

*Research Paper*

## Retailer-Customers' Association with the Cash-And-Carry Metro

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### ABSTRACT

India's traditional retail sector has undergone a sea change in the recent past. Not taken too seriously in the past by the domestic investors or foreign investors, the retail sector has lately grown rather too fast and has been operating in various formats. One such format is the cash-and-carry format under wholesale trading, where the retail player concerned is required to cater to the needs of only retailers, industrial, commercial, institutional or other professional business users or to other wholesalers and related subordinated service providers. Put differently, wholesale trading implies sales for trade, business and profession, as opposed to sales to personal consumption. The yardstick to determine whether the sale is wholesale or not would be the type of customers to whom the sale is made and not the size and volume of sales. Wholesale trading would include resale, processing and thereafter sale, bulk imports with ex-port/ex-bonded warehouse business sales and B2B e-commerce. One such major cash-and-carry player that operates in Bangalore is Metro Cash & Carry India from the stable of METRO, a leading international specialist in wholesale and food retail. The researcher set out to ascertain the factors that lead the resellers and institutional buyers to patronise Metro, Bangalore as also the outcome of the retailer-customers' association with Metro, Bangalore, overall. The researcher concludes that it makes financial sense and business sense for the resellers and institutional buyers to associate with Metro, Bangalore. The latter also helps them digitise their business and exploit technology, thereby saving valuable resources like time, energy and money for them. The researcher further concludes that the country's organised retailers and traditional retailers can co-exist and co-operate for mutual benefit. It is a positive sum game.

**Key words:** B2B e-commerce; cash-and-carry; institutional buyer; reseller; yardstick

### 1.1 INTRODUCTION

In India, over 94 percent of the retail sector consists of traditional mom-and-pop stores and street-vendors. While in most countries it is the organised retailers who dominate the sector, in India, the unorganized retailers command about 94 percent of the market share. Most traditional retail shops have a shop forming the frontage of their residence and the business is conducted by family members who reside in the house behind. Traditional retailers usually stocked only a few high-margin brands. Small shop-owners maintained

good customer relations and sold products on credit to people in the neighbourhood. More than 99 percent of the retailers functioned from less than 500 sq. ft. of shopping space. With no large players, infrastructure being far from adequate, Indian retail never attracted large business houses that predominantly focused on niche product segments and luxury goods. This was till these businesses realized that retail in India is a USD 353 billion industry [BMI India Retail Report 2010] growing at a CAGR of more than 11 percent and contributing more than 25 percent to the

country's GDP. The retail sector also employs about eight percent of the country's population.

The total concept and idea of shopping has since undergone a change in terms of format and consumer-buying behaviour, ushering in a revolution. Modern retailing has entered into the retail market in India as is observed in the bustling shopping centres, multi-storied malls and the huge complexes that offer shopping, entertainment and food, all under one roof. A large young working population with a median age of 24 years, nuclear families in urban areas along with increasing numbers of working women and emerging opportunities in the services sector are some of the key factors in the growth of the organized retail sector in India. The growth pattern of organized retailing and consumption by the Indian population follows a steeply rising trend, prodding entrepreneurs to take a jump into this field.

India permits 100 percent FDI in Cash & Carry Wholesale Trading/ Wholesale Trading (including sourcing from MSEs), through the automatic route. It amounts to sale of goods/merchandise to retailers, industrial, commercial, institutional or other professional business users or to other wholesalers and related subordinated service providers. Put differently, wholesale trading implies sales for trade, business and profession, as opposed to sales for personal consumption. The yardstick to determine whether the sale is wholesale or not would be the type of customers to whom the sale is made and not the size and volume of sales. Wholesale trading would include resale, processing and thereafter sale, bulk imports with export/ex-bonded warehouse business sales and B2B e-Commerce.

