

# Metro cash and carry



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What have been MCC's key competitive advantages as it has moved into emerging markets? Metro Cash & Carry's key competitive advantages were that it was often the first mover as it was the first wholesaler that worked with the cash and carry system, offering a wide range of products and having a non-traditional marketing approach that makes feel the customers as they were a member of a special "club". For its international expansion the company created skills, especially when entering into emerging markets, to quickly set up in a new country and to adapt to local market demand, which was facilitated by having many local relationships.

When entering into a new market, the company firstly screened the possible countries perfectly, tailored strategies to each market and tried to expand very quickly after entering. Its so called city-by-city investment plan was either carried out through a cluster approach, building business units in major urban centers, or by using a spiral approach, which means to start in a large city and expand further away but maintain synergies in purchasing, logistics, and relationships.

As the company was required to adapt to different markets with a different approach, the company got had regional structures and had an extra department for corporate development, which was in charge of screening competition and market evolutions. Furthermore, the country management teams were set up with managers from many nationalities and were required to have a hands-on approach. What role did institutional context play in challenging MCC's efforts to prove the value proposition of its unique wholesaling format and establish itself as an accepted corporate citizen in Russia, India, and China?

When establishing its operations in these emerging markets, Metro C&C was facing different challenges for each of these countries. In China, the market was dominated by state owned enterprises, a poor distribution system and a tendency for local governments to protect local producers. Even though market entry was facilitated due to the accession to the WTO and MCC had a partnership with the powerful Jinjiang Group, the company still faced obstacles when entering into new urban markets.

As new relationships had to be built up and local government members were primarily interested in their own careers, negotiations often took months for the company. As soon as entered, it was hard for MCC to be seen different model as Chinese lacked to distinguish between wholesaling to businesses and retailing sales by hypermarket chains. Fierce competition, different consumer tastes across China, difficulty to find talent and increasing land prices lead to a late break-even for MCC in China.

Anyhow, MCC learned how to penetrate the Chinese market and contributed to the system by providing a more efficient distribution system, this is offering most of the articles in bulk packages and opening for extra-long business hours to meet their target groups? purchasing customs. Russia was initially characterized by having only small and specialized competitors in the wholesale segment and there was no global player operating in the market. Even though Russia was characterized by corruption and bureaucracy, local governments were eager to modernize their cities in order to attract FDI and to achieve further development.

Metro got a special invitation by Moscow's mayor to operate in the country. Despite facing the challenge of a poor infrastructure system in Russia, MCC became very successful in Russia and contributed to the development of the distribution sector, increased quality and decreased black-market operations. India was the world's second-most-populous country and had been liberalizing its economy for a decade. There was a strong potential as the country faced strong economic growth, urban migration, better infrastructure and a higher increase in consumer spending.

On the other hand, there was a highly fragmented wholesale market, local demand was traditionally covered by so-called wet markets and the political structure of India created problems as there was only limited coordination between state and central governments. Although Foreign Direct Investment (FDI) in India in retail space requires a joint venture, the wholesale segment has no such requirement. It was possible for Metro C&C to get approvals for setting up operations in India, however, they were not allowed to source agricultural products.

Hence, expansion plans of the company were slow as they were waiting for the AMPC licenses and ignoring agro products (where margins were in the range of 75-80%) was irrefutable. Metro C&C also faced resistance from the local retailers association. Despite several drawbacks, the company was able to achieve sales above the budgeted target although at a slow rate. Furthermore, it provided better quality products at affordable prices to the Indian population. How would you rethink MCC's approach to strategic expansion and public relations in India going forward?

As soon as national development is concerned, Metro has to have in mind the local aspirations of development as these are extremely powerful. Metro has seen as both as a boon and as a threat to this aspiration and had to resolve the accusations of noncompliance with local regulations. We would suggest that MCC should have engaged into an alliance with a powerful Indian firm in order to outweigh either social, political or economic obstacles. For example, the opposition to Metro C&C was mainly carried out through Hindi newspapers that accounted for almost the half of the total newspapers.

A local partner could have helped to outweigh this problem by publishing articles in favor of Metro. Then, it would also have been easier for metro to overcome the obstacle with the high land prices. For a further expansion in the market we would suggest that Metro should focus more on local relationships which can help the company overcoming several obstacles that it faced before. It is good to expand further in India as the change in government has created a more favorable position for Metro. Furthermore, the supply of infrastructure, the regulations in the retail segment has improved substantially and economy is much better now.