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Shrey Mehra

University of Economics, Prague

International Business – Central European Business Realities

Entry Strategy of Global Corporations on The Markets of Non-EU Countries (India).

Author: Shrey Mehra

Diploma Thesis instructor: doc. Ing. Mikuláš Pichanič, Csc.

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Declaration:

I hereby declare that I am the sole author of the thesis entitled "Entry Strategy of Global Corporations on The Markets of Non-EU Countries (India)". I duly marked out all quotations. The used literature and sources are stated in the attached list of references.

In Prague on .... Signature

Shrey Mehra

Acknowledgement

I hereby wish to express my appreciation and gratitude to the supervisor of my thesis, *doc. Ing. Mikuláš Pichanič, CSc.*

List of Abbreviations: -

- B2B – Business-to-business.
- B2C – Business-to-consumer.
- RBI reserve bank of India.
- SBI- state bank of India.
- BPO –business process outsourcing.
- PMEGP- Prime minister Employment gain program.
- GDP – gross domestic product.
- IBEF – India brand equity forum.
- E&Y - Ernst and young.
- KPMG- Klynveld Peat Marwick Goerdeler.
- PWC – Price waterhouse cooper.
- SEZ – special economic zone.
- TDR – Transferable Development Right.
- ORP- organized retail penetration.
- M&A – mergers and acquisition.
- VC - venture capital.
- PE- private equity.
- EU - European union.

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Research Methodology: -

The primary aim of this thesis is to explore and analyze the various entry strategies deployed by multinational companies in India. The topic was chosen for several reasons. Primarily, the author is from India, wanted to analyze the potentials of Indian market in coming years. To successfully achieve the aim of the thesis, the author has formulated two objectives.

The first objective is to present the current situation of the Indian economy, the recent trends and growth in the Indian economy, which makes it a very attractive market for foreign companies to enter. There are two major reasons for foreign companies to enter the Indian market. The firstly to explore the growing market base of India and secondly the cheap and skilled labor force attracts global companies to have their headquarters so as to reduce their cost of operations. The recent growth and transition in the Indian economy have been one of the factors to pick up a topic like this. India being the second most populous country in the world, just after china, by the end of year 2022, India is expected to become the largest population country in the world, which makes them as one of the favorite markets for the global companies. The growing consumer base is considered to be as one of the most important factors to be considered before entering into a new market.

As per the reports from world economic forum, India is on a verge to become third largest consumer markets in the world. The measurement of consumer market size is purely based upon consumer spending. WEF also reports that by the end 2030, the consumer spending in India will be near about 6 trillion dollars, which four times more than the current spending. India 's top 40 cities will form a USD 1.5 trillion opportunity by 2030, many thousands of small urban towns will also drive an equally large spend in aggregate. In parallel, there will be an opportunity to unlock nearly USD 1.2 trillion of spend in developed rural areas by improving infrastructure and providing access to organized and online retail," WEF noted.

Secondly, the adaption by the domestic consumers of the international and global brands in India has been ever- increasing. Due to the recent boom of globalization in India, the consumers there has more choices than ever they had. Moreover, the multinational companies in India has achieved to produce goods at a cheaper price than the present market dominant Indian companies in various sectors of economy. This is because of their expertise in the technological aspect of their business. Taking an example of the automobile industry, Hyundai has been very successful in India, because of their ability to provide cars in different segments. They have a huge range of offerings in various segments of car industry.

While the secondary and the primary objective is to analyze the retail industry of India and market entry strategies of Walmart India. The choice of Walmart as the practical implication of the thesis is due to several reasons, primarily due to the industry Walmart belongs to. The retail industry business in India is extensively changing and adapting the western style of retailing approach, typically, the retail industry in India has a very traditional format/structure. The unorganized retail is still accounting over 90% of total retail industry market in India. the majority of unorganized retail industry sector is operated through a small mom and pop store. To briefly define the outcome of this thesis is a decision on the market perspectives and potential market entry strategies and opportunities for global corporations in the coming years. The conclusion is based upon the analysis of the current market and political scenario; investment regulations, competition analysis. The thesis is divided into three chapters and the conclusion thereafter.

The First chapter provides the information about the economy analysis of India and industry (retail) analysis , while the second chapter consist of the theoretical part concentrated on the market opportunities for the global retail players and the theoretical aspects of market entry strategies, with a case study of each entry strategies. In the third chapter, the author stated a brief introduction of Walmart company worldwide and then explained about the history and current situation of Walmart in India, while the key talking point in this chapter is about the change in their market entry strategy in 2013.