A global player, METRO Cash & Carry entered the Indian market in 2003 through METRO Cash & Carry India. The company currently operates twenty-four wholesale distribution centres including six in Bangalore, four in Hyderabad, two each in Mumbai and Delhi, and one each in

Kolkata, Jaipur, Jalandhar, Srirampur, Amritsar, Vijayawada, Ahmedabad, Surat, Indore and Lucknow. METRO Cash & Carry India's core customers include small retailers and kirana stores, hotels, restaurants and caterers (HoReCa), corporates, SMEs, all types of offices, companies and institutions and self-employed professionals. Only business customers can purchase at METRO, all of them duly registered and provided with a customer registration card.

## **1.2 Statement of the problem**

Several factors prompt prospects to patronise cash-and-carry players like Metro. These need to be ascertained in the interest of the country's organised retail industry. Given the heterogeneity that characterises the Indian market, the customer-centric marketing strategy put in place by Metro must be ascertained too since a one-size-fits-all approach cannot work here. The outcome of the association of the customers with Metro needs to be examined too, to ascertain if this format of organised retail has served the purpose it was intended to serve. Further, the introduction of the GST regime, it was feared, would mess up things for Metro as well as its buyers. Although there were a few major hiccups upon the introduction of GST, the dust has settled now and in fact, Metro's customers are said to be quite satisfied with the way Metro helped them in overcoming the GST-related issues. These problems are proposed to be dealt with in this paper.

## **1.3 Review of literature**

1. Metro Cash & Carry entered the Indian market in 2003 and was a pioneer in the segment. Since then a slew of Indian retailers and international giants like Walmart have entered the category (Arvind, 2017). India is among the focus countries for Metro AG, asserts its MD and CEO, Arvind Mediratta. Recently, Metro revamped its India operations and split it into North-East and South-West to sharpen its regional focus. Metro has

is now convinced that each region is different from the other in terms of consumption, assortment of merchandise, price competitiveness, etc. Metro usually uses the lease model or built-to-suit, for its new stores. He admits that Metro is primarily an offline player. Its brick-and-mortar wholesale stores provide everything under one roof, at competitive prices. It markets a broad range of products in various pack sizes. He also admits that the importance of being an omni-channel cannot be ignored. Metro has recently introduced an ordering platform for its trader-customers. Considering the relevance of relationships to the B2B space, the platform requires its sales team to visit customers, take their orders on iPads, collect payments and deliver orders. Metro hopes to scale up the programme in the coming years.

2. Sitamber in his research study titled "Consumer's Shopping Behaviour" (A Study in Semi-Urban area) is of the view that the consumer has little choice in choosing a particular item (Pant & Pratibha, Home: IJTEMT, 2013). The wholesaler and the retailer extend marketing even to the doorstep of the consumer with their wide network of operations and supply what the consumer requires to fulfil his day to day needs.
3. According to the Economic Times, the popular financial daily, corporate retail will enable a framework; its purpose is to provide adequate safeguards for farmers' income and further strengthen their position in the market (The Economic Times, 2012). A three - year timeframe has been fixed for setting up the back-end infrastructure, which includes capital expenditure on all activities, excluding that on front-end units; for instance, back-end infrastructure will include investment made towards processing, manufacturing, distribution, design improvement, quality control,

packaging, logistics, storage, warehouse, agriculture market produce infrastructure, etc. Expenditure on land cost and rentals, if any, will not be counted for the purposes of backend infrastructure. This condition will bind the foreign investors to invest in critical back-end infrastructure, which is a felt need across the country. It would also make the foreign investors accountable for proper implementation of the condition. The decision would benefit stakeholders across the entire span of the supply chain. Farmers stand to benefit from significant reduction in post-harvest losses. This reduction is expected to result from the strengthening of the backend infrastructure and enable the farmers to obtain a remunerative price for their produce. Small manufacturers will benefit from the conditionality requiring at least 30 per cent procurement from Indian small industries, as this would enable them to get integrated with global retail chains. This, in turn, will enhance their capacity to export products from India. As far as small retailers are concerned, it is evident that organized retail already co-exists with small traders and the unorganized retail sector. Studies indicate that there has been a strong competitive response from traditional retailers to these organized retailers, through improved business practices and technology upgrade. Global experience also indicates that organized and unorganized retail co-exist and grow. Youngsters will benefit from the creation of employment opportunities. Consumers stand to gain the most, firstly, from the lowering of prices that would result from supply chain efficiencies and secondly, through improvement in product quality, which would come about as a combined result of technology upgrade, efficient grading, sorting and packaging, testing and quality control and product standardization. Time alone can tell to

