

# **Discovering Management report**

## **Innovative business solution for Migros**

Nando Galliard, Miguel Pérez Sanchis, Elio Reinschmidt, Sara Sangalli

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# 1 Executive Summary

Our team has been working on a business proposal for the company Migros: *Migros Mama*. This report's attempt is to explain what it consists of.

Migros is a retail company based in Switzerland, focused on offering good quality products at an affordable price. It started in 1925 as a private enterprise whose aim was to sell basic food items by cutting intermediate trade and its margins. Nowadays, Migros is Switzerland's largest retail company. It consists not only of its supermarkets and other stores, but also of its Banks, *Klubschulen* (education centers), or fitness centers among others. Because of its size and diversity, the firm has an enormous capability to combine services, have a better understanding of its customers, and address their needs in a holistic way.

As a giant<sup>1</sup> in the Swiss retail market, Migros has to maintain its leadership also in terms of digitalization. Despite having already several online platforms, the firm is still missing a consolidated solution that makes it accessible for customers to interact with the products and services that it offers. The solution proposed in this report would be the first step in that direction.

From the customer perspective, we identified that a busy lifestyle may often lead to a lack of time dedicated to cooking, causing people to opt for unhealthy nutritional alternatives. In addition, they may not have experience in cooking, but willingness to learn and have a healthier life. Even if these are the main target of *Migros Mama*, we see potential in other groups such as the fitness community or the "foodies".

We propose *Migros Mama*, an additional feature to the already existing Migros App. It would help users to plan their diets by suggesting recipes, and decide what grocery products to buy. This would be done based on information provided by the customers about their habits and needs.

There is an opportunity to use existing technology and resources to further digitalize the company and connect online platforms in order to create a user-friendly environment that could be used as a recommender system. In consequence, this tool has great potential for Migros in different scenarios such as: user profile analysis and classification, product placement, company rebranding, customer habits steering, etc.

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<sup>1</sup>Migros is often referred to as *der orange Riese*, i.e. the orange giant (see [wiki](#))

## 2 Introduction: setting the scene

In this Section, the main challenges the companies has to face in the context of digitalization are analyzed.

### 2.1 Company Challenges

As for any retail chain at this time, digitalization of services presents itself as one of the biggest challenges to overcome. Migros has already a sizeable footing in the total market with Galaxus for personal effects or LeShop for food deliveries to name a few. Yet one challenge that presents itself with those services is the connection between them and the usability to keep a coherent Migros ecosystem. As of now, the aforementioned services as well as others appear as completely independent to the user. This is, to put it into a tangible example: looking for recipes, buying kitchen appliances, and ordering groceries online means accessing three different websites. There is a big room for improvement by having an attractive unified online environment, and Migros has all the tools to make it possible.

On another note, customer loyalty management is paramount for retailers, and supermarket chains in particular [1]. In Switzerland, this concept has even reached the popular culture, since people say that you are either a *Migros-Kid* or a *Coop-Kid*, which shows the impact of this choice in the country. Despite not yet being comparable in terms of turnover or number of employees [2, 3], competitors continue to grow [4] by offering competitive prices. Migros is still far ahead, but in a fast-changing world, the firm should compete and keep its customers in order to continue being a leader in the market.

### 2.2 Background: trends that lead to challenges

The impact the internet has had on retail in only 30 years is remarkable. Its main effect might be e-commerce, which has needed barely three decades to be about to become the largest retail channel in the world [5]. Buyers are increasingly using online platforms to buy products and services, hence the line between online and offline blurs. Companies have been forced to adapt to this trend, and now all retail firms need to maintain an online platform, spend money on online advertisement, or even offer a mobile app.

Smartphones are the current main vector of the online world into buyer's lives, and a driver of change. In Switzerland, more than 90% of the population owns one of these devices [6], and the trend is increasing. One feature

that makes smartphones so popular is their versatility: only in a store *”they can be a map, a shopping list, a personal shopper, a salesperson and a product finder all at once”*<sup>2</sup>. Integrating services in a way customers can interact with the company through their smartphone is a must for retail companies nowadays.

Another trend to be considered is the entrance of new players in the Swiss retail market. Globalization has had its effect, and even though it took them longer to get to Switzerland than to other European countries<sup>3</sup>, other international supermarket chains have now a share of the market and compete with the traditional Coop and Migros. The ultimate goal of these foreign firms such as Aldi is to put an end to the almost *de facto* duopoly that exists in Switzerland or, as they put it, *”Our goal is that there will also be Aldi children in Switzerland”* [7].

In the long run, if these new players reach their objectives, it can mean either that customers will no longer be so loyal to their traditional supermarket firm (i.e.: more erratic behaviour, wavering buyers), or that there will be a considerable proportion of customers loyal to them.

## 2.3 Addressing Challenges

*Mama* aims at merging the separate the aforementioned services offered by Migros via an in-app integration. Its main goal is to have a greater customer retention, by offering a more straightforward and complete service, which is accepted as an essential source of value in marketing theories[8]. *Mama* would not only suggest *ad hoc* recipes, but also which products are needed to realise it and in which Migros shops they are present. Consequently, the customer would be more likely to stay loyal to the ecosystem.

Finally, by merging collected data from the users together with secondary sources, it would be possible to exploit them for marketing purposes.

# 3 Innovation Project

## 3.1 Problem definition and opportunity identification

The desire for having a diverse and healthy diet is common to several individuals, many of which may have difficulties to put it into practice. This

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<sup>2</sup>Quote from [Think with Google](#)

<sup>3</sup>Just to give two examples as a reference, Lidl entered the Italian market in 1992, and Aldi’s first supermarket in France opened in 1988.

could be due to particular circumstances or new events in their lives, such as a change of job leading to less time or starting living alone. Lack of time could be an obstacle to accomplish having a healthy routine, leading people to opt for pre-cooked foods or quick meals at fast-foods, instead of dedicating time and efforts to it.