In the conclusion, the author will try to answer three specific questions which is essential to fulfill the objectives and the aim of this thesis.

1. What are the key factors suitable for multinational companies to enter into the Indian market? The answer will be supported by the points mentioned in the chapter 1 of the thesis.

2. Why is now the retail industry in India a growing prospect for global retail giants to explore their

market entry opportunities. The author will try to explain why he choose retail industry over any other industry as practical exemplary.

3. Walmart had entered the Indian retail industry in 2006 but failed to be successful. What are the reasons for their failure initially? Why did they change their strategy in India? how is FDI regulations, affected their market entry strategies in India.

The research held with respect to this thesis was rather an applied one. There was previous academic research existed regarding the market entry strategies of global companies in India. As such, the proposed research aim is based upon a qualitative research rather than quantitative research. The data collection used for writing up the thesis is based upon the secondary data.

Literature Review

Market entry strategy for a global corporation into a new market can be a very exciting and challenging job at the same time. The entry strategy plays a key role in deciding the future of the corporation in the market. It's just not about entering into the market. A multinational corporation should carefully look at their resources, their expertise into a field and then they should look at the potential markets to enter. Whether they have the ability, potential to accept the challenges regarding competition, political scenario, legal regulations and socio-cultural issues coming their way. Some economies are conservative to foreign competitors to protect their domestic businesses then it becomes a very tough job to succeed in that market. While some developing economy markets are not profitable in the starting, but the foreign entrants can look for the economy of scale. Apart from the business challenges coming their way, there will be a lot of political challenges that a company has to face.

Globalization is one of the most challenging tasks for multinational company. (Khanna, T., Palepu, K., & Sinha, J., 2001). Globalization has introduced lot of challenges when it comes to choosing the strategy for internationalization and the right   country/is to expand business. Globalization in easy terms can be define as the increasing interaction and dependence of citizens of different countries across the world (Janda, K., Berry, J. M., & Goldman, J., 2008). Modernization means to upgrade the living standard and technologies which occur as products, ideas and services. An example of modernization changing   the living standards is the evolution of the telephone: from 1980s dialer huge telephone boxes, to today's 6-inch smart phones. The Western countries began to invest heavily in emerging markets by building their production units to produce goods and commodities for the developed world. (Hill, J. S., 2009). International business operations gave a new direction in globalization, as countries became more sustained and competitive. as the developing market emerged, New techniques contributed to social and economic changes. The globalization of these innovations set the stage for international business to flourish. In its simplest terms, international business is merely global transactions. It involves all commercial transactions – including sales, investments, and transportation – that take place between two or more countries (Radebaugh, L. H., Sullivan, D., & Daniels, J., 2011).

During several global transactions, the companies quickly discovered that it is much more challenging and different than running the business nationally. In the home market, companies concentrated on flourishing in the lower markets they came from While companies have concentrated globally on competing and winning in a global marketplace. The attempt to win various markets has provided the foundation for economic theory and the academy to provide business expansion policies as well as to identify promising markets the companies expand their business globally for plenty of reasons.

while the primary reason being is to increase consumer base and have an increased market share of their products globally. In many situations, the global marketplace is simply one click away and companies have the potential to increase sales by selling to markets other than their home market. Prior to entering to the international markets, the global companies examine their resources needed for production of the product or service and attempt to locate the resources at the lowest cost. Companies tend to minimize the costs of production when locating less expensive suppliers in other countries as well (Benefits of Outsourcing for Small Businesses, 2008).

Minimizing the cost of production gives the company increased net income after selling the product. Other benefits of expanding international include not only locating new and better products, but also obtaining additional knowledge. Companies benefit from diversification: some product sales that are weak domestically, may be profitable abroad. Entering target markets can diversify a company's product line, giving them a foothold in several countries so reliance is not solely on the economy of one country (Vertical Integration and Horizontal Integration., n.d.)

In this sense, companies protect their investments and markets by doing business with a multitude of countries. The benefits of moving a business into the global arena are endless; however, only few succeed in capturing the full potential that new markets offer. To succeed in a global economy with over 200 national markets, interacting with nearly eight billion people, it is crucial that businesses have strong leadership and a longing to learn. The global marketplace is very diverse, businesses must be willing to compete at extraordinary levels to not only survive, but also prosper. Businesses must acknowledge the diversity and cope with the uncertainties of present and future international transactions. To operate in such markets, companies must be also prepared to deal with an abundance of political, economic, and social challenges. Where Companies are Expanding - Emerging Markets Since the 1990's, developing countries have been the fastest-growing markets in the world for products and services (Khanna, T., Palepu, K., & Sinha, J., 2001). Emerging markets pose immense growth opportunities for multinational corporations (MNC's).