what extent corporate retail will facilitate job creation and rehabilitation of the under-employed and the jobless. Others who stand to reap benefits from corporate retail are manufacturers from global best practices. Both the consumers and farmers can look forward to superior quality, fair price, greater supply chain efficiencies in the agricultural sector and development of critical backend infrastructure.

4. The Indian government prefers to take up FDI in multi-brand retail gradually as suggested by the 2010-11 Economic Survey Report (Civil Services Mentor, 2012). According to the Report, "permitting FDI (foreign direct investment) in retail in a phased manner beginning with the metros and incentivizing the existing retail shops to modernize could help address the concerns of farmers and consumers. FDI in retail may also help bring in technical know-how to set up efficient supply chains which could act as models of development." The Report's suggestion is balanced and fair. If the suggestion is implemented, it is not only the farmers and consumers that will be benefited – the traditional Kirana shops will be benefited too because they get an opportunity to modernise their operations and upgrade their business model. The efficient supply chains engendered by state-of-the-art technology could act as models of development that traditional retail can emulate.

#### **1.4 Research gap**

The reviewed literature has thrown light on some of the strategies followed by organised retailers to prompt the prospects to visit their outlets in the first place. After all, visits, perhaps many visits, eventually culminate in decision-making particularly concerning costlier consumer items. In the case of other FMCG items, impulsive buying can be taken for granted considering the money involved and the nature of the item being sold or bought. However, one

wishes that the reviewed literature had more seriously chased the factors that prompt the prospects to patronise organised retailers too, like Metro and Big Bazaar. In the backdrop of the legal definition of trading, the researchers could have attempted to examine whether the law had achieved its purpose in letter and spirit as well. When one talks of the enabling law, one must talk of the regulation of the said law since an effective regulatory regime alone can ensure that the serious players are encouraged and the abusers of the law are weeded out. By extension, the regulator must ensure that a level playing field results, whereby the organized retailers and the unorganized retailers feel free to operate in their respective space for the benefit of all stakeholders associated with all the retail segments. It is this gap the present thesis seeks to plug.

#### **1.5 Scope of the present study**

The study confines itself to resellers and institutional buyers based in and around Bangalore and patronising Metro Cash & Carry, Bangalore.

#### **1.6 Objectives of the study**

The objectives of the study are to:

1. Ascertain the factors that lead the resellers and institutional buyers to patronise Metro Cash & Carry, Bangalore.
2. Identify the outcome of the retailer-customers' association with Metro Cash & Carry, Bangalore

#### **1.7 Hypothesis proposed to be tested**

The study proposes to test the following hypotheses:

"Metro Cash & Carry, Bangalore, helps in digitising the business of the respondents".

#### **1.8 Research design**

##### *1.8.1 Research methodology*

The study is descriptive in nature and has used the 'fact-finding' survey method

##### *1.8.2 Sources of data*

Primary data has been collected from the respondents, viz., 30 resellers and 30 institutional buyers.

Secondary data has been collected from industry bodies / industry associations including Retailers Association of India (RAI), CII and FICCI. In addition, secondary data has been downloaded from the web sites of the government of India, government of Karnataka, the Reserve Bank of India (RBI) and the financial press.

