

PGDM-RM (2015-17)  
GLOBAL RETAILING  
Subject Code: RM 402

Trimester IV End Term examination, September 2016

Time allowed: 2 hrs 30 min

Max Marks: 50

Roll No: \_\_\_\_\_

**Instruction:** Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. In case of rough work please use answer sheet.

**Section A**

**Attempt any three.**

**Word limit: 300 words**

**M M = 5 \* 3 = 15**

1. Identify and explain the five fundamental reasons that make markets attractive to retailers during their international development.
2. Much of retailing success depends on the environment of the country which the retailers are entering. Describe some of the barriers retailers face when entering international markets.
3. Do a comparative analysis of the theory of Absolute advantage and the theory of Comparative advantage. Which do you think is more relevant in the present context?
4. Which measurements of social change are particularly relevant to international retailers considering international markets? Discuss.
5. Is the internet as a channel of distribution a challenge or an opportunity for a fast fashion retail business? Explain with examples like Zara, etc.

**Section B**

**Attempt any two.**

**Word limit: 500 words**

**M M = 10 \* 2 = 20**

1. Which are the five most important metrics which will help an international retailer to understand whether to invest or divest stores in a particular country? Discuss in detail.
2. Choose any specialist retail operation with which you are familiar, that does not have international outlets. Using the PLIN model, assess the company's international viability.
3. Are governments of developing countries justified in restricting the arrival of international retailers in order to protect smaller indigenous retailers? Explain with examples.

**Section C**

**Case Study is compulsory and is for 15 marks.**

**Case: Tesco**

What companies tell the world about their operations can be very informative. Take Tesco, example. The company provides extensive information regarding its operations and philosophy on its web pages. According to the company, Tesco has a long-term strategy based on four key



aspects of its development:

- growth in the core UK business;
- international expansion;
- be as strong in non-foods as foods;
- enter new service areas.

In its 'core' market of the UK, the company sees itself as a multi-format retailer operating: Express, Metro, Superstore, Extra, and Homeplus. Each of these formats is designed to serve different customer needs rather than different customers. Thus, Express provides a limited range of products in convenient car-friendly locations near home and work, while the Metro stores are located in town and city centre locations. Their Express stores operate from location of 3,000 square feet or less; their Metro stores operate in outlets where 7,000-15,000 square feet are available. At the heart of the Tesco operation in the UK is its Superstore operations, which operate in outlets sized between 20,000 and 50,000 square feet. Primarily food based, their Super stores now contain a wide range of non-food items. However, as Tesco has moved into the Express and Metro formats to provide convenience in food shopping, they have also opened larger store formats in which to offer a wider range of non-food items. Their Extra stores of more than 60,000 square feet are in many instances literally an extension to their Superstore format. However, in their Homeplus stores they offer non-food items only. Occupying between 35,000 and 50,000 square feet, these Homeplus stores are a new departure for the company

**Table C53.1** Tesco's international market and store profile

International market	Year of market entry	2007 store numbers	Percentage of total	Sales are (m. sq. ft.)	Percentage of total
<b>Western Europe</b>					
UK	1919	1,988	60.9	27.8	40.8
Republic of Ireland	1997	95	2.9	2.3	3.4
<b>Total Western Europe</b>		<b>2,083</b>	<b>63.9</b>	<b>30.1</b>	<b>44.2</b>
<b>Eastern Europe</b>					
Czech Republic	1996	84	2.6	4.1	6.0
Hungary	1994	101	3.1	4.8	7.0
Poland	1995	280	8.6	6.5	9.5
Slovakia	1996	48	1.5	2.5	3.7
Turkey	2003	30	0.9	1.1	1.6
<b>Total Eastern Europe</b>		<b>543</b>	<b>16.6</b>	<b>19.0</b>	<b>27.9</b>
<b>Asia</b>					
China	2004	47	1.4	4.2	6.2
Japan	2003	109	3.3	0.3	0.4
Malaysia	2001	19	0.6	1.9	2.8
South Korea	1999	91	2.8	5.1	7.5
Thailand	1998	370	11.3	7.5	11.0



Total Asia	636	19.5	19.0	27.9
OVERALL TOTAL	3,262	100.0	68.1	100.0

Source: Adapted from Tesco

Tesco has sought to extend its brand into services that are not always immediately associated with the grocery store. As an extension of its Clubcard loyalty scheme launched in 1995, the company made a move in the late 1990s into the financial services market (Colgate and Alexander, 2001). This has been followed by moves into the mobile phone market in 2003 and the broadband service provider market in 2004.

Internationally, Tesco has seen sustained international development since 1994, when it entered the East European market (Tesco, 2008). Its previous moves into the Republic of Ireland (Parker, 1986; Lord et al., 1988) and France in the 1980s had been respectively 'unsuccessful' (Vignali, 2001: 146), 'adopting a strategy that ultimately did not meet the needs of the company in international markets' (Palmer, 2005). Since the mid-1990s, Tesco has witnessed its international operations grow primarily in Eastern Europe and Asia (see Table C53.1). It operates through different fascias and operating units internationally. In China it operates out of around 50 hypermarkets that do not use the Tesco fascia, but a Tesco fascia store did open in Beijing in 2007. In the Japanese market the company operates what it describes as 'our Tesco in a box' suite of operating systems (Tesco, 2008).

In Thailand the company operates Tesco Lotus. In Eastern Europe, the company has been busy integrating the Carrefour stores acquired in the late 2005 store swap deal. Tesco has used different methods of entering and operating in international markets. In November 2001, the company announced it had signed a joint venture agreement with Sime Darby Sdn Bhd in order to begin store development in Malaysia (Tesco, 2001). In June 2003, Tesco announced the acquisition of the convenience store retailer C Two-Network in Japan (Tesco, 2003). In July 2004, Tesco announced a joint venture with Ting Hsin, a subsidiary of Ting Cao that operated 25 Hymall hypermarkets that averaged 89,000 square feet of space per unit (Tesco, 2004). The 50/50 joint venture saw Tesco acquire 50 per cent of Ting Cao's equity in the Hymall operations for £ 140 million. In early 2006, Tesco announced it was seeking to enter the US market through the organic growth of convenience style operations (Tesco, 2006).

### Case Study Questions

1. Answer any two of the following
  - a. With reference to Treadgold's 'Typology of International Retailers' (1988), identify Tesco's position within Treadgold's analysis in 1998 and its position in 2008.
  - b. Using Salmon and Tordjman's definitions (1989) of 'multinational' and 'global' retailers, describe Tesco.
  - c. With reference to Sternquist's SIRE model (1997), assess the learning experience of Tesco in its Asian markets.



d. Using Alexander and Myers's Operational Model of international development (2000), assess Tesco's development in international markets.

2. How ethnocentric and geocentric is Tesco? Discuss the criteria on which you have based your judgment.

3. (a) What were the key drivers of change at Tesco in the early 1990s?

(b) Which internal facilitating competencies helped to sustain Tesco's international development?

(c) What location, entry method, and strategic decisions do Tesco appear to have made between the early 1990s and the present day?