

Indian Institute of Science
Bangalore
NPTEL
National Programme on
Technology Enhanced Learning

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Global Supply Chain Management

Lecture – 07

Metro Cash and Carry

Prof. N .Viswanadham

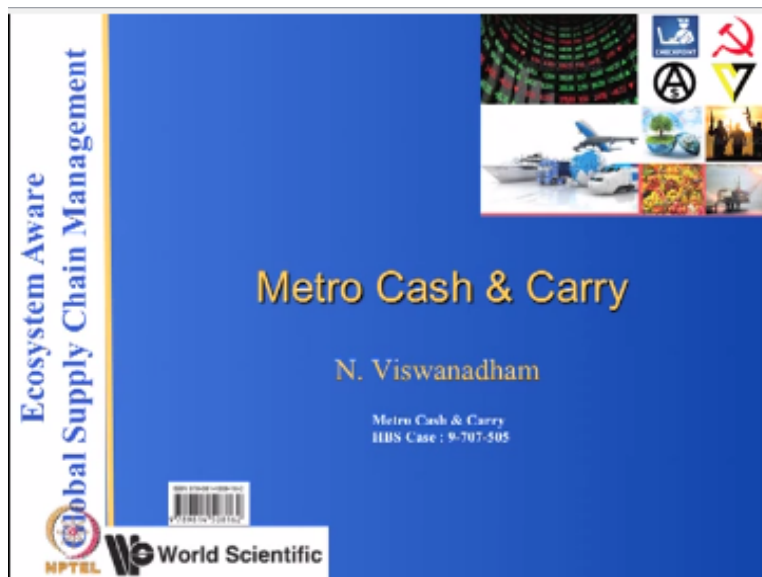
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One of the elements in the ecosystem is the institution the institutions are the government and the social groups now in the supply chain which delivers products to the consumers end to end starting with the suppliers to the consumers through retailers how does the institutions play a role and what kind of role do they play is it positive negative and how does it affect your supply chain this is a very important question particularly whether you are L global or local question local company.

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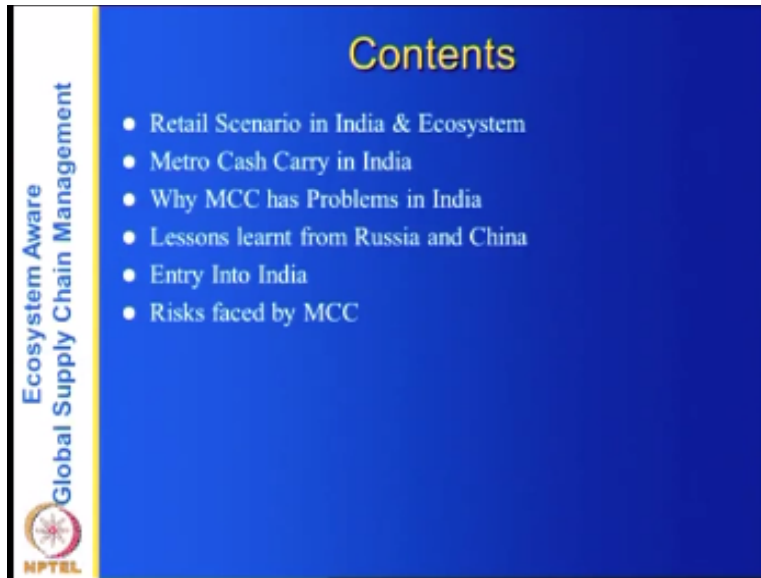
Metro cash and carry is a German company it is a wholesaler and basically they wanted to enter India then they wanted to enter India they were allowed to be a wholesaler and later they started playing or having problems so the problems or this case illustrates what kind of how companies have to be careful and how they should expect anticipate the kind of problems that

they can get from bureaucracies they can get from the state central governments and also from the social groups.

You when you are enter to be wholesaler there are other wholesalers in India and there are other shops who basically sell FMC products fruits vegetables and other products to the consumers so they what with what kind of resistance you face from them these are issues which are much more than your supply chain issues usually if you are considering say the fruits and vegetables supplied to it then you are worried about the farmers, you are worried about the quality, of the products you are worried about how to transport the problem of transportation the cold chain and other issues.

But when the problems come from the institutions the social groups and the governments then you are you are basically you are hit hard because they are coming from the government who are lawmakers are also you will have no choice but to abandon your efforts or follow the life so this is what happened and I let us look at this case which is very illustrative Ness so what is the retail sin are you in India why is it important that these problems come in and how did the Metro cash carry enter India.

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At entered Bangalore and later into Hyderabad and so on why did it have problems in India and it was you know other emerging markets from like Russia and China what are the learns lessons learned from Russia and China and they were highly successful in China and Russia and which are also a mature markets why did they have problems in India and how did they enter into yarn what are their is they have faced and what are the lessons so it is a case where the institution problems how do you how do companies face Institution problems and how to mitigate them.

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Retail Scenario in India & Ecosystem



So what are the retail scenario in India.

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retail sector in India

- The sector has grown from a level of US \$ 201 Billion to a market size of US \$ 425 Billion in 2010.

Market size over the past few years (USD billion)



Year	Market Size (USD billion)
1998	201
2000	204
2002	238
2004	278
2006	321
2008	368
2010	425
2012E	450

Source: Economist Intelligence Unit, Euro monitor, Aranca Research

Retail scenario and its ecosystem of this you know for example the retail sector in India has its high growing you know it is 200 1 billion dollars it is going to 450 a billion dollars and its market size has doubled almost doubled and so on so the sector has grown from 201 billion to a market size of 425 in 2010 and so on so it is a growing sector.

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And what is the what are the products that has I mean if this shows that the food and groceries food and grocery sector is almost like 60% and clothing and fashion is nine point nine percent clothing and fashion and forty eight percent of total household income was spent on food and groceries so people who are want to enter India into the retail sector they have to basically look at what is the kind of spending that people do people spend forty eight percent of the total household income on food.