The viability of this project is backed up by the fact that there is a considerable amount of potential users. For instance, there are about 250,000 university students in Switzerland [9], and 1.2 million single households [10], both of which are social groups that qualify as targets for the project (see section 3.3). Furthermore, the Migros app already has 1.5 million users (more than 17% of the population) [11], which means that future efforts related to diffusion and adoption encouragement are lower than for a brand new product or service.

Another aspect that was taken into consideration is the importance of the internet in the diffusion of ideas related to food. Information on diet, nutrition, vitamins and supplement information has been reported as one of the more common reasons why people use the internet [12]. There are as well many trends related to food, such as veganism, vegetarianism, ketogenic and *paleo* diets, intermittent fasting, etc.

This evidence supports the idea that the proposed solution is a feasible one. Migros has access to the potential users, and the social context and trends are favourable for a change in the direction we propose.

## 3.2 Value proposition

In a nutshell, *Mama* solves the need of people to plan their meals, independently of their diet goals (if any). It is targeted to people that lack the motivation or expertise to cook, as well as to those who are concerned about what they eat, and could get help in finding ideas or planning.

*Mama* would be a connection between the already existing Migros services of food delivery (LeShop) and recipes (Migusto), suggesting possible dishes to the users based on data provided by themselves.

### Offer to the User

With *Mama* the users profit from custom recipe recommendations for their diet plan. In addition, it suggests also which ingredients to buy, giving the option either to connect to the online-shop of Migros or suggesting the closest Migros shop available.

## Product Description and Functionality

*Mama* is a seamless integration into the already existing Migros app. The customisation is guaranteed by the possibility to insert in the Migros account several details that may be relevant for an improved user experience and satisfaction, such as:

- Time available/Complexity
- Allergies
- Religion
- Caloric goal
- Preferred ingredients to be used

Based on this data, the app suggests a list of recipes among which the user can choose. Thanks to feedback provided by the customer on the proposals (fundamental especially for the first period of use), Artificial Intelligence algorithms will improve the search engine, with the ultimate goal of increasing the user satisfaction. Moreover, when the user is missing certain ingredients he or she can conveniently order it directly in app via LeShop to be sent home for the next day or alternatively check for the closest Migros shop to directly buy them.

Overall, it combines several services from Migros, such as online recipes and food delivery to your doorstep, with an effective rooting within their already existing ecosystem. It will only require that the user updates the app once *Mama* is implemented.

### 3.3 Target market

#### Target customer and customer characteristics

Using the tools provided by SparkOptimus, a variety of social groups, general personality traits, and cultural trends that are of interest for Migros were explored. A first characteristic identified was the lack of motivation to cook. A reason for this might be not having enough experience. This group can be represented by young people, like university students, who have recently started cooking. Another reason could be having a tight schedule. People who work in banking or consultancy, typical jobs in Swiss cities, are an example of this. A third social group that may fit into this category are single households, already mentioned in section 3.1, who can lack the motivation to look for recipes and cook for themselves.

Food awareness is a second trait that was explored. Undoubtedly, food is a topic that has gained attention in the 21<sup>st</sup> century, partly because of its implications in climate change, but also as a trend in social media [13]. In particular, the Swiss customer is, on average, more concerned with what he or she eats than citizens of other countries. An example of this is the consumption and production of organic products, in which Swiss people are the ones that more money spend in all Europe [14].

Both these features (namely, lack of motivation and food awareness) are representative of the target groups that this business proposal plans to address.

### **3.4 Value creation and value capture**

#### **Bringing Product to the Market**

In order to bring *Mama* to the market Migros would definitely profit from its popularity across the whole Switzerland. An initial advertisement campaign via several channels is required (i.e. TV and billboards). This is a practice Migros is already well accustomed with. After the app update, the app users will be beneficial to the word-of-mouth propagation, which is a fundamental aspect in marketing, part of the customer lifetime value.

#### **Resources Needed**

Before developing the technological aspect, it would be beneficial for Migros to carry out a marketing research, in order to have a clearer insight into requirements to be developed. For *Mama* itself, Migros would need a team of app developers for the user-interface and for handling of databases and APIs of LeShop and Migusto. In addition, machine learning engineers are required to develop the intelligent search engine.

Once the product is developed, a marketing campaign would be required. A particular emphasis on this would be needed if launched for a re-branding of Migros. In a second phase, data scientists would be required in order to use new gathered data to have meaningful insight on customer satisfaction.

#### **Other Players Involved**

The biggest runner up would be Coop, which is still behind with respect to its recipes database and online shopping page. Coop should be expected to start working on a competitor, once *Mama* is well-known. There are no other players of that magnitude in the Swiss market with respect to the size of the ecosystem at the moment.



## 4 Conclusion

Overall, *Mama* aims at helping people that are too busy or too inexpert have a healthier and more varied eating routine. This is done in a fully customized way, exploiting new technologies such as artificial intelligence, to maximise the customer satisfaction and perception of receiving an individualised treatment.

The return is twofold, for the customer and for Migros. The former will be accompanied by Migros in his/her journey to reach personal goals. The latter benefits first of all from a greater customer retention, locking-in the user in the Migros ecosystem. In addition, it leads to a change in the image of the company, showing that Migros not only cares about selling their products, but also wants to sell a complete service, being really interested in its customers' well-being.

Moreover, this is done by fully exploiting already existing services offered by the company, just merging them together in a user-friendly way. The feasibility of our innovation project is supported by this simplicity.

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