PGDM (Retail Management), 2013-2015
Retail Strategy and Negotiation
RM-503
Trimester – IV, End-Term Examination: December 2014

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.

Note: There are 3 sections in this paper. Answer briefly and to the point.

Section A: Answer any 3 Questions (5 marks each)

Q.1 What is the main reason for firms to misunderstand and mis -state their Business Definition. Give one example of this mistake of any company that you know of

Q. 2 Describe Pantaloon's Strategy in the Indian market with focus on the main aspects. Has the firm in your opinion understood and acted correctly according to the right conceptual framework? Are there any suggestions you can make that will improve the firm's competitive position in its target markets?

Q.3 Discuss the location strategies of Walmart on the one hand and Starbucks on the other. Have the strategies worked equally well for both firms? Elaborate your response with what you know have been the actual results for these two firms.

Q.4 To ensure sustained competitive advantage how should Indian organized retail go about planning and implementing superior Human Resource strategy? State the two fundamental requirement to ensure this. How should training be viewed and who should take the major responsibility for doing this?

Q.5 Discuss the importance of basic inventory management in Retail. Name and discuss two important components of Retail inventory mangement. In your opinion do most organized retail firms do justice to these basic components and what are the implications of this if the answer is in the negative?

Section B: Answer any 2 Questions (10 marks each)

Q.1 The prisoner's dilemma is on of the best known illustrations of game theory. Do you think that application of this model is really of much use in competitive business situations? How could the knowledge of negotiation theory be best employed to give the best mutual; benefit to competing firms ? Substantiate with an example of a known of hypothetical business situation in the marketing area.

Q.2 Discuss the performance and the prospects of the Indian Organized Retail Industry. What in your opinion explain the failure to increase its market share which by various accounts are in the low single digits? Do you think that global retailers like Walmart could make a significant difference? If so in which specific areas of Businesss Management.

Q.3 Assess the merits and demerits of Discounting in the Retail space which is almost universally practiced. Overall do you think that it contributed to increased Sales and Profits? What are the major reasons for Retailers to resort to discounting. Finally does discounting contribute to increasing brand value or not?

Section C: Compulsory Case Study (15 Marks)

Nokia Losing its Touch?

In 2005 Nokia launched its N Series devices which combined a web browser, video, music and pictures into a single phone a generation ahead of its competitors existing and would be in the race to build a smart phone. Apple launched its iphone in 2007 with a touch screen and clever software won millions of customers and a rep for cool. Nokia's share of the smart phone market has dropped from its high of 49% in 2007 to 37% in the first quarter of 2009 . RIM(makers of the Blackberry) has boosted its share from 10% to 20% over the same period while Apple's share has more than tripled to 10% with its enhanced touch screen and smarter packaging and marketing. Nokia's engineers had evaluated their product as technically superior to the iphone and were unimpressed at the time of its launch but the market has rewarded Apple handsomely. In fact to the uninitiated especially in Asian countries and the general media, Apple is seen as the first mover in smart phones, with Blackberry viewed as a niche device with internet access and texting as its main features and Nokia not even recognized as a player in the smart phone market.

Nokia's answer to all this bad reception is to concentrate on what it does best. The company is confident that it sell high end smart phones. But competition from the iphone, Blackberry and rival handsets from the likes of Taiwan's HTC could limit Nokia's slice of the high end market to 15%. With 40 million potential users for these devices, that's no small loss with the decline in market share from the current level of 37%.

But even if Nokia misses out on the high end market, it has a huge opportunity in taking smart phones to the hundreds of millions of middle-income consumers who want a fancy device but don't want to pay too much. At the moment smart phones account for just one in seven mobile devices sold. But the segment has doubled its share of the global cell phone business over the last three years, and with users craving the added features they offer, smart phone revenues should roughly double to half the industry total by 2014 according to an analyst at Credit Suisse in London. To grow the number of smart phones, manufacturers will have to squeeze the price of each unit they sell. Doing that especially in key emerging markets such as Asia and Latin America will require both scale and extensive distribution networks- and on both measures nobody beats the Finns. There is a major opportunity for Nokia to deliver mid range smart phones to the masses. The middle income market is right in Nokia's "sweet spot". For devices with many of the features of more expensive products but priced from around $300, the potential market grows to some 400 million users. As many as two-thirds of those consumers are likely to be in emerging markets.