And if you are doing into a retail and 60% of your retail is food so if we are entering into other subjects you can estimate your market size based on this out of this four hundred and not billion dollars you have two hundred two hundred forty billion goes into food and the other

expenditure other sectors go into this so basically you have clothing fashion beauty wellness in electronics furniture and so on.

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Now what are the products that we have we say we have two sectors here one is organized sector another is unorganized sector in the organized sector you know you have basically clothing is 39% in the organized sector whereas in the unorganized sector food and groceries that so food itself is \$252 plus billion dollars and 30 percent share of freights vegetable staples and so on and afro has the menswear womens wear childrens wear and others and electronics is basically 20 to 25 billion dollars home electronics telecom consumer durables and so on so.

What you should see here is that when you are entering into India as a foreigner into or if you are opening a store with wholesaler then you are entering into organized retail and in the organized retail there is 60% of the unorganized retail all the Khorana shops which are 12 million of them they are an organized retail so you face competition you are competing against

them and basically they employ about 30 million people so there is all kinds of political and social pressures saying that the organized retail is getting into the livelihood of 30 million people.

So the issues are that one has to be careful when getting into the retail sector because you are a pianist about 12 million Khorana shops and push carts and so on who are self employed and they basically employ 30 million people so and if you are an organized retailer and which you cannot you cannot obviously employ 30 million people if you cannot generate that kind of employment and these are people who have who know only how to speak they do not know how to read and write and their 7th grade are less educated.

So there are all kinds of other issues that the government face and because of that this creates a huge social and political issue so if you look at the retail chains in India.

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The slide features a blue background with a white vertical bar on the left. The white bar contains the text 'Ecosystem Aware' and 'Global Supply Chain Management' in a vertical orientation, along with the NPTEL logo at the bottom. The main title 'Stakeholders of Retail Chains' is centered at the top in a yellow font. Below the title is a bulleted list of stakeholders in white text. At the bottom right of the slide, there is a small inset photograph of a man with grey hair wearing a white shirt.

Stakeholders of Retail Chains

- Mandis, commission agents, farmers, mills – Groceries
- Apparel : manufacturers, distributors, brands
- Manufacturers of household items (crochety)
- Furniture – timber factories, carpentry firms.
- Manufacturers (local, international) & distributors of Electronic goods & household appliances –
- Books, magazines – distributors, book companies
- Medical and pharmaceutical goods – agents, distributors, or manufacturers
- Each commodity has a different supply and related issues.

Retail chains in India what are all who are all the stakeholders of the retail this one there what are called Mundys which are farmers markets and this would where all the all the farmers take their products to for selling it to the to the retailers and there of course commissioner agents and there are mills who basically buy the paddy or wheat from the farmers and then they make it to the rice or a tower and so on so they are basically the Mondays of a farmers market and the Commission agents and farmers and farmers cannot sell directly to the retailers and retailers cannot buy from the farmers.

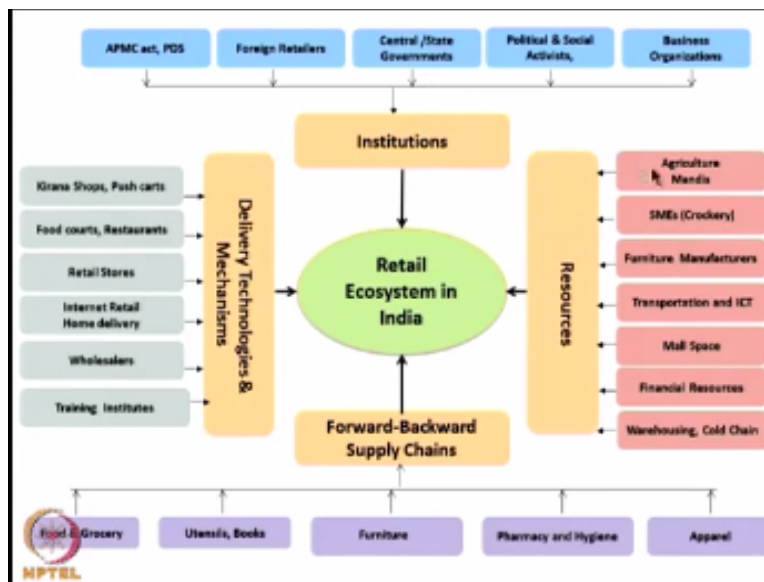
They have to buy through the Mondays and the wrap around manufacturers or distributors there are all kinds of brands and so on and there are lots of SMEs in the SME in the manufacturers who manufacture series and other kinds of things into this and a manufacturer of household items like rotary crockery and so on and furniture timber factories carpentry firms and manufacturers and distributors of electronic goods and household appliances books magazines distributors book companies medical and pharmaceutical goods agents distributors and manufacturers.

And each commodity has a different supply chain and related issues in other words if you if you are looking at FMCG it is another thing if you are looking at a Pearl it has its own supply chain from cotton to you know the short pant or something and if you are looking at furniture it has its own supply chain and if you are looking at household appliances they have their own supply chains and so on so medical pharmaceutical is another big thing and so on so.

These are all the stakeholders in the retail this one I mean pharmaceutical goods this one their pharmacy to go outlets where the medical shops as they are called and they are basically the retailers we will they sell like Nestle prescription from a doctor and so on now each commodity has a different supply chain and this is the retail scenario in India I mean this is true in any country that the retail is basically a conglomerate of all these kinds of products and so on so.

What is the kind of ecosystem that this has let us look at what are the factors that control.

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The retailer Co system and since we are concentrating on India because Metro cash and carry is having problems in let us look at the retail in this one so the forward supply chain in this is a who have of course food and groceries where you have farm to the to the Monday to from Mindy to the retailers and so on and you have utensils and books and furniture pharmacy in hygiene and I pro as we have seen these are some things and this is the forward supply chain.