According, to the Economist, Western multinationals expect to find 70% of their future growth there; 40% in China and India alone (Eyring, M., Johnson, M., & Nair, H., 2011). During the next two decades, emerging markets will be responsible for the highest share of the world's growth according to Cavusgil, Ghauri, and Agarwal (2013). Before exploring the numerous opportunities in emerging economies, one must first understand what defines an emerging economy.

An emerging market economy (EME) was first coined in 1981 by Antoine W. Van Agtmael of the International Finance Corporation of the World Bank. The term is defined as an economy with low to middle income per capita (Heakal, R., 2017). Most experts can agree that emerging markets refer to the countries or regions undergoing rapid economic growth. "Emerging can be quite useful in describing the new combination of countries where changing demographics, expansion of technology, and the need for highly skilled talent will determine how some countries within a given region will develop into a global economy" (Faulk, G., & Salem, K., 2014, p. 72) Emerging markets are classified in many ways; however, there are many characteristics that distinctly separate them from the rest of the world. An EME is characteristically described as a "society transitioning from a dictatorship to a free market-oriented economy, with increasing economic freedom, gradual integration within the global marketplace, an expanding middle class, improving standards of living social stability and tolerance, as well as an increase in corporations with multilateral institutions" (Kvint, V., 2008, p. 4).

Some of these characteristics include lower-than average per capita income, rapid growth, high volatility, higher-than-average return, and less mature capital markets (Amadeo, K., (2017). Arnold and Quelch (1998) also suggest a few aspects which highlight the characteristics of emerging markets: economic development based on GDP per capita, pace of economic development, and system of market governance. Most EME's are in the process of moving from a closed market economy to an open market economy. Some economists and strategy firms go a step further in using formulas such as gross domestic product and per capita income to determine whether a country is an emerging market. Indexes and country blocs are used to help group the different emerging countries.

The most well-known EME's are represented with the acronym BRICS, coined by Jim O'Neil in his paper, Building Better Global Economic BRICs (2001). The BRICS countries - Brazil, Russia, India, China, and South Africa - represent approximately 40% of the world's population and more than 20% of the world's land (Bremmer, I., 2017). According to the Boston Consulting Group, China remains the most important emerging market for multinational enterprises followed by Brazil and India (Nettesheim, C., Faeste, L., Khanna, D., Waltermann, B., & Ullrich, P., 2016). Brazil, Russia, and South Africa have taken advantage of globalization by selling their natural abundant resources while China and India have integrated themselves into global supply chains (Bremmer, I., 2017). Other referenced emerging market groups include: MINT (Mexico, Indonesia, Nigeria, and Turkey), CIVETS (Colombia, Indonesia, Vietnam, Egypt, Turkey, and South Korea), and EAGLE (Emerging and Growth Leading Economies of Brazil, China, Egypt, India , Indonesia, Mexico, Russia, South Korea, Taiwan, and Turkey) (Cohn, C., 2014).

The countries above have been loosely linked together, in some cases by relative growth measures, and should only be perceived as a starting point for exploring emerging markets. "While many of the countries in these groups have commonalities in demographic and economic indicators, over the next twenty to thirty years these blocs may not enjoy the kind of steady, even growth the BRICS countries enjoyed in the late 1990's and 2000's. The other economies can be truly viewed as emerging in building new evolving economic, political, and social infrastructures that BRICS economies already have" (Faulk et al., 2014, p. 72) McKinsey and Company projects that by 2025, almost half of the Fortune Global 500 companies would be based in cities in the emerging markets (Mancini, M., Namysl, W., & Ramaswamy, S., 2017).

Emerging markets offer both opportunities and challenges for multinational companies; first and foremost, being the first-mover advantage. Companies first to establish a business presence and offer consumers something new, have the potential to dominate their industries. A good example is Volvo's, a Swedish vehicle manufacturer, recent entry into the luxury bus segment in India. Volvo capitalized on its first mover advantage, obtaining a 74% market share within the first few years (Kumar, A., 2013)

Secondly, companies seeking to grow their customer base should take advantage of the exponential growth of middle-class consumers. Increasing wealth is driving the emergence of middle-class spending and widening the global pool of talent. A new era of consumerism has arisen, while the "basic needs" era continues to decline. More than half of the world's population lives in emerging markets and there is an increased demand for new varieties of goods and services. By 2025, annual consumption in emerging markets will reach $30 trillion—the biggest growth opportunity in the history of capitalism (Atsmon, Y., Child, P., & Dobbs, R., 2012).

