

PGDM (Retail Management), 2018-2020

Strategic Management II

RM-503

Trimester – V, End-Term Examination: December 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.

Note: There are 2 sections in this paper. Answer briefly and to the point.

Section A: Answer 3 Questions one each from Q.A, Q.B, and Q.C (10 marks each)

Q.A.1.a Provide a broad differentiation between Strategic Planning and Strategic Implementation. Establish the connect between these two aspects of Strategic Management. Which of these requires greater involvement of top management in as far as Retail Management is concerned? CILO 1, Develop a perspective for effective implementation of strategies for creating sustained competitive advantage.

Q.A.1b What is the Concept of Levers? Where did it originate? What is the relevance of this framework for Strategic Management. Show the connect to the earlier course in Strategic Management, CILO 1, Develop a perspective for effective implementation of strategies for creating sustained competitive advantage.

Q.A.2.a Which Context Lever would you place Leadership Systems in. Explain TWL's Leadership system. Highlight two parts of the system that you think contributed the Most to its superior competitive performance in its industry. CILO 2. Establish the flow of strategy from organizational vision, core values, through key focus areas, putting appropriate systems for implementation, setting and achievement of targets.

Q.A.2.b What do you understand by Macro and Micro Organisation? How many variants are There in Macro Organisations? Name and briefly discuss them. Is there a connection Between the stage of growth of a firm and the choice of its Macro Organisation. Type or can it be independent of the same? Justify your answer with a brief Explanation. CILO 2. Establish the flow of strategy from organizational vision, core values, through key focus areas, putting appropriate systems for implementation, setting and achievement of targets.

Q.A.3a What role did the Use of Information and Data play in the Strategic implementation of TWL? Explain the linkage between Key Business Drivers and Key Organisational processes with respect to one of the KBDs and two Key Result Areas. CILO 3. Creating a fit between Strategy and organizational structure and controls for smooth implementation of chosen strategy. Appreciate the vital importance of strategic leadership for Effective implementation of chosen strategy.

Q A.3b How was Customer and Market Knowledge developed at Timex Watches Ltd, And how was Customer Satisfaction and Relationship Enhancement ensured By the firm? What was the role of Customer feedback in this pursuit. Provide Some key achievements in this critical area. CILO 3. Creating a fit between strategy and organizational structure and controls for smooth implementation of chosen strategy. Appreciate the vital importance of strategic leadership for Effective implementation of chosen strategy.

Section B (20 marks) Compulsory Case Study

Read the following Caselet and answer both the questions given below
homegrown regional supermarket chain in India

Ritu Bhattacharjee works as a sales executive at an automobile dealership in South Mumbai and lives with her husband and six-year-old son in Powai in the geographical centre of Mumbai. "I love it here!" she says. "There is nothing that is not available in our neighbourhood. Restaurants, stores, cafes, bookshops, everything is just a two-minute walk away from our place. And ever since DMart opened, life is perfect. I don't have to go anywhere else for grocery shopping. When asked about another supermarket closeby that pre-existed DMart, she dismisses it with a wave of a hand. "They don't keep many things that I want. But DMart! Sometimes I wonder if they've placed a spycam inside my house. How do they know exactly what I'm looking for?" she laughs.

Ritu is one of thousands of women in the city of Mumbai and now, other cities as well, who find not just satisfaction but actual deliverance in DMart. They have no hesitation in extolling its virtues. And their praise is almost identical. "D-Mart has everything we want. The offers at DMart are unbelievable."

"This is the only supermarket in India where the customer is not bothered about the ambience of the store. Her entire attention is centred on filling up her shopping trolley without a care in the world," said a global retail leader from Wal-Mart, after visiting a DMart store in Mumbai in 2008. "We know for a fact that when a customer is completely sure she is getting the best value, she lets her guard down, she buys more and in the bargain, the store wins," he puns with a deadpan face. DMart wasn't conceived through a grand business strategy, but merely as a hunch that was backed by its promoter, RK Damani. And yet, it is acknowledged as a successful, solid, homegrown regional supermarket chain in India. It stands tall amongst large corporate and multinational supermarket chains, in its markets. How did this happen? How did a humble, unadvertised, unsung and relatively unplanned venture do more than a shade better than more organised competitors? How does it remain the market leader in its catchments year after year? Obviously, there is something this supermarket does smarter than many bigger, wiser supermarket teams.

