

PGDM (Retail Management), 2016-2018

Retail Strategy and Negotiation

RM-504

Trimester – IV, End-Term Examination: December 2017

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 various stages of Segmentation progressing from the initial to the final stage. What is the primary driving force and the determinant of this critical part of Marketing. Provide one comprehensive example to support your analysis
- Q. 2 What do you understand by the term Win:Win? Illustrate your view with cohesive arguments. What are the various stages of negotiation? Is it necessary to have all of the stages in a negotiation? If yes why, if not why not
- Q.3 In your view has The Goods and Service Tax been planned well and implemented in a fashion that has minimized disruption. Specifically has it caused disruption in the whole of parts of the Retail industry. If so which part has experienced the most pain?
- 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 Width and Depth in Retailing with examples. In which part of Retailing would Width create Competitive Advantage and where would depth create and sustain the same. Do you think this would work in India at the present time?

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

- Q.1 According to you which is the biggest problem that organized Retailing in India faces? Has this problem been created by the Retailers themselves, caused by other parties/factors. What is the solution and are there exemplars who have developed the same and succeeded where their compatriots have failed?
- Q.2 How should forecasting for various SKUs be optimally done for organized retail be done to ensure on the one hand zero or minimal stockouts on the one hand and minimum inventory, and related costs including minimal expiry costs of vulnerable categories and specific skus. Explain the concept of Safety Stock and one factor that should be avoided in the calculation and use of this important variable

- Q.3 While many have been predicting the end of Unorganised Retail in India, it has grown from strength to strength in comparison to its organized rivals who continue by and large to make huge and increasing losses. What have been the reasons for this unexpected success and which according to you is the biggest and most enduring one and why?

Section C: Compulsory Case Study (15 Marks)

METRO RETAIL- A FAMILIAR TALE

Metro Cash & Carry, the German retail giant has been into wholesale cash and carry business since its inception in 1964. Initially it crossed the border to avoid the turbulence and instability of the home market. But that was just a beginning for Metro. Acquiring more conglomerates and expanding throughout Europe, Metro became one of the topmost retail players in Europe. Soon, it had to find new territories for expansion. By 1995, Metro SB-Grossmarkte had become Metro Holdings and then finally Metro AG, combining four of its major German subsidiaries. Soon after realising the lull in the European market, Metro entered the vibrant market of Asia. Entering China through a joint venture and then the tough market of Japan, Metro set its eyes on India, an emerging retail market with an enormous potential. But the Government of India was highly protective when it came to domestic trading. However, through an approval of the Foreign Investment Promotion Board in 2000, the firm started the preparation for its entry into the subcontinent. By 2002, an amendment in the approval allowed Metro to engage in Business-to-Business (B2B) cash and carry wholesale trading. In 2003, Metro cash and carry started its operations by opening a distribution centre in Bangalore, a major city and IT centre in Southern India. But in India where domestic traders were apprehensive about foreigners' involvement in domestic trade, all Metro would receive were protests, accusations and of course, restrictions.

Despite the setbacks, Metro moved cautiously, establishing centres in major business centres of the Indian market. In 2006, as government introduced 100% FDI in cash and carry wholesale business, global retailers who had been eyeing India for a long time were ready to grab the opportunity, threatening Metro in its monopoly of the cash and carry market. Now with its experience and global exposure in modern wholesale, would Metro be able to make another success story? Or would it be forced to change the business model. In the ever-changing market of India, rules are made and broken so fast that companies hardly get time to change their tactics.

Metro like other multi national cash and carry players has been trying to develop a sustainable business model that suits the market of India. It also analyses the business model and operations of Metro in India and throws some light over the possible challenges the company might face in the country.

The German multinational, which counts India as one of its top growth markets along with Russia, China and Turkey, has split the country's operations into two geos bringing in regional heads who will also be part of the board.

A top executive of the company told *BusinessLine*, that in order to support its expansion plans, the Indian operations have been split into North & East and South & West, for the first time.

The company which has not yet turned profitable, has an established footprint of 23 wholesale outlets spread across 14 cities in 10 States. With plans to open 5-6 new stores in the current fiscal, the company aims to have 50 stores by 2020.

"We have hired Herjit Bhalla, who was head of Hindustan Unilever for North India, to run our North & East business and Manish Sabnis, who was CEO of Future Group's Easy Day retail chain, to head our South & West business. We had no regional heads earlier, but, as we scale up, we realised that each region is different from the other in terms of food habits, assortment of merchandise, price competitiveness etc. We needed people who understand these differences," said Arvind Mediratta, Managing Director & CEO, Metro Cash & Carry India Pvt Ltd.

In addition, the company has inducted Suniana Calapa as Director Finance and member of the Board of Directors, and Uday Khanna as Chief of Human Resources, recently.

"We will address our priority markets of Karnataka, Andhra Pradesh, Telangana, Maharashtra, Gujarat, Uttar Pradesh and NCR, where we already have stores. While we have entered two new States — Uttar Pradesh and Gujarat with a new store each in Lucknow and Surat — we want to consolidate our presence in the existing markets before entering newer markets, to leverage the synergies we already have in terms of manpower, logistics, assortment and scale," said Mediratta.

Asked when the company will turn profitable, he said "We opened 18 stores in 13 years, in contrast, we opened 5 stores last fiscal (October 1– September 30) and plan to open 5-6 more this fiscal. Losses happen when we expand aggressively. While I can't quote numbers, our losses have been coming down."

Question 1. Given the experience of Organised retail generally in our country, and the outcome experienced by other global retailer players, do you think that Metro is on the right track? What would you say are the reasons for this organisation's failure to turn profitable. In your view what is the prime reason for lack of success. **7 Marks**

Question 2. If you were appointed as a consultant to this prestigious organisation, what would be your suggestions for stopping the bleeding and moving on to first minimum and thereafter increasing profit? What would be your first suggestion in the H.R. area and what would be your justification for the same. **8 Marks**