Lastly, the opportunity to access new 12 capital exists. "Untapped capital is up for grabs and building and maintaining a pipeline to those funds helps companies not only expand abroad, but also bring in new resources for domestic growth" (Kokemuller, N., n.d.). However, all opportunities certainly come with challenges and risks. In EME's, many companies have limited protection and must navigate political, economic, and currency risk. Unregulated markets, political unrest, and volatile currency swings are also common issues (Emerging Markets 101, n.d.). MNC's must be willing to accept the upfront financial and social commitment associated with entering emerging markets, and effectively counteract these challenges in their favor. Since most the world's population lives in emerging markets, MNC's should not neglect this opportunity. While there are fundamental risks and challenges, first movers and disruptors have seen much success while investing for the long term. A United Nations report says, "emerging powers in the developing world are already sources of innovative social and economic policies and are major trade, investment, and increasingly, development cooperation partners for other developing countries" (Taylor, M. 2013).

While research and consulting firms provide their own strategic frameworks identifying these factors, we will focus on the two components of market entry strategy: country/market selection and mode of entry. Country/Market Selection Today, many corporations will enter new markets because of an executive personal or gut feeling, experiences, or even family ties. Others follow the "herd instinct" and follow customers or rivals into emerging markets (Khanna et. al., 2005). The first step in entering a new market is to conduct market research and assess the current market situation, its size and trends, the competitive landscape, and the legal environment (Pärnapuu, K., 2017). A company must gain an extensive understanding of the country it is entering and the current market landscape. In 1967, Francis J. Aguilar, was credited for introducing four influential factors in his book, Scanning the Business Environment (1967).

He coined the acronym ETSP, representing the four factors: economic, technical, political, and social factors that shape the business environment. The acronym was later modified, in the addition of an E and L, to represent the environmental and legal issues that might affect an organization (Frue, K., 2017). Strategic Management Insight notes that the framework has the following three objectives: determine the current external factors affecting an organization, identify the external factors that may change in the future, and exploit the changes (opportunities) or defend against them (threats) better than competitors would do (Jurevicius, O, 2013).

Today, the PESTEL framework is used as a strategic tool to evaluate corporations, industries, and countries. Let's look at each of the factors more closely. First, understanding a country's political and economic institutions are two of the most important factors in selecting an emerging market.

Political factors determine the extent to which a government may influence the economy or certain industry While working with individuals, knowing the political system of a country can assist a business in capturing the hearts and minds of both the people and the government by recognizing motivating stimulators.

Understanding the country's economy type is also crucial. There are three main types of economies: market, command/planned, and mixed. Each system differs in terms of control and economic freedom. Several other components which determine an economy's performance include inflation rate, interest rates, foreign exchange rates, economic growth patterns, and sometimes even foreign direct investment. (PESTLE Analysis, n.d.)

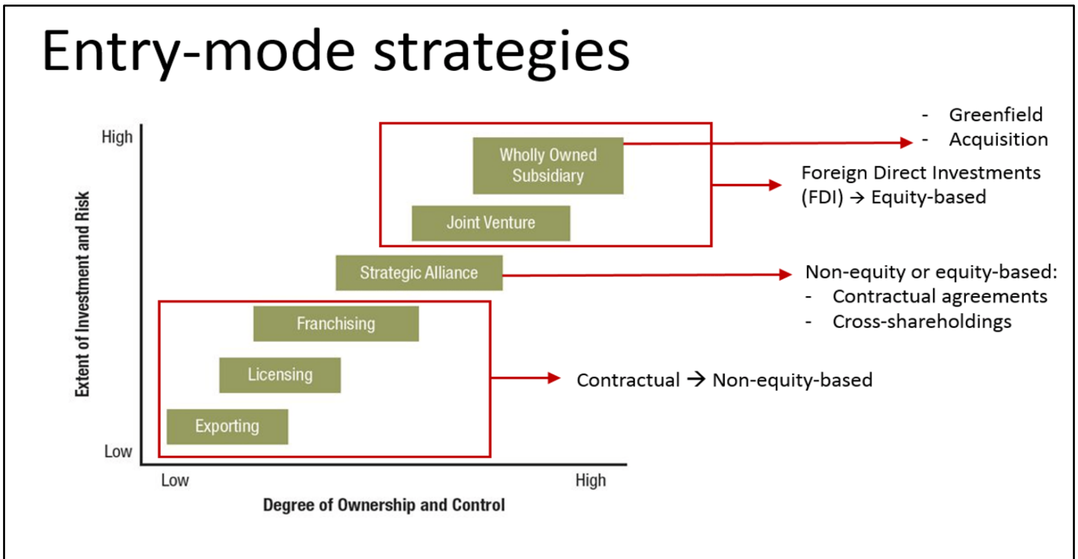
Third, social factors "scrutinize the social environment of the market, and gauge determinants like cultural trends, demographics, population analytics, etc." (PESTLE Analysis, n.d., para. 7) An example might be as follows: in Germany, family is still the most important social reference unit; thus, an entertainment company entering the German market may focus on forms of entertainment geared towards families (PEST Analysis for Germany., n.d.)