The story of DMart began almost 14 years ago in the dusty streets of Mumbai and upcountry Maharashtra where its promoters walked the supermarkets and co-operative stores of the time and observed the contents of the shopping trolleys to gain an understanding of what the customer bought and what she rejected. All operational wisdom was gleaned from the supermarket 'street', while philosophically, it was clear that the store must follow the principles laid down by Sam Walton. Wal-Mart had treated some fundamentals as gospel and if they could succeed with their simple approach to retail, there was no reason for a store in India not to do so. In a very basic way, therefore, all DMart did was to watch the customer trolley and read everything about Sam Walton and Wal-Mart. Nothing else was strategically important. The strategy paid off in spades. DMart's 'Give 'em what they want' approach to retailing has customers lining up at their doors.

Our work at understanding and decoding DMart led to some simple clues and points of view about each of the three constituencies of retail – the customers, the vendors and the employees.

DMart started in a very simple way in New Bombay. By supermarket standards, the first store, which also acted as a pilot for the business, located in a 4,000 square feet premises, was tiny. But the principles it developed then have stood the test of both time and scale. The business was in no hurry to create behemoths. Instead it patiently went about laying down the first principles of this fledgling business, and creating the core DMart point of view about the three 'constituencies' of retail. Now the simple formula that makes DMart tick is shared and intuitively understood as invaluable in the large organisation. Probably this simplicity has helped it scale nicely while staying lean as an organisation. One of the cornerstones of DMart's continued success is how it has retained its frugal outlook to retail through all market upheavals and internal changes over the years.

Section B (20 marks) Compulsory Case Study

Read the following Caselet and answer both the questions given below
homegrown regional supermarket chain in India

Ritu Bhattacharjee works as a sales executive at an automobile dealership in South Mumbai and lives with her husband and six-year-old son in Powai in the geographical centre of Mumbai. "I love it here!" she says. "There is nothing that is not available in our neighbourhood. Restaurants, stores, cafes, bookshops, everything is just a two-minute walk away from our place. And ever since DMart opened, life is perfect. I don't have to go anywhere else for grocery shopping. When asked about another supermarket closeby that pre-existed DMart, she dismisses it with a wave of a hand. "They don't keep many things that I want. But DMart! Sometimes I wonder if they've placed a spycam inside my house. How do they know exactly what I'm looking for?" she laughs.

Ritu is one of thousands of women in the city of Mumbai and now, other cities as well, who find not just satisfaction but actual deliverance in DMart. They have no hesitation in extolling its virtues. And their praise is almost identical. "D-Mart has everything we want. The offers at DMart are unbelievable."

"This is the only supermarket in India where the customer is not bothered about the ambience of the store. Her entire attention is centres on filling up her shopping trolley without a care in the world," said a global retail leader from Wal-Mart, after visiting a DMart store in Mumbai in 2008. "We know for a fact that when a customer is completely sure she is getting the best value, she lets her guard down, she buys more and in the bargain, the store wins," he puns with a deadpan face. DMart wasn't conceived through a grand business strategy, but merely as a hunch that was backed by its promoter, RK Damani. And yet, it is acknowledged as a successful, solid, homegrown regional supermarket chain in India. It stands tall amongst large corporate and multinational supermarket chains, in its markets. How did this happen? How did a humble, unadvertised, unsung and relatively unplanned venture did more than a shade better than more organised competitors? How does it remain the market leader in its catchments year after year? Obviously, there is something this supermarket does smarter than many bigger, wiser supermarket teams.