Which is exactly why Nokia is releasing phones like the 5800 Xpress Music and the E63. Designed with both developed and emerging markets in mind, the 5800 looks a bit like an iPhone. Its not as clever as Apple's gadget, but it has a neat touch screen, plays music and videos, and-at under $400-retails for roughly 25% less than a 3G Apple. For $280, meanwhile, the sleek E63 messenger phone packs all the basic features of a Blackberry at just 50% of the price. Nokia has shipped almost 7 million of the 5800 devices since they were launched last November. According to Shiv Shivakumar Nokia's Managing Director in India, we are democratizing the QWERTY keypad and the whole concept of messaging to the Indian Market. In the West people have gone from the PC to the converged device. In India we expect people to skip the PC and go straight for the converged device".

Much of Nokia's emerging market dominance boils down to cost management.—a crucial advantage when it comes to selling smart phones to price sensitive consumers in India and elsewhere. Nokia will likely ship more devices worldwide this year than the next three biggest cell- phone makers—Korean rivals Samsung and LG and London based Sony Ericsson—combined. Manufacturing on that scale brings enormous purchasing power, making it possible to squeeze the cost of everything from memory chips to plastic casings. Nokia is also typically more efficient when it comes to how it builds a phone. While an iPhone requires around 1000 components, Garcha says Nokia's 5800 needs only half that number. "Having an extra 10 or 20 dollars on your bill of materials doesn't matter when you are selling your phone at $600. Think about making it a smart phone at $ 100 a few years from now. $20 of cost is 20 % points of margin. It actually becomes very important.

But Nokia's real genius is simply in selling phones in more places than any of it's competitors. From Indian mountain villages to towns on the dry plains of Northern Nigeria, Nokia is everywhere. Supplying the end user with a smart phone in Western Europe and America is typically the job of cell phone operators who will even subsidize the cost of a device in return fro tying a buyer to a monthly plan. Not so in emerging markets where users typically buy their phones independently. That means manufacturers need their own "very efficient distribution" says Sanford C. Bernstein's Ferragu. And on distribution nobody comes close to the strength of Nokia".

Consider India. Years of building its business in the country—the first ever cell phone call in India in 1995 was carried over a Nokia phone and Nokia deployed network—has established the company as India's biggest supplier by a huge margin. Nokia's devices are sold in 162,000 retailers in India, more than three times the number of its rivals Samsung or LG. Although Samsung is investing heavily to catch up, Nokia claims roughly 60% of the Indian Market. So ubiquitous are the firm's products that many locals refer to their mobiles as a Nokia even when it isn't. In China Nokia supplies around 30,000 retailers far more than its rivals. Across the Middle East and Africa, it has another 120,000 outlets and enjoys a 52% share.(Nokia's share of the North American market is approximately 10%. In Europe—its more than 40%.

That kind of presence is emerging markets helps explains why Nokia is blurring the boundary between smart phones and cheaper handsets, and trying to entice customers to trade up. IN recent months, the firm has unveiled a slew of devices aimed at developing markets, some costing as little as $60. That might seem a lot to pay for someone earning a few hundred dollars a month, but for many people in places where access to electricity is hit and miss at best, a good phone can double as a computer or MP3 device or even as a video player.

Take for example, Nokia's new 2730 model, which will be available later this year for just over $ 110. The 3G device might not have a touch screen or a swish keyboard, but with access to Ovi-Mail, Nokia's free email service, its designed to give thousands of consumers in emerging markets" their first Internet experience" .says Credit Suisse's Garcha . Ovi Mail was conceived specifically for consumers with limited PC access and almost all the 350,000 accounts registered since the services launch last December have been created on Nokia phones not on computers. To the company that bodes well for the future. " We believe t hat giving consumers this first digital identity, will be a way of getting them later on into all sorts of other Internet services. " says Alex Lambeek, Nokia's Vice President for entry devices. "There's a longer term thinking behind this".

That outlook no doubt includes extending smart-phone services beyond major urban areas. In rural India, where Nokia controls four fifths of the mobile phone market, according to Bernstein Research, locals may not be ready for smart phones yet-but they will be. At the Mobile and More outlet in the city of

Gwalior in central India; co owner Gaurav Kukreja says " younger people from villages often go to cities to study. They come back well versed with new technology, and with aspirations. They want the latest—Its time will come" Nokia execs hope the same applies to them".

Q.1 Looking at Nokia's market share performance in various parts of the globe and its outstanding performance in India as well as Africa, China seems to be one exception in terms of no. of outlets(30,000 against the 1,62,000 in India and 1,20,000 in Africa.. What could be the reasons from a strategic perspective for this difference. What could/should Nokia do to improve its prospects in China

7 Marks

Q.2 Given its amazingly impressive performance in the Indian Market, up to 2010, nobody in their right mind could have predicted the subsequent slide of the market leader to the point where its market share has plummeted and it has closed its manufacturing plant which had been the world's largest. What are the factors that contributed to the spectacular decline of this company in terms of Strategic Management?

8 Marks