And there are basically institutions that come into place the governments and is what is called a PMC act and this and also public distribution system so the a PMC act basically says that you know the farmers cannot directly sell to the retailers this Act came into existence just to protect the farmers because the retailers cannot have a contract forming or something and then they try to not marginalize the farmers and the public distribution system is basically there are there are

there are 700 million people who are basically poor and the government gives subsidized food products to them.

So for that it is pretty yes the public distribution system the government maintains the warehouses and so on and for that they procure from the farmers so and the government pays a little more than the market price so that induces the farmers to sell it to the government and you have of course foreign retailers you have a lot of central state governments and political and social activist and business organizations here.

So you have the retailers which are who are foreign or Indian and the problems that the retailers face could be from a political and social activist which here this also contains business associations our organizations like for example their Hawker associations so there can ownership associations and so on so basically these have a lot of political power because they know the politicians and their word banks and 12 million Khorana shops basically is a lot of this one.

And they employ thirty million people so if you look at for example the resources there are agricultural Mundys or the resources SM is the foreclosure furniture manufacturers transportation and ICT that is the coal chains and all that you require mall space all space is one of the very expensive things in India and that is one of the factors that will increase the space because the malls are basically are there in big cities and big cities in the center of the cities or in business districts the mall space is highly expensive.

And of course you require financial resources now the financial resources the retail is not considered as an industry so you cannot get loans you have to take a personal loan and warehousing and cold chain so these are the resources that one needs for retail and of course the warehousing in the center parts of the city in the center of the city where the malls are it

becomes a big issue so the backward supply chain the backward supply chain which is basically behind the machines up to them all from mall.

To the customer is one thing and up to the mall is the behind the scene supply chain becomes difficult and also the way house which is to be called chain and all that the Khorana shops are in push carts for the retailer and we have food courts and restaurants because the food can be sold as a processed or the food items you have retail stores or the retail stores internet retail home delivery is also becoming popular in India there are there are organizations like Amazon there are organizations like v cart who sell an Internet retail and they do home delivery and so on.

But their wholesalers and training institutes but training institutes for retail there are few but they have not they are not very common and very well organized but so this is issue so what the retail has this is the ecosystem of the retail in this in India now when any particular farm company like MCC wants to enter in India what is the kind of thing they are competing against all these people they are competing against tyranny shops they are competing in US retail stores they are competing against food courts and so on but one thing that people they are not actually competing against them but there are being suppliers to them so they are competing with the of the people who are intermediaries between the farmers and the Khorana shops.

And they are politically sensitive and they form a political associations and so on so let is look at this so this is the retail scenario in India.

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Metro Cash and Carry Model

- **Traditional wholesaling:** Highly specialized assortment of merchandise delivered to customers on credit
- **Metro C &C is a self-service wholesaler:** Sells a wide range of food & nonfood goods at large warehouses on immediate cash payment. Transportation taken care by customers (self-service) Featured high quality goods
- **Target customers of self-service wholesalers:** Business customers & institutions; SMEs including hotels, restaurants, bars, café etc.; Food retailers; Government & non-profit institutions, etc
- Value generated for Government with tax collections (informal transactions in retail account for 97%)

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So what is the Metro cash should carry doing in India traditional wholesaling highly specialized assortment of merchandise delivered to customers and credit metrication car is a self service wholesaler I think we should look at credit is available in usual traditional wholesaling but Metro is yeah a self service and be its cash and carry so sells a wide range of food and non food items at large warehouses on immediate cash payment.

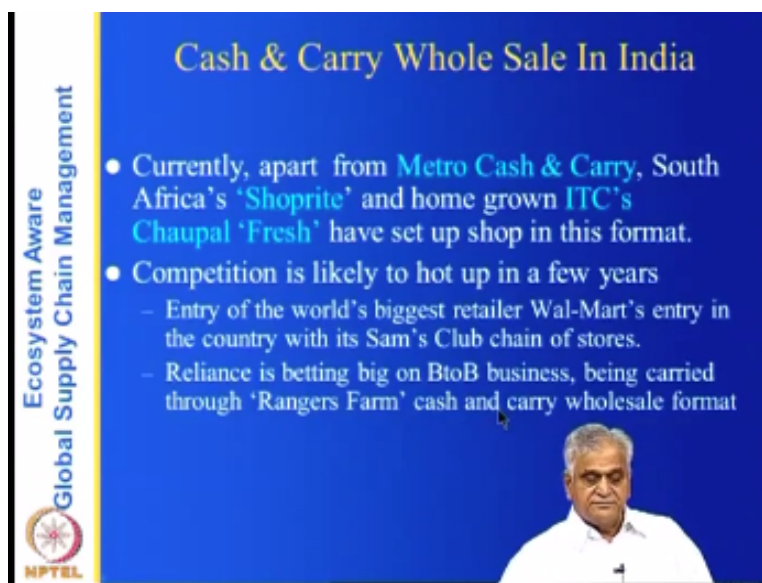
Transportation taken care of by the customer that is the self service they feature high quality goods now this is one model that is popular in Germany and other places even in the United States there are lots of cash and carry models and target customers of self service wholesalers who are the target customers business customers institutions as a means including hotels restaurants Khorana shops bars cafes etc and food retailers government nonprofit institutions and so on so.

These are all the target customers and so on so what the wholesaler like Metro cash and carry does is they take goods from the farmers and they make it available at a place for bulk purchase you cannot individual consumers are not allowed into this one you have to have a business so

those businesses if they can enter and get it at a wholesale price and the product are good the quality is guaranteed the high quality is guaranteed and Metro acts as an intermediary.

And value generated for government with tax collections informal transactions on retail account for 97% in India you organize retail this is very little and so yeah if this kind of thing not only Metro if others also have either cash and carrier credit models but organized retail organized wholesalers organized retail then the government will have a lot of taxes collected.