The story of DMart began almost 14 years ago in the dusty streets of Mumbai and upcountry Maharashtra where its promoters walked the supermarkets and co-operative stores of the time and observed the contents of the shopping trolleys to gain an understanding of what the customer bought and what she rejected. All operational wisdom was gleaned from the supermarket 'street', while philosophically, it was clear that the store must follow the principles laid down by Sam Walton. Wal-Mart had treated some fundamentals as gospel and if they could succeed with their simple approach to retail, there was no reason for a store in India not to do so. In a very basic way, therefore, all DMart did was to watch the customer trolley and read everything about Sam Walton and Wal-Mart. Nothing else was strategically important. The strategy paid off in spades. DMart's 'Give 'em what they want' approach to retailing has customers lining up at their doors.

Our work at understanding and decoding DMart led to some simple clues and points of view about each of the three constituencies of retail – the customers, the vendors and the employees.

DMart started in a very simple way in New Bombay. By supermarket standards, the first store, which also acted as a pilot for the business, located in a 4,000 square feet premises, was tiny. But the principles it developed then have stood the test of both time and scale. The business was in no hurry to create behemoths. Instead it patiently went about laying down the first principles of this fledgling business, and creating the core DMart point of view about the three 'constituencies' of retail. Now the simple formula that makes DMart tick is shared and intuitively understood as invaluable in the large organisation. Probably this simplicity has helped it scale nicely while staying lean as an organisation. One of the cornerstones of DMart's continued success is how it has retained its frugal outlook to retail through all market upheavals and internal changes over the years.

From his stock investor days, RK Damani, or RK, as he is popularly known, had the habit of forming strong, informed points of views about what mattered for success and single-mindedly pursuing the chosen path. He pursued the same mindset in the retail business. One of his biggest success sutras was that of prioritising with a vengeance. "If there are 10 principles or acts needed to run the business, I would pick the two or three that mattered the most and then drive them to be a market beater in those things. It is okay for me if I am even below average in the other seven things," he says confidently. Running with what matters the most and staying the course has obviously been a winning strategy for DMart. It is therefore worth examining the most important components of each of the three constituencies, the customer, the employee and the vendor, for DMart.

The D-Mart point of view for the three constituencies

1. The Indian customer, who shops at air-conditioned stores, does not run her family's grocery needs on a tight budget. While supermarket customers are, by and large, well-to-do people, yet everyone wants to save money. People with money buy more, to achieve higher savings. DMart's pricing is designed for the customers to save more across everything she buys. However, those who buy bigger packs save even more. It's as simple as that! The merchandise department of DMart, its buyers, act more like agents of the customer and not of the company. This is in line with Sam Walton's description of his merchandise department. If the buyers buy better, they can sell cheaper. The very fundamental principle of 'what you receive, you pass on' is almost biblical in its simplicity. If buyers negotiate a good price with vendors, DMart passes on the benefits to the customers, in the process communicating a message of care and protection. "Even when you are not looking, not careful, you'll still save money with us" seems to be the unstated subtext in its communication. How can any customer resist such a message of genuine concern? It follows that the customer will let her guard down and fill her trolley with reckless abandon. After all, DMart has her back and she knows it. One of RK's old beliefs is, if she saves well, she'll overlook other flaws in the offering. There are many aspects to a customer facing business. A well-lit and designed shopfloor with smart adjacencies and category flows, polite staff, proper communication, attractive displays, weekly, monthly promotion cycles, so on and so forth. DMart could have tried to focus on all these and more. It didn't because then it would have lost its edge. It only looked at how much the customer saves, and became a market leader in that, much to the shopper's joy. She bought more. "Also, she'll tell others about us and therefore we'll not need any marketing!" chuckles RK. "We know for a fact that when a customer is completely sure she is getting the best value, she lets her guard down, she buys more and in the bargain, the store wins," he puns with a deadpan face.