### 1.8.3 Sampling plan

*Resellers:* Given the rather limited number of resellers residing in the vicinity where the researcher lives and the time constraint, purposive or judgement sampling under the non-probability method has been employed. Applying a minimum business exposure of three years to Metro Cash & Carry, Bangalore, the researcher selected 30 such resellers. This criterion, according to the researcher, is the most appropriate one for the present study. What is important is the typicality and the relevance of the sampling units to the study and not their overall representativeness to the population. Thus, it guarantees inclusion of the relevant elements in the sample. Probability sampling plans cannot give such a guarantee.

*Institutional buyers:* Given the rather limited number of institutional operating in the vicinity where the researcher lives and the time constraint, purposive or judgement sampling under the non-probability method has been used. Applying a minimum business exposure of three years to Metro Cash & Carry, Bangalore, as the criterion, the researcher selected 30 such institutional buyers. This criterion, according to the researcher, is the most appropriate one for

the present study. What is important is the typicality and the relevance of the sampling units to the study and not their overall representativeness to the population. Thus, it guarantees inclusion of the relevant elements in the sample. Probability sampling plans cannot give such a guarantee.

### 1.8.4 Data collection instruments

Interview schedules, specially designed for the purpose, were administered to the respondents for collection of primary data.

### 1.8.5 Data processing and analysis plan

Non-parametric statistical units were used to test the association between some qualitative characters and conclusions were drawn based on the formation of  $H_0$  and  $H_1$ .

### 1.8.6 Limitations of the study

Primary data has sometimes been deduced through constant topic-oriented discussions with the respondents. It is possible that a certain degree of subjectivity, even if negligible, has influenced their views.

## 1.9 Resellers

In the following paragraphs, the primary data collected from the 30 reseller respondents is analysed.

### 1.9.1 Factors that lead the resellers to patronise Metro

One of the important constituents of the Metro is the community of resellers that buys in bulk from the Metro and retails it. Hence the researcher requested the respondents to reveal the factors that led them to patronise the Metro. Their replies to the query appear in the following Table.

**Table-1: Factors that lead the resellers to patronise Metro**

| Factors   | Number of respondents |
|---|-----------------------|
| Metro offers more products under one roof than any other outlet | 27                    |
| Open all seven days of the week                                 | 27                    |
| Products sold at lower than market price                        | 26                    |
| Long business hours   | 26                    |
| Payment can be made by plastic currency                         | 21                    |

The factor cited by 27 respondents is that Metro offers more products under one roof than any other outlet. Open all seven days of the week, cite 27 respondents. Products sold at lower than market price, cite 26 respondents. Long business hours cite 26 respondents. Payment can be made by plastic currency, cite 21 respondents.

It is held in informed circles that the outcome of the retailer-customers' association with the cash-and-carry Metro is beneficial to the former. Hence, the researcher sought to know from the respondents, the outcome of the retailer-customers' association with the cash-and-carry Metro. Their replies to the query appear in the following Table.

*1.9.2 Outcome of the retailer-customers' association with the cash-and-carry Metro*

**Table-2: Outcome of the retailer-customers' association with the cash-and-carry Metro**

| Outcome  | Number of respondents |
|--|-----------------------|
| Metro helps the HoReCa players set up their website  | 27                    |
| Metro's HoReCa package is cost-effective   | 26                    |
| Metro installs the required hardware and software free of cost at mom-and-pop stores to help them digitize | 26                    |
| Metro helps in digitising the business   | 23                    |

Metro helps the HoReCa players set up their website, cite 27 respondents. Metro's HoReCa package is cost-effective, cite 26 respondents. Metro installs the required hardware and software free of cost at mom-and-pop stores to help them digitize, cite 26 respondents. Metro helps in digitising the business, cite 23 respondents.

*1.10.1 Factors that lead the institutional buyers to patronise Metro*

One of the important constituents of the Metro is the community of institutional buyers that buys the inputs required for its business in bulk from the Metro. Hence the researcher requested the respondents to reveal the factors that led them to patronise the Metro. Their replies to the query appear in the following Table.