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Cash & Carry Whole Sale In India

- Currently, apart from Metro Cash & Carry, South Africa's 'Shoprite' and home grown ITC's Chaupal 'Fresh' have set up shop in this format.
- Competition is likely to hot up in a few years
 - Entry of the world's biggest retailer Wal-Mart's entry in the country with its Sam's Club chain of stores.
 - Reliance is betting big on BtoB business, being carried through 'Rangers Farm' cash and carry wholesale format

What is the cash and carry wholesale in India currently apart from it Oh cash and carry South Africa's sharp right and homegrown ITC chopper fresh has set up shops in this format when competition is likely to hot up in few years an entry of the world's biggest retailer WalMart and entry into the country with its Sams Club chain of stores and reliance is betting becomes b2b business being carried through Rangers form cash and carry.

Wholesale format I mean there are other players who were not become big they are not taken care of and so on for a variety of reasons for the same reasons that cash and carry is having problems with so let us look at some of them.

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Where Can MCC Create Value?

- Serves as a **B2B intermediary** reducing waste and introducing quality
- **Transaction facilitator**: provides infrastructure connecting buyers and sellers: restaurants, hotels, Kirana shops with farmers and FMCG players
- **Aggregator & Distributor**: One stop shopping for buyers and provides the small suppliers the reach
- **Quality Guaranteer**: MCC assures buyers of the quality of goods, standards of hygiene & weights and measures
- **Advisor** : MCC provides market information

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So where can MCC create well why what is the this one about that services have been me to be intermediary reducing waste and introducing quality now when you buy from farmers or when you get it from SMEs and so on you are produced you are basically sourcing quality goods and it is a b2b intermediary it does not sell to the United customers now when you would when you are doing this you are ensuring quality and you are basically educating the SMEs.

And transaction facilitator provides infrastructure connecting buyers and sellers restaurants hotels katana shops with farmers and FMCG players so all these they provide cold chains they provide temperature sensitive transport and all that and they are acting as intermediaries so a caterers and distributors one stop shopping for bias and provides the small suppliers they reach

so in other words you know not to go to 100 places one thing for utensils another thing for fruits vegetables and other thing and so on.

If you are a shop owner you can have a deal with a card with MCC or any other wholesaler and you can procure from them you can procure all the items and then ship it to your shop so quality guarantee or MCC shows buyers of the quality of the goods standards of hygiene and weights and measures weights is a very important problem because they say it is 1 kg or 1 pound or something you are not sure it is so but that is guaranteed by MCC.

So adviser MCC provides market information so it basically provides to the retailers the information about the market information about you know what is happening in the market and so on so it is basically an intermediary that is needed in India not only through MCC but through any other source but any intermediary will have problems why so the authorized supply chain player initial impact direct linkages between customer.

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Organized Supply Chain Player: Initial Impact

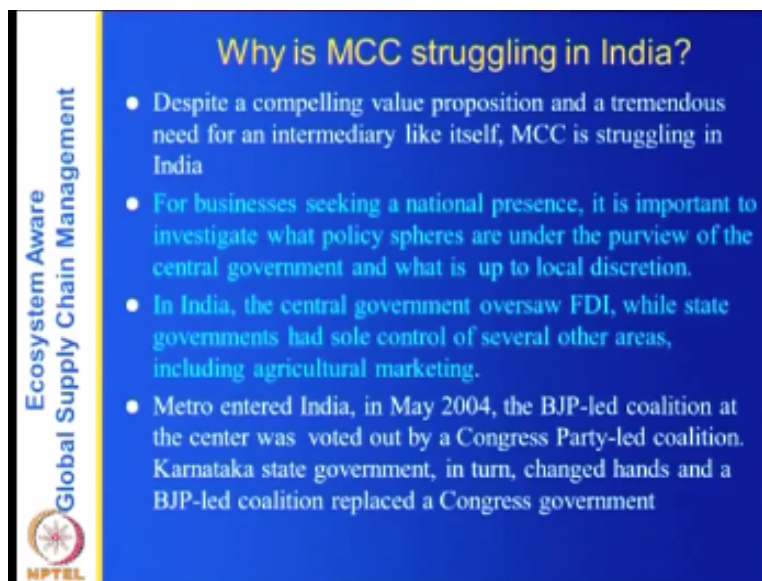
- Direct linkages between customer and producer – both food and non food.
- Enhanced distribution reach, especially for SMEs and Farmers.
- SMEs benefit from reduction in supply chain costs (both inputs and distribution).
- SMEs benefit from access to technology and systems.
- Improvement in general level of quality (food and non-food), hygiene and food safety.

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Organize supply chain player initial impact direct linkage between computer customer and producer both food and non food enhance distribution reach especially for SMEs and farmers SME is benefit from reduction in supply chain cos SME is they need not have to do the marketing themselves directly with the retailers they can just a little to care to metro or the world sailor and they can get the benefits an SME is benefited from access to technology and systems.

That is another thing and they need not have to have their houses they need not have to have temperature sensitive stuff and so on improvement in the general level of Hygiene and food safety so the organized supply chain player is has this initial impact.

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Why is MCC struggling in India?

- Despite a compelling value proposition and a tremendous need for an intermediary like itself, MCC is struggling in India
- For businesses seeking a national presence, it is important to investigate what policy spheres are under the purview of the central government and what is up to local discretion.
- In India, the central government oversaw FDI, while state governments had sole control of several other areas, including agricultural marketing.
- Metro entered India, in May 2004, the BJP-led coalition at the center was voted out by a Congress Party-led coalition. Karnataka state government, in turn, changed hands and a BJP-led coalition replaced a Congress government

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And why MCC has problems in India let us look at the problem so despite a compelling value proposition and a tremendous need for an intermediate area like itself and this is struggling in

India for businesses seeking national presence it is important to investigate what policy spheres are under the purview of the central government and what is it up to local discretion so in India there the central government and there 28 states and six the units 6 or 7 union territories and so on so.

The agriculture is a state subject and if you are talking of retailing it is a state subject but the FDI the they foreign direct investment and permitting foreign businesses into India is a central subject so if they said if the basically the central government admits or permits for the FDI of any company into India but it is up to the state whether to accept it or not there is no compelling compulsion on the state that it should going to go into this one so some states and sometimes states may not.

