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EMERGENCE OF CASH AND CARRY BUSINESS MODEL IN INDIA
WITH SPECIAL REFERENCE TO METRO STORES

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ABSTRACT

Modern Retail has witnessed a significant growth in the past few years with large-scale investments made by Indian corporate houses primarily in Food and Grocery retailing in a bid to capture the large potential of the USD 300 Billion market. For global retailers who have not been seeing large organic growth, India provides a lucrative market for them to grow their top line and profitability. Some global retailers are currently operating in India in the cash and carry (wholesale) format. Few retailers have been designing plans to start their Cash & Carry business to have a market presence and create brand awareness. Cash & Carry format of retailing is most preferred format of retailing today for most of the international retailers as the time is right for international retailers to invest in ‘Cash and Carry’ stores in India.

According to retail analysts at Euromonitor International, the ‘Cash and Carry’ wholesale market offers international players the chance to enter the dynamic Indian retailing market and a way round the country’s regulations against foreign retailers opening single stores in India. When the restrictions on the retail industry are lifted, international retailers will be in a prime position to easily convert their ‘Cash and Carry’ stores into highly profitable supermarkets and hypermarkets. Metro for example, the German cash and carry retailer entered the Indian market in 2003 and has already proven that gaining market share is viable, and is currently expanding its business.

In this context, paper on emergence of cash and carry business model in India and functioning of Metro stores in India with their business plan will help many to understand this concept better. This paper shall focus the emergence of Cash and Carry format of retailing in India with a detailed analysis of functioning of Metro stores in India.

KEYWORDS
£ Cash and Carry Formats, Retailing, Metro, Innovation etc.

INTRODUCTION

While strict legislation currently prevents foreign retailers from opening single brand stores in India, there are no restrictions on foreign direct investment into the wholesale market. International retailers are therefore free to set up ‘Cash and Carry’ stores throughout the country, providing them with an excellent opportunity to make in-roads into India. When the restrictions on the retail industry are lifted, international retailers will be in a prime position to easily convert their ‘Cash and Carry’ stores into highly profitable supermarkets and hypermarkets.

Euromonitor International forecasts that the retail market in India will grow by 28% between 2006 and 2010, with sales currently worth US$80 billion growing to US$103 billion. A number of foreign investors have identified this opportunity already and are operating through franchises or wholesale trading. Metro for example, the German cash and carry retailer entered the Indian market in 2003 and has already proven that gaining market share is viable, and is currently expanding its business. A number of Indian companies have also signaled they are in favour of deregulation of the retail sector. Reliance Industries for example, is seen to see foreign competitors, such as Tesco, Wal-Mart and Carrefour operating in the Indian market. The Chairman, Mukesh Ambani, said that they would “contribute to this economy hugely and keep local companies on their toes. We should welcome Tesco because it’s good for competition, and that’s good for Reliance”.

Ambani also commented, “Every company has a home market and a foreign market. Most of the corporate retailers also prefer to start with Cash and Carry format of retailing in India. “The cash-and-carry model is the most likely option as it helps international retailers achieve backward integration before FDI in retail happens,” said Harmsinder Sahni, COO, Technopark Advisors, and Carrefour. Cash and carry format of retailing have become one of the most preferred format of retailing to most of the stakeholders. Let us explore this format of retailing in detail with special reference to METRO cash and carry stores in India.

LITERATURE REVIEW

Cash and Carry retailing can be defined as “All the activities involved in selling goods and services to those who buy for resale or for use in commercial purposes” [Kotler Ph., 1997]. The concept represents a stage in the movement of goods, an intermediate position in executing the exchange. It is “met, especially in the consumer movement, without neglecting its presence in inter-industry trade, in exploitation of agricultural products and even in exchange relations from tourism and banking system” [Florescu

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