2. Store employees or associates are first generation retail workers in India. Self-service retail is still in its early stages of evolution. Combine this with the fact that **culturally, in India, service and servitude have often been treated as one and the same, and it becomes obvious that introducing a service-oriented format in our country is a mammoth task.** Workers and servers in all walks of life come from a different class and socio-economic background than the people they serve. They are largely untrained and often uneducated or first generation learners, their parents being employed in small factories or as work hands in small businesses. Nothing in the environment or upbringing of these new retail associates therefore prepares them for a customer facing service job. The service culture is entering our environment, but it will take a generation to become firmly entrenched as part of our society. Until that happens, what is it that a customer-facing business needs to do? Can it afford to depend on this class of workers to generate customer satisfaction? The obvious answer is no. From this point of view, DMart has built a cadre of simple, hardworking store people who ensure fully stocked shelves, clean price communication and efficient check-outs and not much beyond in customer service. Well, selling simple grocery items at fixed prices does not require much people-based service, in any case. The simplicity of the shop floor associates is offset by **state-of-the-art, global standard store equipment. Be it flooring, shelves, trolleys, scanners – all hardware and connectivity deployed at the stores is expensive, best in class. Not many things therefore need skilled, smart manpower. Equally significantly, the associates have no sales targets. Clearly, the organisation does not depend on its associates for its sales. It allows its systems and basic principle of simplicity to do that for it.** DMart

seems to live its 'self-service' dharna, diligently. While staff are amply trained and rewarded, this is not where the company has chosen to place its sales focus on.

3. **Vendors**, who deliver goods and get paid by retailers, are small and medium traders, micro-entrepreneurs, by a vast majority. Even when supermarkets buy goods made by reputed MNCs, the real last-mile seller is often a distributor named Agarwal & Sons, for example. Small traders in India, as a rule, are always short on capital and perpetually stressed about their working capital situation. **DMart decided to be a market beater by paying faster than market norms to its vendors.** Quickly, they became known as the best pay masters in town. In spite of being tough negotiators every vendor wanted them to succeed, for this very reason. Vendors did many small things in their power to ensure DMart got the best availability and deals. Vendors are known to advise and tip off the buyer teams, often, with market intelligence. DMart has ensured an ecosystem that's very helpful in winning the complexities of the supermarket business, with this simple vendor insight. It also helps to have a liberal stock holding policy the way DMart does, in a growing market like India.

The Indian customer is intuitively frugal and also traditionally underserved. When she sees a hardworking store like DMart that empowers her, saves money and has a no-nonsense outlook, she overlooks and forgives the no frills, often cheerless, warehouse like store setting.

Financials:

Mar'19	Mar'18	Mar'17	Mar'16	Mar'15	
Rs. Crores					
Net Sales Turnover	19916.25	15008.89	11881.12	8579.53	6433.52
Profit	936.35		784.66	482.64	318.24
	211.39				

2018-2019 Profit after Tax Rs. 936 Cr on Sales of Rs. 19,916.25 Cr. which is excellent for an Indian Retailer whose gross margins are at the level of 12% (groceries offer margins of Turnover as low as 1.5 % for popular branded products like Ashirwaad Atta and Nature Fresh refined Soya Oil). What is equally impressive is the growth in Sales from Rs. 6433.52 Cr. in Fin. Yr. 2015 to Rs. 19,916.25 Cr in Fin. Yr 2019 (a threefold growth) and the growth in profits from Rs 211.39 in Fin Yr. 2015 to Rs. 936.35 Cr. in Fin. Yr 2019 (a four and a half times growth). The firm has proved beyond doubt, that with price sustained price competitiveness, profits and profitability can both be put on a sustained growth path.

Going forward, from being a regional retailer, as it expands into other parts of the country, DMart has to grapple with the fact that India is more like a continent than a homogeneous market. Food tastes and preferences and buying behaviour change every 100 kilometres. Assortments, work cultures and therefore overall management will need to get complex. A simple business model based on insights about the three constituencies of retail and a trusting, forgiving customer will stand in good stead when DMart begins to engage with greater complexity.

It is a well-known fact that in most large markets, the biggest retailer is the discount supermarket and in many cases, it is a local player and not a multinational. DMart with its stable fundamentals is well-placed to play for that spot, for now at least!

Q.1. Of the three Levers relevant to Strategic Implementation, which of them, do you think has played the greatest role in DMart's exceptional performance in an industry where other organised players have failed. Give details from the Case to establish your view. **10 Marks**

2. Are there some notes of caution to be exercised by the firm? Identify them and explain their importance. Which of its competitors should it be most afraid of and in what respects? **10 Marks**