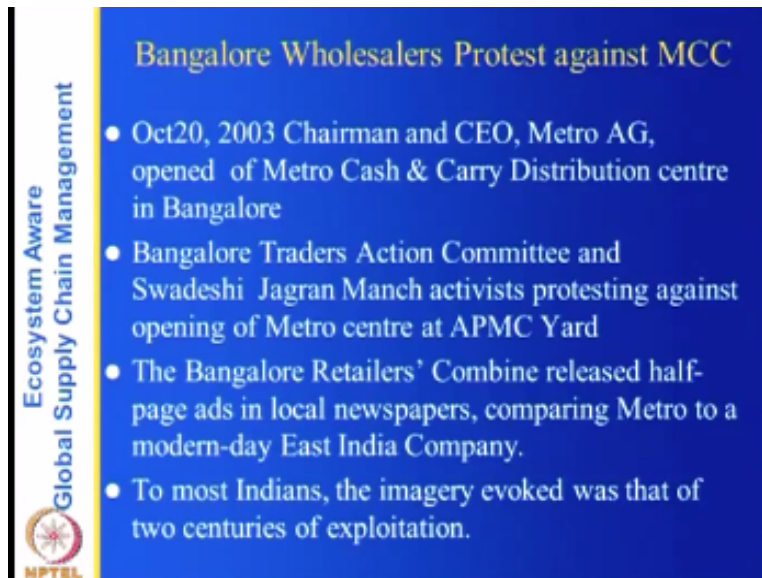
For example in a case of an MCC Karnataka which is the state in which Bangalore is the capital it is accepted and then in Hyderabad and other Pradesh the state has accepted but some other states Maharashtra is I accepted MCC but there are some other states which may not accept this and so on so it is up to the state to accept this in India the central government to also FDI and the state governments are the sole control of several areas including agriculture marketing.

So Metro entered India in May 2004 and there is also the party issues here the BJP which is currently in opposition led coalition is at the center watered out by a Congress party led coalition this one let it was later watered out Karnataka state government in turn change hands and BJP led coalition replace the Congress government so when in 2004 BJP was at the center and Congress was at the state.

And afterwards soon afterwards in the next elections then Congress was at the centre and BJP was at the state so this change of the government basically per for changes the policies here so I wondered this is unfortunate but it happens in every country that whenever there is a change of

hands in the in the country then it puts pressure on the industries particularly sensitive industries like agriculture like retail and so on which affects the common man.

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Bangalore Wholesalers Protest against MCC

- Oct20, 2003 Chairman and CEO, Metro AG, opened of Metro Cash & Carry Distribution centre in Bangalore
- Bangalore Traders Action Committee and Swadeshi Jagran Manch activists protesting against opening of Metro centre at APMC Yard
- The Bangalore Retailers' Combine released half-page ads in local newspapers, comparing Metro to a modern-day East India Company.
- To most Indians, the imagery evoked was that of two centuries of exploitation.

So there are new wholesalers fantastic resistances so in October 2003 chairman c walk metro AG opened a metro cash and carry distribution center in Bangalore on the same day the Bangalore Traders Association committee and Swadeshi Jagran Manch activists protested against opening of the Metro Center at the APMC act in Ashwin poll in Bangalore so the family will trade on us action committee they are the ones.

Also said there was a newspaper article the Bangalore retailers combined released half way Chad to the local newspapers comparing May 3 to the India Company you know century back the centuries back the East India Company is the one which entered Kolkata in India and that has led to the British rule in India and India is gained independence in 1947 so what people

when people start comparing they met Robert the East India Company then that raises people against Ignacio Metro.

So to most Indians the imagery awoke what that was two centuries of exploitation so it becomes a granted national feeling I mean national feeling and Auntie insist appealing which is unfortunate so what happens here whenever you are an old sailor and you are trying to enter into India then you have to be extremely careful what are the kinds of political factors that you are going to get it.

You are up against traders you are F&S Commission agents you are up I can see Khorana shops and although you are providing tremendous amount of value to this and you require permissions from the state government central government and so on so your institutions and social groups and business organizations they are the ones that affect you over this one although you are creating lot of value in the supply chain.

So that is the one that is important point that this one this also brings to focus brings to focus the importance of the ecosystem consideration but too clearly when you are planning something big into are moving into a new country or you are planning an industry even in your own country it is better to map and you may be up against other state governments other trade associations and so on so.

Basically the issue is this brings to the focus that the ecosystem if Metro has done this ecosystem mapping probably it would not have faced these kind of problems but I know they have done the supply chain analysis and how the farmer gets only 20% of the consumer what the consumer pays and the intermediaries consume the rest but it did not do an analysis on what are the kinds of risk it is going to face from social groups as well as the governments so let us learn from Russia.

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This Metro was in Russia and China and what they thought was since this is a merchant markets are the so called Brick countries Brazil Russia India and China they are all grouped as one emerging markets they thought if they have their experience in Russia and China will come in very handy but they did not let us see what the lessons they learned from this one so they have the speed of entry they had basically in Russia.

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Metro in China and Russia		
Action	Russia	China
<i>Speed of entry</i>	22 stores in first five years	8 stores in first five years, then 17 in the next few years thereafter. Slower ramp up because lacked a patron like the Mayor of Moscow in Russia
<i>Joint venture</i>	Not present. Perhaps not needed with local government patron	Retained JV with SOE Jinjiang Group even after rules for requiring it were relaxed
<i>Local politics</i>	Mayor is the only authority. He is supportive for Metro's help in cleaning up the local black market	Tension between central and local government authority, but more authority (and clearer power structure) than in India
<i>Local competition</i>	Fragmented	"Fog of competitors"
<i>Management team</i>	Expatriate management	Expatriate management

22 stores in the first five years and in China is done in first five years and then 17 in the next few years thereafter slow ramp up because of lack the patron like mayor of Moscow inertia so in Russia the pattern was the mayor of Moscow so they were that they have political support but in China reading political support and attest this one and what about the joint venture did they enter alone or they went into with somebody else not present.

