, 44.6% are from 200.0-400.0, 16.2% of participants are from 400.0-1000.0 tugrugs and 2.9% are up to 1.0 million tugrugs.

The content of survey is connected with consumer`s attitude to the service by the sales outlets, the value, the purchasing, the factors to the customers choice and the customers’ individual information. Moreover the survey concerned to determine 3 important issues such as: favorable outlets by the consumers, the facrots for choosing them; customers satisfaction and states of making decisions to do the purchasing; the groups, that affect the choices; the sructure of population and their social positions.

To research consumers tendency to goods and service and values, we have studied the complicated issues such as: the types of most favorable supermarkets and trading centres, the facrots for choosing them, the possibilities of customers to make complaints in case they are not satisfied with the products and the places, which settle the complains and enquire orders; preferable possibilities to make payment; the most used promotion and bonuses, the needs of customers demands on quiality and sanitation and the evaluation of trading and service quality.

Table 3.

Criterion of customers choice of stores and supermarkets

			Customer's emmphasis criterion to choice store						Total
			The image	Goods choice	Accommo -dation	Price-level	Store Location	Others	
Stores, customers preferred to be served	Chain-stores , and Supermarket	by number	72	335	152	99	85	6	749
		percent	3.4	16.0	7.2	4.7	4.0	0.3	35.7
	Shopping center	by number	30	300	100	260	65	5	760
		percent	1.4	14.3	4.8	12.4	3.1	0.2	36.2
	Grocery stores	by number	9	137	62	188	100	1	497
		percent	0.4	6.5	3.0	9.0	4.8	0.0	23.7
	Others	by number	4	32	6	36	13	3	94
		percent	0.2	1.5	0.3	1.7	0.6	0.1	4.5
	Total	by number	115	804	320	583	263	15	2100
		percent	5.5	38.3	15.2	27.8	12.5	0.7	100.0

Source: Marketing primery research, 2008.

The table 3 shows what the consumers answered. 38.3 % or 804 consumers preferred the factor of choosing stores. This result occurred maximum. Next factors are included price level /27.8%/ and the service, they are offered, the comfortability of trading centres /15.2%/, its location /12.5%/. 70% of the respondents prefer supermarkets /35.7%/ and trading centers /36.2%/ and 16% of consumers, served by supermarkets and 14.3% respondents, served by trading center answered that the choice of goods is more important than others. This shows supermarkets are better to make good choices of quality products than other trading points.

Table 4.

Quality average of Store service

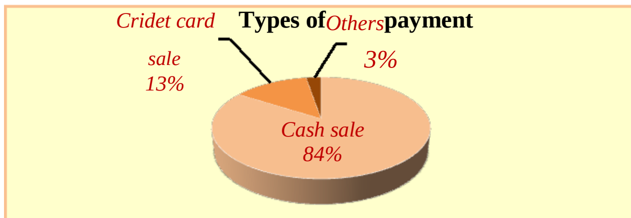
			Quality average of Stores service			
			High	Middle	Low	total
If consumers are intersted in safety of products	Yes	number	188	954	558	1700
		%	9.0	45.5	26.6	81.0
	No	number	61	218	120	399
		%	2.9	10.4	5.7	19.0
	Total	**number**	**249**	**1172**	**678**	**2099**
		%	**11.9**	**55.8**	**32.3**	**100.0**

Source: Marketing primery research,2008

By the survey of how to determine satisfaction on the quality service that is evaluated 12% of total participants agreed on the high quality level of products, they purchase, 55.8% responded to be middle, and 32.3% to be at the low level. /Table 4/

It is considered to be satisfactory information for the organization, which render services to evaluate the ongoing operations as not satisfactory if 2% of complaints are recieved.[21] Furthermore, the result of our research shows the quality level of those service organizations.

The main indicator determining the service quality of trading organizations is the possibility of making payments quickly using modern and advanced methods. Even though there are some positive signs of maintaining such methods by supermarkets and other outlets, there is a drawbacks of customers to use them. /Chart -2/.



Source: Marketing primery research, 2008.

For example, the survey shows that 13% of the consumers have paid for the goods by credit cards, 3% use other payment methods. Mostly 84% of respondents still see cash as the main method of payment.

Thus, the stores and trading centers have to implement latest methods of payment among the consumers and to organise the implementation well. This will increase productivity and save times of customers.

Conclusion

From the result of the survey, we can conclude that the current states of marketing process is planned only in the frame of departments and units and it is not implemented in the real life. Moreover, for all commercial organizations they still have common misunderstandings regarding to low resulted promotional campaigns. The research result reveals that customers are not fully satisfied with the marketing activities of the retailing organizations and most of the customers are not happy with the service quality. Besides, the lower level of marketing management results of the trade organizations, engaged in the study proves the conclusion. However, in the current competition there is an urgent need of reforms and innovation in the organizational marketing process.

Ашигласан ном зүй.

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