**1.10 Institutional buyers**

In the following paragraphs, the primary data collected from the 30 institutional buyers is analysed.

**Table-3: Factors that lead the institutional buyers to patronise Metro**

| Factors   | Number of respondents |
|---|-----------------------|
| Metro offers more products under one roof than any other outlet | 27                    |
| Open all seven days of the week                                 | 27                    |
| Payment can be made by plastic currency                         | 27                    |
| Vehicles can be parked easily and free of cost                  | 27                    |
| Products sold at lower than market price                        | 26                    |
| Long business hours   | 26                    |
| White goods delivered free of cost at the door-step             | 24                    |
| Products can be exchanged or returned without fuss              | 21                    |

The factor cited by 27 respondents is that Metro offers more products under one roof than any other outlet. Open all seven days of the week, cite 27 respondents. Payment can be made by plastic currency, cite 27 respondents. Vehicles can be parked easily and free of cost, cite 27 respondents. Products sold at lower than market price, cite 26 respondents. Long business hours cite 26 respondents. White goods delivered

free of cost at the door-step, cite 24 respondents. Products can be exchanged or returned without fuss, cite 21 respondents.

*1.10.2 Outcome of the institutional buyers' association with the cash-and-carry Metro*

It is held in informed circles that the outcome of the institutional buyers' association with the cash-and-carry Metro is beneficial to the former. Hence, the

researcher sought to know from the respondents, the outcome of the institutional buyers' association with the cash-and-carry

Metro. Their replies to the query appear in the following Table.

**Table-4: Outcome of the institutional buyers' association with the cash-and-carry Metro**

| Outcome  | Number of respondents |
|--|-----------------------|
| Metro helps in digitising the business               | 26                    |
| Metro helps the HoReCa players design their menu too | 26                    |
| Metro's HoReCa package is cost-effective             | 25                    |
| Metro helps the HoReCa players set up their website  | 24                    |

Metro helps in digitising the business, cite 26 respondents. Metro helps the HoReCa players design their menu too, cite 26 respondents. Metro's HoReCa package is cost-effective, cite 25 respondents. Metro helps the HoReCa players set up their website, cite 24 respondents.

**1.11 Summary of findings**

In the following paragraphs, a summarised version of the findings arrived at in respect of the two categories of respondents is furnished.

**1.12.1 Resellers**

- ✓ The factor cited by 27 respondents is that Metro offers more products under one roof than any other outlet. Open all seven days of the week, cite 27 respondents. Products sold at lower than market price, cite 26 respondents. Long business hours cite 26 respondents. Payment can be made by plastic currency, cite 21 respondents.
- ✓ Metro helps the HoReCa players set up their website, cite 27 respondents. Metro's HoReCa package is cost-effective, cite 26 respondents. Metro installs the required hardware and software free of cost at mom-and-pop stores to help them digitize, cite 26 respondents. Metro helps in digitising the business, cite 23 respondents.

**1.12.2 Institutional buyers**

- ✓ The factor cited by 27 respondents is that Metro offers more products under one roof than any other outlet. Open all seven days of the week, cite 27 respondents. Payment can be made by plastic currency, cite 27 respondents. Vehicles can be parked easily and free

of cost, cite 27 respondents. Products sold at lower than market price, cite 26 respondents. Long business hours cite 26 respondents. White goods delivered free of cost at the door-step, cite 24 respondents. Products can be exchanged or returned without fuss, cite 21 respondents.

- ✓ Metro helps in digitising the business, cite 26 respondents. Metro helps the HoReCa players design their menu too, cite 26 respondents. Metro's HoReCa package is cost-effective, cite 25 respondents. Metro helps the HoReCa players set up their website, cite 24 respondents.

**1.12 CONCLUSIONS**

Conclusions relate to the hypotheses. They are answers to the research questions.