I mean basically perhaps not needed with a local government Petra so then the government local government like likely the Mayor of Moscow it was not present to I threat I do not whether it went out alone but in China it returned a joint venture with SOE Jinjiang group even after rules were requiring it were relaxed in other words men and MCC entered into China it has to enter is a joint venture that was the room.

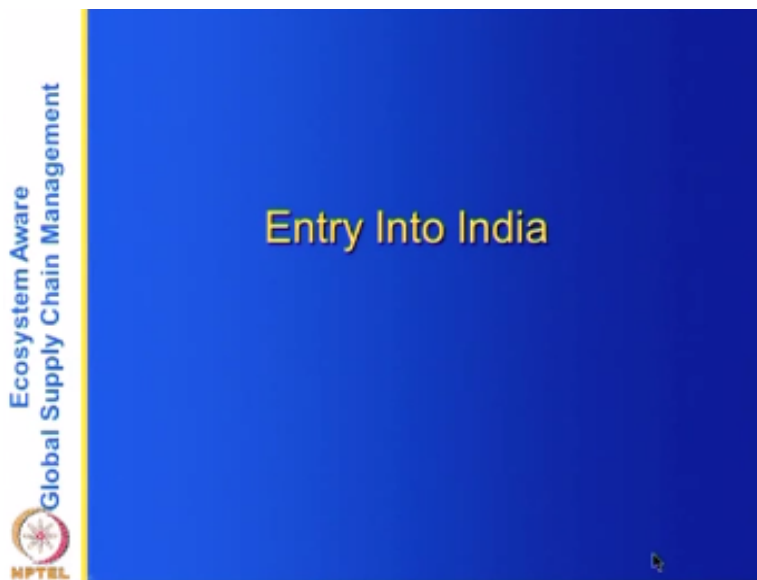
So it went into s voyage in young crew even a but again after the rules were there it retained that what about local politics in Moscow mayor is the only Authority his supportive of plan and matrons help in cleaning up the local black market so basically they had political support well and mayor is committed to the so called black market , but in china the container tension

between central and local governments authority but more authority but more authority and clearer power structure than in India.

In other words there is in China also there is Center on local and city governments in fact the layout structure is well organized and each juice issue knows what it is and so but in India there is the tension and local computation you know in Russia it is fragmented and there is fog of competitors in this I mean in China and management team in Russia it is exported management and in China also it is expert in management so if you look at this I mean given that they are successful in both in China and Russia.

And but one thing you should remember is both are countries with vertical governments and whereas although the distribution their state center and all that since they are successful in China and Russia they thought they will be successful in India.

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So how do you pay enter India.

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The slide features a blue background with white text. On the left side, there is a vertical logo for 'Ecosystem Aware Global Supply Chain Management' with the NPTEL logo below it. The main title is 'Metro's Entry Strategy In India'. Below the title are four bullet points. In the bottom right corner, there is a small inset image of a man in a white shirt speaking.

**Ecosystem Aware
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Metro's Entry Strategy In India

- Metro C&C entered the Indian wholesale market by opening two stores in Bangalore (Year 2003)
- Opened a new store in Hyderabad in 2006 (no stores added between 2003-06)
- Strong growth signs: institutional voids, rising living standards, urban migration, 34% increase in consumer spending from 2001-05 etc.
- Value proposition: to play a master role in filling institutional voids – the absent market infrastructure, connect the suppliers with the market etc.

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Metro Center started you into India is that Metro C&C entered India Indian wholesale market by opening two stores in Bangalore the year 2003 now why Bangalore and why two stores at the same place opened a new store in Hyderabad in 2006 no store added since 2003 to 2006 but they have added later stores in Maharashtra Bombay Mumbai and all that and strong growth sites there are institutional voids in other words.

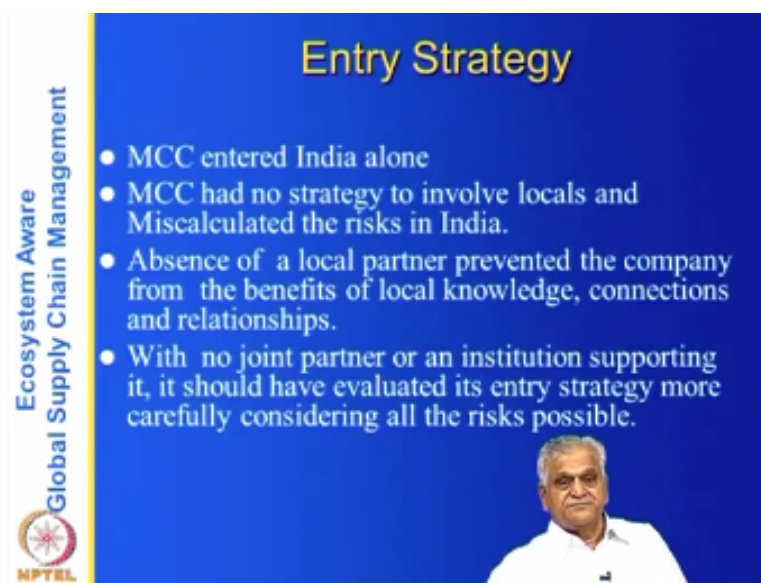
For example why when it entered into India what are the growth sites now first of all there is no largest there is logistics absent between the farm and the retail there are no warehouses there is no organized retail there are no wholesalers they farm fresh is directly sold to the consumers and 30% in the wastage this one so these are the kinds of words that the wholesale system has the food supply chain enhanced.

And also you know the there is raising living standards because of the IT industry there are a lot of people who are making a lot of money and so on and a lot of people are migrating to the cities and they want three products the healthy products and so on so 34 increased 34 percent increase in consumer trans pending in 2001 to 5 so if you look at the retail spending I mean it was growing high and people wanted more fresh foods not buying from the forms and so on.

