

**PGDM-RM (2018-20)**  
**GLOBAL RETAILING**  
**Subject Code: RM 401**

**Trimester IV End Term examination, September 2019**

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 = 10 \* 3 = 30

1. Discuss Sternquist's SIRE model. What do you think are the major flaws in this model? (CILO-1)  
Or  
With reference to Pellegrini's typology, pick any major Indian retail company and describe where this company sits within the typology. Is this typology still relevant or have there been additions beyond this typology? Discuss in detail. (CILO-1)
2. List ten grey areas (5 internal and 5 external) to international retailing and evaluate them. Critically examine how many of them are the real challenges to international retailing. ( CILO -3)  
Or  
Do new technologies hold the key to international success for 'born global' retailers? Explain with examples. (CILO -3)
3. What economic indicators should retailers be particularly conscious of when assessing international markets for expansion? Give reasons for your decision. ( CILO -2)  
Or  
What do you understand by 'white knights'? When do white knights come into the picture during an acquisition? Give a contemporary example of an acquisition in international retail. (CILO -2)

**Section B**

M M = 10 \* 2 = 20

**Case Study is compulsory and is for 20 marks.**

1. What recommendations would you offer to Gokongwei regarding URC's expansion into Indonesia? In terms of expanding the C2 brand into Indonesia, what advantages and disadvantages does URC have that its Indonesian competitors do not have? (CILO-2)
2. Compare and contrast the Philippines and Indonesian beverage markets, particularly in terms of the market for ready-to-drink teas. What changes, if any, would you make to C2 in order to make it more appealing to the average Indonesian consumer? Which characteristics of the Filipino C2 would you retain? (CILO-3)

After its initial success in the Philippines, C2 bottled tea was launched by Universal Robina Corporation (URC) in Vietnam in January 2007. Some of Vietnam's most well-known celebrities joined the launch of certain C2 flavours exclusive to the Vietnamese market (see Exhibit 1). In light of the Vietnamese preference for more traditionally 'Eastern' flavours of tea, flavours such as jasmine, lotus and unsweetened green tea replaced C2's Filipino varieties, such as apple, lemon and peach.

However, unlike in the Philippines, the Vietnamese version of C2 was a not an immediate success. Despite the popularity of tea in Vietnam, Vietnamese consumers were not drawn to purchase the new product. Changing the marketing mix, enhancing distribution and improving advertisements all failed to improve C2's sales. Faced with the daunting prospect of failure, the local and regional URC staff asked that the production line be shipped back to the Philippines to cope with increasing sales there.

Unfazed, URC founder John Gokongwei tried one final tactic: reformulating the product exactly to Philippine specifications, with flavours like lemon and apple instead of lotus and jasmine, and utilizing the same mixture of advertising, packaging and product attributes that had succeeded in the Philippines (i.e. stressing the product's health benefits as well as taste). Almost immediately after the re-launch, the company's prospects began to improve in Vietnam.

Although Zero Degree, a bottled tea manufactured by Vietnamese company Tan Hiep Phat Group, continued to dominate the Vietnamese ready-to-drink tea market, URC's C2 maintained a close second-place ranking with over 40 per cent market share, largely due to its sweeter flavour and handy bottle size (see Exhibit 2).<sup>1</sup> Owing to the large tea-drinking population in Vietnam, URC sold more C2 in Vietnam than it did in its home country.

In 2008, URC management decided that the next step for C2's regional roll-out was introducing the product to Indonesia, one of Southeast Asia's most important economic and geographic centres. With its large domestic population of 230 million consumers and its dynamic economy, Indonesia had a substantial beverage market that was almost three times the size of the Philippine market.

## THE INDONESIAN BEVERAGE MARKET

Like Vietnam, Indonesia had a long tradition of tea drinking and was a top cultivator and exporter of tea. Tea was generally consumed with meals and it was customary for Indonesians to drink tea throughout a meal. Similarly, tea was served free of charge to customers at most restaurants and food stalls.

Nonetheless, there were a number of significant differences between Indonesian and Vietnamese tea consumers. For one thing, Indonesians preferred black tea rather than green tea. Furthermore, unpackaged tea was uncommon in Indonesia, except in cities adjacent to large tea plantations, and consumers showed a strong preference for tea bags. Like Filipino consumers (but unlike Vietnamese consumers), Indonesians were unaccustomed to drinking unsweetened teas and preferred the sweetened varieties.

