PGDM-RM (2014-16)
FRANCHISING & GLOBAL RETAILING
Subject Code: RM 402
Trimester IV End Term examination, September 2015

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.

Sections	No. of Questions to attempt	Marks	Marks
A	3 out of 5 (Short Questions)	5 Marks each	3*5 = 15
B	2 out of 3 (Long Questions)	10 Marks each	2*10 = 20
C	Compulsory Case Study	15 Marks	15
		Total Marks	**50**

Section A

Attempt any three. **Word limit: 200 words** **M M = 5 * 3 = 15**

1. What are Dark Stores? Explain why divestment is considered a strategic method of investment.
2. Describe the following components of FDI - equity capital, reinvested earnings and intra-company loans.
3. Describe how currency appreciation or depreciation can lead to current account deficit or surplus.
4. Describe any two of the following
   a. Leontief Paradox b. Salmon and Tordjman's model c. Treadgold's typology
5. Describe any two of the following
   a. Benito and Burt's framework b. Simpson and Thorpe's PLIN Model c. Vida and Reardon's model.

Section B

Attempt any two. **Word limit: 400 words** **M M= 10* 2 =20**

1. Retailers do not simply internationalize in response to declining sales or market share in the domestic market. A multitude of factors are likely to play a role in driving both this

decision and the business strategy adopted in foreign markets. Explain in detail ten factors which drive this internationalization.

2. Describe the major issues when it comes to reporting on global FDI flows. Give examples.

3. While there is a major emphasis on e-commerce, there are still a lot of challenges that these online retailers face. Give in brief some of these problems faced by the e-commerce companies.

Section C

Case Study is compulsory and is for 15 marks.

Case: Wal-Mart's International Expansion

Wal-Mart is the world's largest retail company, topping the Fortune 500 list. As with many large format, grocery-based retailers, Wal-Mart has tended to enter into international markets employing the entry methods of acquisition and joint venture.

The retailer's first foray outside the domestic US market could be considered a rather conservative move across the border into Mexico in 1991. Notably it took Wal-Mart almost thirty years from its inception in 1962 to become an international retailer. The move into Mexico was via a joint venture with Mexico's largest domestic retailer Cifra, with Wal-Mart acquiring a controlling interest in 1998 (da Rochaand Dib, 2002), the name changing to Wal-Mart de Mexico (WALMEX).

Another cross-border move into Canada in 1994 marked Wal-Mart's next international move when it acquired 122 stores from the local retailer Woolco. A joint venture with Lojas Americanas sounded Wal-Mart's arrival in Brazil in 1995, a venture that was consolidated in March 2004 with the acquisition of 118 Bompreco stores. This position was further consolidated in December 2005 with the acquisition of another domestic Brazilian retailer, Sonae, adding 139 stores to its international network.

Acquisition was the method used to enter Germany in 1997, when it bought the chain of hypermarkets from Wertkauf, before it attempted to consolidate its position in Germany the following year with the acquisition of 74 stores from local German discounter Spar Handels AG. Wal-Mart also entered the South Korean market in 1998 via a joint venture that was later converted to a wholly owned operation. The year 1999 marked the much-anticipated move to the UK with the acquisition of ASDA, then the country's third largest grocery retailer (Colla and Dupuis, 2002).

Wal-Mart was an early entrant into China, entering the market via joint venture in 1996, opening its 100th store in the country in December 2007. February 2007 witnessed the retailer acquire a 35 per cent stake in Trust-Mart, a deal that could make Wal-Mart one of the biggest players in the Chinese market. In September 2005 Wal-Mart acquired a 33.3 per cent stake in Central American Retail Holding Company (CARHCO) from Royal Ahold. Wal-Mart increased this to a 51 per cent majority ownership in March 2006, renaming the company Wal-Mart

Central America. Wal-Mart Central America includes stores in Nicaragua, Honduras, Guatemala, El-Salvador, and Costa Rica, creating the largest retailer in the region (Wal-Mart, 2008a).

Wal-Mart's move into Japan demonstrates that even the largest company in the world has to manage entry into this renowned difficult market carefully. It acquired a 6.1 per cent stake in Seiyu in 2002, acquiring majority interest in December 2005, raising the stake to 95.1 per cent at the end of 2007.

May 2006 witnessed the world's largest company admit defeat in South Korea, when it announced divestment of the operation (Olsen, 2006). During the eight years in the market Wal-Mart could manage only fifth place amongst the country's discount operators. The month before Wal-Mart announced its divestment, Carrefour also announced it would be leaving the market, neither player having been able to achieve a viable market share. Two months later, in July 2006, Wal-Mart announced the decision to divest of its German operation. In both Germany and South Korea, Wal-Mart had been unable to reach the levels of competitiveness and profitability required to be a major player in either market.

Despite what could be perceived as setbacks, Wal-Mart's internationalization continued apace, with the announcement in July 2007 of an agreement with Bharti Enterprises to establish a joint venture, Bharti Wal-Mart Private Ltd., to develop a wholesale cash and carry business as well as a back-end supply chain management operation in India (Wal-Mart, 2008b).

By December 2007 Wal-Mart had doubled its international store numbers from over 1,400 in 2005 to almost 3,065 (Wal-Mart, 2008c). This growth is primarily a result of a strategy of acquisition and increased store openings (Wal-Mart, 2007). At the time of writing Wal-Mart's international operations consisted of wholly owned operations in Argentina, Brazil, Canada, Puerto Rico, and the UK, joint ventures in China, and the operation of majority owned subsidiaries in Central America, Japan, and Mexico.

Case Study Questions

1. Explain why Wal-Mart pursues a strategy of acquisition and joint venture in international markets?

2. Why does Wal-Mart not operate franchises in its international markets?

3. Discuss the potential link between the country entered and the type of entry mode used in Wal-Mart's international operations.

4. Discuss the impact of regulation on Wal-Mart's entry into India and China.