So the living standards are increasing because the menu class has increased and value proposition to play a master role in filling institutional voids the absent market structure connects the suppliers with the market in other words if you look at the entire farm to fork supply chain it is highly fragmented and there is no transportation proper transportation connecting the farms to the retailers there is no cold chain and no warehouses.

So all these reasons who gives you whites I mean there is there are gaps to fulfill them and a wholesaler like Metro is tremendously needed in India at that time.

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Entry Strategy

- MCC entered India alone
- MCC had no strategy to involve locals and Miscalculated the risks in India.
- Absence of a local partner prevented the company from the benefits of local knowledge, connections and relationships.
- With no joint partner or an institution supporting it, it should have evaluated its entry strategy more carefully considering all the risks possible.

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So what is the entry Strategy followed it entered India alone should it have a joint venture would it have benefited if it had joined I had a joint venture maybe yes maybe not maybe yes if they joint venture partner is politically influential in the state well these are all the questions by hand side and say see he had no strategy to involve locals miscalculated the risks in India what are the kinds of risks that any company faces from institutions social groups and so on.

So if the social groups wants to prevent somebody they can go and strike they can raise their Y is in the in the media and they can bring in the political influence and the governments can ban them saying that look you know you are affecting a lot of people and retail is a very sensitive subject because there are 12 million Khorana shops there are hundreds of other push carts there lots of intermediaries and so on absence of a local partner prevented the company from the benefits of local knowledge connections and relationships.

So we have been saying this all through this course that the knowledge connections and relationships they are their fundamental in any form to succeed whether it is a local or whether it is agriculture and other manufacturing and so on that is because yeah when you be your local knowledge of what goes in what people use and so on and what is the kind of industry environment and your connections with other associations and your relationship with the government they matter a lot.

No joint partner or an institution supporting it is should have evaluated entry strategy more carefully considering all the possible ways so if Metro has asked a question when it is entering into this what are all there is what are all there is that I am going to face and assuming that the ecosystem is available at that time I like the retail ecosystem that we have mapped here if you were to are available to this one and then if mayor has written what are all the risks that are going to come from the supply chain.

The quality easy it is the dispersed farmers and so on and also what are the coins of rights that are going to come from the resources like lack of cold chain the power problems water problems and so on and also the institution social and government groups and also the delivery mechanisms if it has mapped all the supply chain this one probably it would have evaluated the risks more positively.

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So anyway that is all theory but what are the actual risks that were faced by MCC.

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Analysis of Metro's approach	
Decision	Action & Logic Comments
<i>Product range</i>	Limited by APMC Act precluding MCC from sourcing directly from farmers. Nothing they could do about this since it is a political and Government decision.
<i>Store operations</i>	Two large state-of-the art stores with superb cold chain, similar to its stores in highly developed markets, have been made thinking that APMC act will soon go.
<i>Government Relations</i>	Mostly in Delhi, and none in Bangalore. MCC misread potential local political opposition
<i>Public Relations</i>	Market education to diffuse opposition and media relations were missing.

The analysis of Metro approach location Bangalore high tech city with large expatriate and internationally survey population you know it is a kitty capital of India and it is distant from national power centers it has like a middle class and you know they are savvy about a good retail high tech fold and high protein fold and all that and it is distant from national power centers you know because the power centers are in Delhi.

And if the party is different I mean if Karnataka has the other party then the center then it will have this one opening two stores in one city led to greater risk of being exposed to local events what one asset structure it is only one no joint venture trying to enter partners the social and political connections would have benefited MCC and what is the management team and sissy country had was a local he is an Indian.

And since his logic probably that company should take advantage of the local management talent since local knowledge is more important than previous ties with the company needed other mechanisms to ensure integration between India operations and headquarters so any company has two issues here one is the local issues local management and the second one is the like you know making it a one company.

World over you know one ham MCC its headquarters in Germany it has several stores in China in other places and if the Indian company should not look different so it has to be it has to be one and MCC world over so if we want that kind of game then they it has to integrate these operations and so on so they had a local head and the local head was this one what is the product range I mean this is where the problems of institutional problems come.

Limited by APMC Act precluding MCC from searching directly for farmers nothing they could do about this since it is a political and German decision and in even today after 80 years after their entry the a APMC act is still active in a lot of states and store operations to large state of art stores with super cold chain capabilities similar to the ones in highly developed countries have made thinking that a APMC will act soon go.

I think there was unrest that they stake him there were uh super stores in other countries and when they entered India there looked at the voice that India has it has no cold chain it has logistics and it had no logistics and so on so and it has no wholesaler so it will probably provide all this and has built all these facilities and since the a APMC act did not permit them to have the food and groceries that tells become turned against their government.

Relations mostly in Delhi and none in Bangalore ends is a misread political local opposition potential local political opposition and public relations marketing occasion to defuse opposition and media relations for missing so this these connections with the local agencies local organizations and the media who are missing.

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MCC: Growth Plans did not materialize

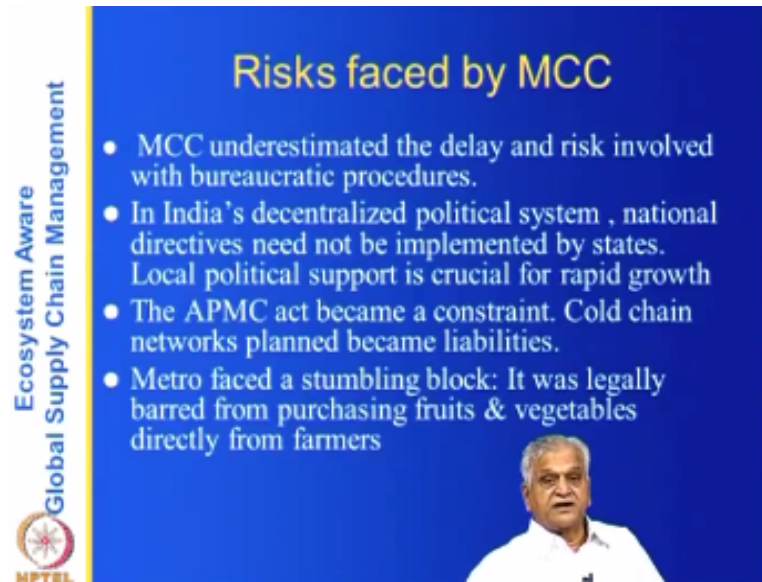
- The food business expected a boost from the €5.8 billion Golden Quadrilateral Highway, which would connect Delhi, Mumbai, Kolkata, and Chennai by the end of 2006 with 5,846 kilometers of four- to six-lane expressways.
- Tens of thousands of restaurants were expected to dot these roads, all of which were potential Metro customers.
- However, construction is years behind schedule.