However, the most important difference between Vietnamese and Indonesian tea drinkers was that Indonesian consumers were already very familiar with ready-to-drink teas due to the efforts of a local firm that had pioneered the product decades before the Chinese ready-to-drink market was even conceived. Tea was the preferred soft drink (after bottled water) — much more popular than carbonated soda, which was thought to be unhealthy, or fruit juices, which were relatively expensive. As such, the ready-to-drink tea market in Indonesia constituted a market 10 times larger than that in the Philippines.

Drinking 'teh botol' (bottled jasmine tea) had become part of Indonesian culture due to a marketing innovation created by local firm PT. Sinar Sosro (Sosro) in 1970. Sosro resorted to prepackaging its tea in bottles when faced with consumers impatient for free samples of the freshly-brewed jasmine tea the company was trying to market at the time. After having been in the business for more than four decades, the company exploited the advantage generated by its extensive distribution network and its use of returnable glass bottle packaging to maintain a price advantage for Teh Botol Sosro. Sosro had captured a URC-like dominance of its local market with a 74 per cent market share. The company also remained the top producer of tea bags in the country.

Despite Sosro's dominant presence, the market for bottled tea was still a dynamic, growing market in Indonesia (see Exhibit 3). The market share of teh botol, sold mainly through traditional retailers, was being challenged by a variety of plastic-bottled Asian teas, which were experiencing greater availability in modern supermarkets, convenience stores and retailers. The health benefits of green tea were being emphasized in order to present the beverage as an alternative to the ubiquitous black jasmine tea. However, in keeping with the teh botol tradition, consumers overwhelmingly preferred sweetened black jasmine tea (85 per cent share) followed by green sweetened tea (6.4 per cent), green unsweetened tea (1.1 per cent), black apple tea (1.1 per cent) and black lemon tea (0.7 per cent).

The size of the Indonesian beverage market had cultivated a correspondingly large number of competitors looking to gain market share. Apart from Sosro, the ready-to-drink tea market was shared among other large domestic beverage companies as well as the much larger multinational brands, such as Frestea (by the Coca-Cola Corporation) and Nü (by a joint venture between PT. ABC Central Food, a local company and Taiwanese corporation President, which was able to leverage its extensive beverage-marketing experience in the industry). This level of competition fostered numerous marketing innovations in the Indonesian beverage market that were uncommon or non-existent in Vietnam and the Philippines.

Coca-Cola Indonesia had registered strong gains in recent years by utilizing its cola-selling techniques to market its Frestea brand in separate chillers at modern retailers. The separate chillers provided better visibility and product placement from the consumer's viewpoint. The company also used its cola bottlers to push for the use of the cheaper returnable glass bottle packaging, much like Sosro had.

Teh Kotak by Indonesian firm Ultrajaya Milk drew from its experience in the dairy industry by selling its tea in convenient Tetra Pak packaging format. Some traditional retailers had also started selling tea by the plastic cup. Different tea variants were also entering the market, such as the Liang Teh Cap Panda herbal tea, which was advertised as having numerous health benefits.

Despite these competitive issues, URC management realized that the sizeable Indonesian market was too (potentially) lucrative to ignore. After conquering the Philippines and Vietnam, many in the company now believed that C2 could also succeed in Indonesia. However, a crucial question remained: How could this be accomplished?

#### VOLUME GROWTH AND MARKET SHARE IN READY-TO-DRINK TEA IN VIETNAM

Year	2004	2005	2006	2007	2008	2009
Volume Sales (in million litres)	22.3	26.6	59.4	102.9	184.0	253.4
Market Share (%)	0	27.3	25.3	38.9	40.4	42.3
C2	0	0	25.3	30.1	35.3	40.2
A'Nuta		9.4	6.7	7.3	7.6	5.3
Wonderfarm		13.2	9.3	7.8	6.5	4.3
Tribeco		14.6	7.4	4.9	3.3	3
Pokka		17.6	7.3	3.8	1.9	1.2
Sagiko		4.7	1.8	0.8	0.5	0.5
Others		13.2	16.9	6.4	4.5	3.2

#### VOLUME GROWTH AND MARKET SHARE IN READY-TO-DRINK TEA IN INDONESIA

Year	2004	2005	2006	2007	2008	2009
Volume Sales (in million litres)	788.9	838.9	916.9	998.1	1,081.5	1,177.0
Market Shares	Sosro		75.0	73.4	71.9	71.7
	Nu		12.2	12.5	13.5	13.9
	Teh Kotak		3.5	3.6	3.8	4.0
	Fretea		3.9	2.2	2.8	3.0
	2 Tang		2.1	2.2	2.2	2.2
	Others		3.3	6.1	5.8	5.2