

Supermarket Uses Network Effect

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Network Effect

- They provide one of the few sources of sustainable competitive advantage.
- The incremental benefit gained by an existing user for each new user that joins the network.
- They are one of the four remaining defensibilities in the digital age, including: brand, embedding, and scale.

Types of Network Effect

that can be used by the Supermarket

Social Network Effects

Personal Utility (Direct)

- Supermarket can connect to their customer: WhatsApp, Facebook Messenger.

Personal (Direct)

- Supermarket can connect to their customer: Instagram, Facebook, Phone Calls.

2-Sided Network Effects (Direct)

- There are two different classes of users: supply-side and demand-side users (producers and consumers).
- They each come to the network for different reasons, and they produce complementary value for the other side.
- The more consumers on the network, the more valuable that network is to producers, and vice versa.
- Each new producer (supply-side user) on a 2-sided marketplace directly adds value for consumers (demand-side users) by increasing the supply and variety of goods. Likewise, every additional consumer is a new potential customer for producers.
- This interdependent cycle between producers and consumers is known as a “positive feedback loop” and is the bread and butter of successful platforms.

2-Sided Network Effects (Indirect)

- There are many producers in the Supermarket that attracts the consumers to be there in the first place.
- This is ultimately more valuable for the producers, even if they have to sell at more efficient prices.

Bandwagon Network Effects (Direct)

- The more people join a movement, the more pressure to not miss out to be seen as associated with the movement.

How to Apply Network Effect in Supermarket

- By applying Social Network Effect, Supermarket will have direct contact with consumers.
 - Delivery.
 - Shopping online.
 - Help Center.

Also, through these channels Supermarket can promote discounts, new products and get consumers' feedback on user experience with the Supermarket which will help Supermarket know its strength and work on their weaknesses.

- As for 2-Sided Network Effect, when consumers get involved with the Supermarket social network accounts, it will bring them closer to the Supermarket, feeling that the Supermarket cares about their opinion and their needs. This will drive more consumers to the Supermarket leading to more producers wanting to sell their products in the Supermarket. This will result in high profits for the Supermarket and expansion.
- Bandwagon Network Effect will be applied by word of mouth and earned digital marketing media as more consumers are satisfied by our Supermarket, they will tell more consumers about our Supermarket, they will share their experience and share Supermarket products on their accounts. This will create a Bandwagon Network Effect of consumers not using our Supermarket feeling like they are missing out a lot.
- All of these Network Effects Type will be applied through marketing. Supermarket will market all of their services online (by online campaigning) and offline (in the Supermarket), so that consumers know about these networks and join them.

High Quality Growth is Lasting Growth

- In most productive work, there is a tradeoff between quantity and quality. In fact, as the number of supermarket consumers grows, more and more producers will want to have their products sold in the supermarket because the market is growing, thereby opening the doors to a wider array of products.
- Supermarket managers must emphasize the "higher quality" nature of growth and maintain a high standard for producers to sell their product "what is in the supermarket".

Financial Returns of Network Effect

- As a Supermarket scales, its costs per unit sold decrease logarithmically.
- Supermarket grows not by buying more assets, but by acquiring more customers, which has a near-zero cost.

Channels used for Network Effect

- Facebook.
- WhatsApp.
- Instagram.
- Facebook Messenger.
- Phone Calls.