Fourth, technological factors often affect how a company chooses to deliver its services or products to the marketplace. Some companies may choose to establish a new business presence in the "India 's Silicon Valley," Bangalore, due to its technology capability and productivity. Fifth, the environmental landscape includes everything from government regulations and policies to the climate and weather. Many governments expect companies that enter to contribute to environmental and sustainable initiatives.

Finally, legal systems define how businesses can 15 operate. There are numerous differences in the legal systems which must be acknowledged such as contracts, local content, product safety, and taxes. For the context of this paper, the PESTEL framework will applied later to India 's business environment. Mode of Entry The next crucial step in developing a market entry strategy is to select the best mode of entry. Business leaders must carefully choose a mode of entry that balances risk and control, enabling the company to succeed in the target market. A market entry mode is "an institutional arrangement that makes possible the entry of a company's products, technology, human skills, management or other resources into a foreign country" (Root, 1987:5).

There are many different modes of entry that will be discussed below, and companies must weigh the advantages and disadvantages of each during the selection process. Just as in evaluating markets, there are multiple factors that influence the selection of a mode of entry. Author John Hill suggests that entry mode is influenced by three different variables: strategic, environmental, and transaction specific. (Hill, Hwang & Kim, 1990:129).

Johanson and Valhlne believe a company's current state, past experiences, and structure of the target market all affect the decision of what entry mode to select (1977:29). Other factors include how much time is available and level of competition. “Firms that take the trouble to understand the institutional differences between countries are likely to choose the best markets to enter, select optimal strategies, and make the most out of emerging markets” (Khanna, 2005, para. 6) Academia provides a great framework for defining the different modes of entry and identifying advantages and disadvantages of each. Typically, the modes of entry are grouped into the following: exporting strategies, contractual entry modes, and investment entry modes. Exporting strategies are the most well-established form of entering foreign markets and exist 16 when one country transfers goods it produced to another country. Exporting includes both direct and indirect transfers.



Source: Root (1994) Entry strategies for international markets

Contractual entry modes, as their name suggests, are modes of entry where company’s make contractual agreements with other firms to license, franchise, or sell their goods and/or services. Lastly, investment entry modes involve foreign companies purchasing a local company or creating alliances and ventures with existing local market players.

According to economics times, India in recent time has become a very compelling investment country which has a promising and very assuring prospects of growth for foreign investors and companies. Foreign companies are setting up their manufacturing units in India because of the availability of cheap and skilled labor force and setting up the cost of the industrial unit is quite less than developing countries like Brazil and Russia. The special economic zones also helping these global companies in ease of transportation of finished goods to other countries coming in the belt the Asia Pacific. Motorola has set up their mobile assembling unit in Chennai because Chennai is a port city and cost efficient for them to ship the phones to African markets.

The recent growth in the economy of India has been majorly driven by the increase in consumer spending or purchasing power. In the coming years, India is expected to become the largest consumer market in the world. In the recent past years, India has done a lot of positive changes in their foreign policies regarding business and investments which is quite evident from their improved rankings in ease of doing business. In 2017 they were ranked 100 on ease of doing business index, following year they jumped over 23 ranks, currently, they are ranked at 77th position among 190 assessed or participating countries in the index.