*1.12.1 Hypothesis testing*

*Hypothesis*

As explained, the following is the hypothesis proposed to be tested:

“Metro Cash & Carry, Bangalore, helps in digitising the business of the respondents”.

Hence H<sub>0</sub> and H<sub>1</sub> are as follows:

H<sub>0</sub>: Metro does not help in digitising the business of the respondents

H<sub>1</sub>: Metro helps in digitising the business of the respondents

Based on the primary data collected from the respondents, vide Tables: 2 and 4, a chi-square test was applied to ascertain the association, if any, between the two variables. The following Table reveals the computation made using MS-Excel:

|   |                      | Observed Values |          |        |
|---|----------------------|-----------------|----------|--------|
|   |                      | Yes             | No       | Total  |
|   | Resellers            | 23              | 7        | 30     |
|   | Institutional buyers | 26              | 4        | 30     |
|   | Total                | 49              | 11       | 60     |
|   |                      | Expected Values |          |        |
|   |                      | Agree           | Disagree | Total  |
|   | Resellers            | 24.5            | 5.5      | 30     |
|   | Institutional buyers | 24.5            | 5.5      | 30     |
|   | Total                | 49              | 11       | 60     |
| 2 | o-e                  | -1.5000         | 1.5000   |        |
|   |                      | 1.5000          | -1.5000  |        |
|   | (o-e)^2              | 2.2500          | 2.2500   |        |
|   |                      | 2.2500          | 2.2500   |        |
|   | ((o-e)^2)/e          | 0.0918          | 0.4091   |        |
|   |                      | 0.0918          | 0.4091   |        |
|   | CV                   | 0.1837          | 0.8182   | 1.0019 |
|   | TV                   |                 |          | 3.8415 |
|   | p                    |                 |          | 0.9095 |

The calculated value of  $\chi^2$  is 1.0019, lower than the table value of 3.8415 for an alpha of 0.05 at one degree of freedom. Hence the alternate hypothesis is rejected.  $p=0.9095$  is the inverse of the one-tailed probability of the chi-squared distribution.

**1.13 Researcher's recommendations**

1. The reasons cited by resellers for patronising the Metro make business sense and financial sense. When all their requirements are available under one roof, the resellers save on resources like time, energy and money during the procurement exercise. Long business hours and operational all the days of the week are sweeteners that the Metro offers. Coupled with the fact that the Metro sells at a price that is lower than what other wholesalers quote, it is understandable why the resellers patronise the Metro.
2. The HoReCa category should be even more pleased with their association with Metro since they buy in bulk and the discounted price at which they buy from Metro eventually turns out to be not insignificant. This positive sum game helps Metro to bond with its customers rather well.
3. Metro going the extra mile to fulfil the requirements of its customers like the HoReCa category and institutional buyers is to be appreciated since they can benefit by exploiting technology to the hilt. For example, Metro helps the HoReCa category in setting up their websites and in designing even their menus!

4. Metro contributes its mite to digitise the mom-and-pop stores thereby helping them become tech-savvy enterprises. This effectively puts a stop to the view going the rounds that players like Metro could eliminate the mom-and-pop stores from business.
5. Metro's policy of door-delivering white goods like refrigerators and washing machines to its customers is a welcome initiative since it eliminates the hassles the institutional buyers face, while buying such white goods. It helps strengthen the bond of understanding between the two parties.
6. When one considers the customer-friendly policy measures Metro has put in place for its customers, one does not believe that players of the Metro kind could turn out to be the nemesis of the mom-and-pop stores. In fact, one would be inclined to conclude that the two can co-exist and co-operate, for mutual benefit!
7. Often individual consumers contrive to buy directly from Metro for personal consumption by technically masquerading as traders. Individual consumers contriving to buy directly from Metro for personal consumption eat into the revenues of other organised retailers. This issue must be addressed by the regulator.

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