PGDM (Retail Management), 2015-2017
Retail Strategy and Negotiation
RM-503
Trimester – V, End-Term Examination: December 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.

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 Briefly explain the concept of Negotiation, the conditions under which it takes place, the alternate negotiating strategies that are normally followed. In your view what is the ideal Negotiating strategy for a company. Provide a good instance of an actual application

Q. 2 Explain the Universal Pricing Mechanism. What are the main lessons to be drawn from this paradigm? Illustrate the model with a good comprehensive example.

Q.3 WalMart has had a fairly humbling experience in the Indian retail space. What were the company's expectations and how have they materialized? Discuss one critical expectation which the company based its hopes on and the actual outcome. Is there a change in its India strategy that can provide good results?

Q.4 The ongoing demonetization drive has resulted in criticism on various fronts. One well intended suggestion is to encourage Cashless transactions through Credit cards and alternate forms of payment. How would these impact the unorganized retail segment. Give for and against arguments on this issue.

Q.5 Discuss the concept of Super Market retail outlets in the Western world. What are the advantages of these variants over their rival formats? Do you think that this concept could be applied in countries like India? If so why? If not why not?

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

Q.1 Evaluate the phenomenon of Discounting which is widely practiced in the Retail Space. Under what if any circumstances could it be justified and how should it be carried out. Is there evidence that it provides Marketing advantages to retailers? Mention them. What if any could be the setbacks on Sales and Profitability and larger Marketing issues?

Q.2. The experience of Organised Indian Retail has not been encouraging since inception. Provide the reasons for their continued lack of Competitive success. In your view what should be the major areas of focus for establishing a significant and growing position in this critical sector of our economy?

Q.3 One shining star in recent times has been D Mart. What are the reasons for this firm's encouraging performance in the retails space? Give some details to justify your arguments. What if any could be factors that could restrain growth in turnover and profits for this company?

Section C: Compulsory Case Study (15 Marks)

McDonald's in India

McDonald's Corporation is the world's largest chain of fast food restaurants, primarily selling hamburgers, chicken, French fries, milkshakes and soft drinks. The company has become a symbol of globalization. McDonald's in India is a joint venture partnership between McDonald's Corporation and two Indian businessmen Amit Jatia and Vikram Bakshi. Amit Jatia of Hardcastle Pvt. Ltd. owns and operates McDonald's in western and southern India,whereas Vikram Bakshi of Connaught Plaza Restaurants Pvt. Ltd. owns and operates business operations in northern and western India. Both the partners have invested Rs 900 Crores in this fast food business. McDonald's came to India in the year 1996 with the concept aiming at the Upper and upper-middle class and gradually penetrating to the middle classes as well. Focusing more on school going children, youngster, and professionals who can successfully drive the cause of popularizing fast food culture in a country like India dominated by traditional food and eating habits, has been the McDonald's strategy.

The company's vision in India is to be the best "quick service" restaurant. McDonald's vision is based on certain principles. The very first principle is to focus on quality, service, cleanliness and value: to serve the customers with quality products in a clean and pleasant environment at a fair price: to be ahead of customer's expectations in every restaurant in every place is the second principle of the company. Currently there are more than 200 restaurants and the company plans to double this number by 2020. The firm has restaurants in the Metro cities and most state capitals as well as being present in the key parts of Delhi NCR(Noida, Gurgaon, Faridabad). Whereas the initial focus was on the northern and western regions, the company is keen on expanding in presence in the southern and eastern parts of the country. Increasingly the company has introduced "drive through" facilities providing itself with a great competitive advantage increasing the convenience factor to "busy, richer people" who are likely to enhance the loyalty factor for McDonald's.

Food Innovations: With McDonald's came "fusion cuisine" blending western and Indian cuisines. Thus the traditional beef burgers were from inception replaced by Chicken and Mutton versions. The vegetarian preferences of most Indian Customers has been met increasingly through innovative offerings like Pizza McPuffs which are not only vegetarian but feature mint mayonnaise and tangy Indian spices. Families now more than ever spending time and money in fast food outlets. Children now no longer take lunch boxes to school. Preferring to drink carbonated beverages and eat burgers. Blending burgers, sandwiches and many snacks with Indian tastes and preferences have been converging food and eating habits. Young Indian consumers are increasingly developing a passion for visiting fast food outlets both for the eating experience as well as "hanging out". There has also been an increase in take-aways and home deliveries. Consumers are switching to simpler and more convenient eating habits though arguably less healthy eating habits.

Beef between Partners: while the arrangement of McDonald's providing the cuisine and services expertise to the partnership garnered well for the success of the venture, the Indian partners have provided local savvy which is useful in liaison issue with local and state authorities, as well as ensuring that the real estate procurement and management rested with them. It thus was a marriage made in heaven for the multi- national on the one hand and its Indian partners on the other. Unfortunately relations have soured recently with Ajay Bakshi in the last two years. It started with McDonald's accusing its Indian partner of diverting funds from the joint venture to his independent local businesses and thereafter making an offer of Rs 40 Crores for his share of the business. While refuting the allegation vigorously Bakshi has cited loss of faith in the U.S. giant and has demanded not less than Rs 200 Crores to part with his stake. Thus the relationship has not only stalled but become increasingly hostile with both parties giving their respective versions of and reasons for the dispute to the media and to the business community.

Caveats against Company and Industry: The decline of traditional food and eating habits leading to fast food and eating out preferences is emerging as a symbol of westernization or McDonaldisation of Indian food culture sacrificing the health of millions of customers across the globe including our country India. A pernicious new problem of obesity among the young including children has established growing roots with dire problems predicted for the future. The company and others in the fast food industry are being increasingly pictured as organisations who put their balance sheets before the health and welfare of people particularly the young.

Financial performance: while official financial reports of McDonald's India business are not available, it is accepted that the firm is not making money. In fact the U.S. parent has witnessed a continuous decline in Sales for 12 straight quarters. This would have serious impact on its profits and profitability. The position in India would be much worse. With the high cost of space and raw materials on the one hand and the constraint on pricing(The equivalent of a Maharaja Mac would be $5 in the U.S. where it is just $1.2 in India). The Indian business also suffers from lack of absorption of fixed costs(poor table turns in individual stores). Another problem is the over aggressive entry pricing(specific offerings are priced between Rs 20 and Rs 30 to lure customers but cause huge loss for the company).

The top management of the Indian operations McDonalds are planning to do a detailed review of the Indian business and chart a future path that will lead to increased Sales &Profits as well as one that will steer clear of ethical pitfalls.

Question 1. Using the conceptual background and analytical framework on Strategy make an assessment of McDonald's strategy in India. Specifically assess the decision to launch the India business through franchisee arrangements. Could the company have done better? If so in what aspects of Strategy? **7 Marks**

Question 2. What in your view have been positive aspects of McDonald's business operations? Use the 4P framework in developing and delivering your response. What could they do better in terms of Retail Management by taking lessons from successful Indian competitors in the food retailing business or through Innovation?

8 Marks