The improvement in the foreign direct investment policies and the availability of a giant pool of cheap skilled labor force makes India a very attractive destination for foreign direct investment. Numerous multinationals have already entered the Indian market with a relatively good success rate. The key to success for them was the formulation of a well-planned inclusive market entry strategy plan.

The beneficial economic advantage Indian market is that it has a large growing infrastructure and is continuously expanding which itself is a good business opportunity for foreign market players. Furthermore, the location is the center and easily accessible to all parts of the world whether it is middle east, African or South American so the multinational production companies can look at India as their production facility option. While the demographics of India makes it look like an interesting market. The reason being for this due to its young population and largest consumer market moreover it is strengthened by the expanding middle-class category which is all the ingredients of a shining consumer goods market.

All the above factors reflect the Indian market as thriving and full of opportunity but there are certain areas where the global corporations can face a challenge to work upon. Although in the recent there has been a lot of liberalization in doing business in India still there are issues that the corporates are facing to cope up with. Issues like corruption is a major problem in India. Apart from that evaluating the Indian market can be a very tricky job as it is humongous diversified.

1. Chapter economy and industry analysis.

1.1 Economy of India overview: -

India is described as the fastest growing economy in the world. The expected GDP growth as estimated by the international monetary fund was 7.2 per cent but the real growth in GDP was 7.8 per cent. The main features of the Indian economy are that it is a developing mixed economy. The economy of India is the seventh largest economy by nominal GDP and fourth largest by PPP that is purchasing power parity. By 2050, the economy of India is expected to be the world's second-largest economy only behind China. The history of the Indian economy can be described in two phrases pre-industrial era (1947-1991) and post open market economy (1991 – present).

The transition in the economy of India came in 1991 due to implementation of LPG model that liberalization, privatization and globalization As India is a part of developing the economy country group, the economic reforms are installed more frequently than the other developed economic countries.

1.2 Analysis of Macroeconomics indicators

1) Gross domestic product

   The growth rate of the GDP is constantly improving as it is a developing and booming economy. The country ranks 139th in per capita GDP (nominal) with $2,134 and 122nd in per capita GDP (PPP) with $7,783 as of 2018 As I Earlier mentioned about the ranking of nominal and PPP GDP. Now here is a chart from world bank that illustrates the growth in GDP in the last 12 years.

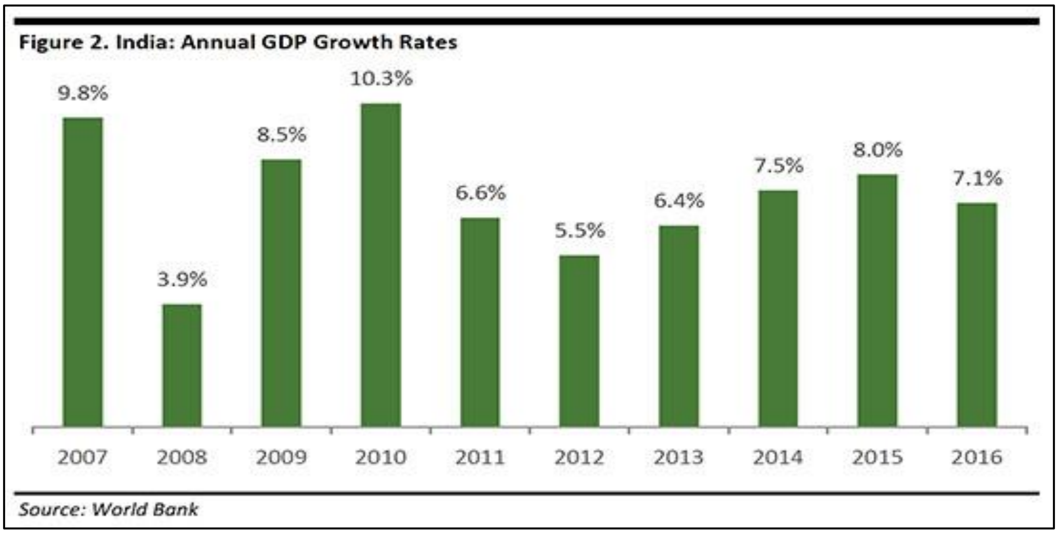


Figure 1 India annual gdp growth

India 's GDP which is to estimate to have increased 7.2 per cent in 2017-18 and 7 per cent in 2018-19. India has retained its position as the third largest startup base in the world with over 4,750 technology start-ups.