So MCC growth plans did not materialize that is because the food business expected to boost from five point eight million on the Golden Quadrilateral highway which would connect Delhi Mumbai Kolkata and Chennai by end of 2006 with approximately 6000 kilometers of four to six lane highways there was what is called golden modulator project which was started some twelve years ago.

Which basically had this what is called support to six lane highway connecting this is four Golden Quadrilateral connecting Delhi Mumbai Kolkata that is the North east ,north south, east and west and people a lot of people have thought there should head they can have gas stations on the highways they will have small hotels on the lodging for lodging on the highway they thought people will be traveling and there will be restaurants on the on the highway.

People have her planned for that and metro thought it can have some wholesale to basically cater to the thousands of restaurants at that time however construction is years behind schedule it is not yet complete.

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The slide features a blue background with a yellow vertical bar on the left. The yellow bar contains the text 'Ecosystem Aware' and 'Global Supply Chain Management' vertically, along with a circular logo at the bottom. The main title 'Risks faced by MCC' is in yellow. Below it, there are four white bullet points. At the bottom right, there is a small headshot of a man in a white shirt.

Risks faced by MCC

- MCC underestimated the delay and risk involved with bureaucratic procedures.
- In India's decentralized political system, national directives need not be implemented by states. Local political support is crucial for rapid growth
- The APMC act became a constraint. Cold chain networks planned became liabilities.
- Metro faced a stumbling block: It was legally barred from purchasing fruits & vegetables directly from farmers

So there is faced by MCC underestimated the delay in Raceland world with bureaucratic procedures in India decentralized political system national directives need not be implemented by states and local political support is crucial for rapid growth the a APMC act became a constraint Cold chain network plan became liabilities and metro faced a stumbling block it was legally barred from purchasing fruits and vegetables directly from farmers.

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MCC: Managing growth under Constraints

- MCC's product offerings still dependant on how the APMC act is going to be amended
- Adjust its store format to reflect local needs – and local real estate price constraints?
- Build an “Ecosystem” for its business in India by educating farmers and retailers, and improving government and public relations?
- Navigating India’s complex political environment
- Communicate MCC value proposition to masses through the media, lobbying, and other means

NPTSL

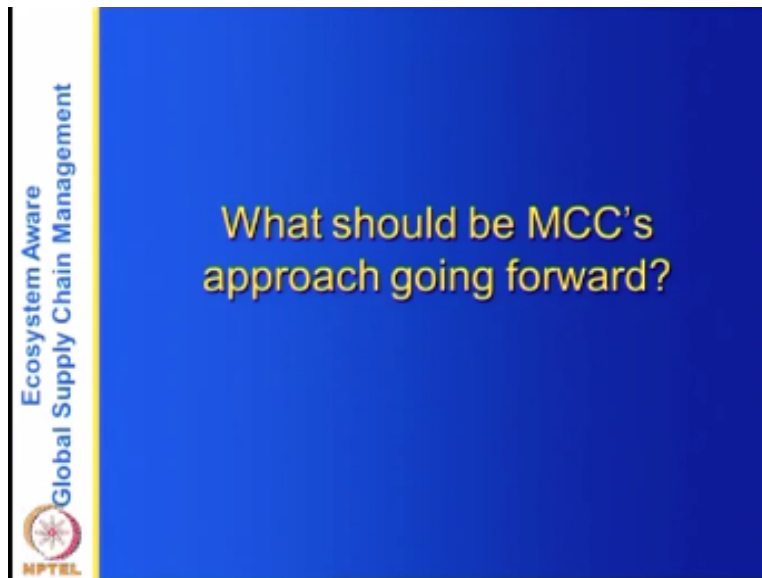
So MCC has managing growth under constraints and this is product offering still dependent on how a APMC act is going to be amended it is not yet so far and it just the store format to reflect the local needs local real estate price constraints so in Mumbai I was told there we are going vertical instead of horizontal build an ecosystem for its business in India by educating farmers retailers and improving government and public relations navigating the earth complex political environment.

I mean which is a tough job Communications is a value proposition to masses through media lobbying on other means so the fact of the matter is that organizations like MCC with those business models are needed for improving the efficiency in the retail sector but such organizations including MCC they face a lot of constraints and most of these constraints or institutional.

So it is not like there is a supply chain you can include improved in the transportation between one place to the other and then the solve this particular problem or it is not a manufacturing problem where you can fix it with a quality control and so on that it is when you are in a

country with the multiple powerhouses one at center and then the state and so on and there are social groups then one had to tread carefully so what should be MCC approach going forward.

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Well should we did we enter into a joint venture with somebody maybe or should it have some understanding with the state government doing some social work for the farmers in other words given the business model given the fact that this kind of MCC and other models are required at this country if MCC or somebody else how do they go forward how do they turn themselves to success that is the big issue that needs to be answered.

And one thing is that if you do the core system analysis at least you would know there is you could always I mean all the reason you need now you may not you may not have the capability to mitigate all there is particularly the ones that the policies that are imposed by the government like the a APMC act but at least they awareness will create problems so that you can have your business model working around them not against them anyway.

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