India 's labor force is expected to touch 160-170 million by 2020, based on the rate of population growth, increased labor force participation, and higher education enrolment, among other factors, according to a study by asso-cham and thought arbitrage research institute.

India 's foreign exchange reserves were us$ 405.64 billion in the week up to March 15, 2019, according to data from the RBI. (India, Economy & Statistics, 2019)

The Indian economy has three broad sectors. They are as follows

i) Primary & Agricultural sector: - it includes (Agriculture proper & Livestock), Forestry & Logging, Fishing and related activities. Industry includes 'Mining & quarrying.

ii) Secondary & Manufacturing sector: - all the products that are produced in India come under manufacturing whether it is registered or unregistered, apart from that electricity, gas, construction and water supply also constitutes to the manufacturing sector

iii) Tertiary &Services sector: - relatively newest sector to be added. it includes hospitality industry, information technology industry, financial services, real estate industry, broadcasting industry and miscellaneous that is categorised as a service in the taxation of India and that doesn't come under the above two mentioned sectors

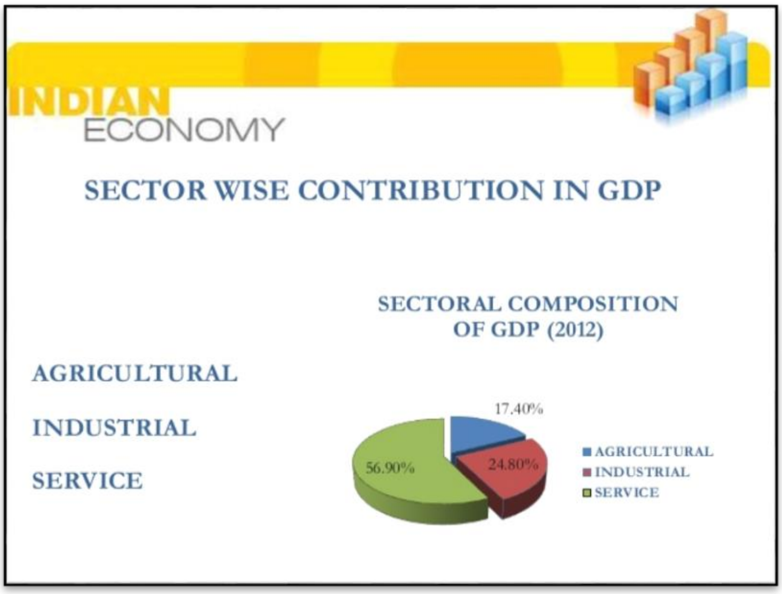


Figure 2 sector wise contribution in GDP.

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Traditionally Indian economy was used to be agriculturally based economy but now the service sector has a majority in shares of sectors of GDP preciously 60%. The services sector is now known as the backbone of the Indian economy. This is mainly due to cheap skilled labours in the information technology industry. But talking about the agricultural sector it still employs near 40 to 50 per cent people in the country.

2) Unemployment rate: - currently the unemployment rate of India is quite high as in comparison with other highly populated countries like China and the USA. Last year it was at the peak which was 8.8%. The main problem behind such a high unemployment rate is primarily due to the enormous rise or growth in population in recent years and the inefficiency of the labour market. Apart from these India has a relatively higher chronic and seasonal unemployment. The other reason for high unemployment is due to a sectoral shift in the economy. As mentioned earlier the Indian economy saw a huge sectorial shift from agricultural to services.

3) Fiscal policy in India - the main fiscal policies that are used in India is taxation. The government tries to increase their tax base rather than decreasing the government spending that's why we can see a growth in the GDP of India exponentially. Apart from that, the government tries to make people keep money in the bank, not with themselves. The reserve bank of India which is the central bank of India has increased the interest rates of the bank which not only instigated people to keep money in the bank but also to fight against inflation. Apart from these policies, India had 12 five years plan like Russia. The main objective of India 's five years was to improve the economic condition from infrastructure to education in all sectors and regions of India. ("Essay on GDP of India – Economy of India ", 2019)

1.3 Major Events in The Recent Past and Its Effect on The Indian Economy

1) **Demonetisation**: - demonetisation in India happened on 8th of November at 8 pm sharp when the prime minister of India announced that all the 500 and 1000 currency notes will out of circulation and will not in further use. People can exchange their old notes with new notes from the banks and ATMs. The main reason for doing as stated by the Indian government was to control or eliminate the black money circulation in the economy. The other reasons were to eliminate the fake notes that are in the circulation right now. Apparently, the thought process behind the fake note was that these notes were circulated terror organisations to terrorism in India. No talking the impact of demonetisation on the economy, if we talk about the short term then it has increased retail inflation and fall on the growth of the GDP of the following quarter, but talking the long term prospect, demonetisation is expected to have positive impact on to the economy it will help to foster digitalised and clean economy in the long run.

2) **Change of indirect taxation system**

Introduction of GST: - the goods and services cost came into effect on the 1st of July 2017. To describe GST, in brief, to have a common and only one indirect tax levied on goods and services. Not only this it has tax input credit which helps the supply chain members to take benefits. The main purpose behind GST implementation was to remove the cascading effect of the taxes meaning paying taxes on the taxes. Also, before GST, there were various indirect taxes like different taxes and tax rates in different states of India. With the help GST, it has created a common market among all the 29 states of India.

1.4 Major Developments:-

According to the Indian brand equity foundation (IBEF) report of Indian economy overview 2018, the recent improvement in the economic scenario has brought up investments in various sectors of the economy. The M&A activity in India reached a record US$ 129.4 billion in 2018 while private equity (PE) and venture capital (VC) investments reached US$ 20.5 billion. Some of the important recent developments in the Indian economy are as follows:

- During 2018-19 (up to February 2019), merchandise exports from India have increased 8.85 per cent year-on-year to US$ 298.47 billion, while services exports have grown 8.54 per cent year-on-year to US$ 185.51 billion.
- Nikkei India Manufacturing Purchasing Managers' Index (PMI) reached a 14-month high in February 2019 and stood at 54.3.
- Net direct tax collection for 2018-19 had crossed Rs 10 trillion (US$ 144.57 billion) by March 16, 2019, while goods and services tax (GST) collection stood at Rs 10.70 trillion (US$ 154.69 billion) as of February 2019.
- Proceeds through Initial Public Offers (IPO) in India reached US$ 5.5 billion in 2018 and US$ 0.9 billion in Q1 2018-19.

- India 's Foreign Direct Investment (FDI) equity inflows reached US$ 409.15 billion between April 2000 and December 2018, with maximum contribution from services, computer software and hardware, telecommunications, construction, trading and automobiles.
- India 's Index of Industrial Production (IIP) rose 4.4 per cent year-on-year in 2018-19 (up to January 2019).
- Consumer Price Index (CPI) inflation stood at 2.57 per cent in February 2019.
- Net employment generation in the country reached a 17-month high in January 2019. (IBEF, Indian economic overview 2018)

Government Initiatives

The interim Union Budget of the period 2019-2012 focuses on supporting the underperformed farmers, low-income workers in the unorganised sector the total expenditure for 2019-20 is budgeted at US$ 391.53 billion which is an increase of 13.30 per cent from last year. Numerous global companies are setting up their facilities in India on account of various government initiatives like Make in India and Digital India. Mr Narendra Modi, Prime Minister of India , has launched the Make in India initiative with an aim to boost the manufacturing sector of Indian economy, to increase the purchasing power of an average Indian consumer, which would further boost demand, and hence spur development, in addition to benefiting investors. Under the Make in India initiative, the Government of India is trying to boost the contribution made by the manufacturing sector and aims to take it from the current 17% up to 25% of GDP. In addition, the government has also launched a Digital India initiative that focuses on three core components: digital infrastructure creation, digital service delivery, and digital literacy enhancement. (IBEF, Indian economic overview 2018)

Make in India is the Government of India 's major new national program aimed at facilitating investment, encouraging innovation, improving skills development, protecting intellectual property and building the country's best manufacturing infrastructure This initiative's primary objective is to attract investment from around the world and strengthen the manufacturing sector in India. It is led by the Industrial Policy and Promotion Department (DIPP), Ministry of Trade and Industry, Government of India. The Make in India program is very important for India 's economic growth as it aims to use the existing Indian talent base, create additional job opportunities and empower the secondary and tertiary sectors. The program also aims to improve the rank of India on the Ease of Doing Business index by eliminating unnecessary laws and regulations, facilitating bureaucratic processes, making government more transparent, responsive and accountable.

Make in India 's program focuses on 25 sectors. These include: cars, aviation, chemicals, IT & BPM, pharmaceuticals, construction, defence manufacturing, electrical machinery, food processing, textiles and clothing, ports, leather, media and entertainment, wellness, mining, tourism and hospitality, railways, car components, renewable energy, biotechnology, space, thermal power, highways and electronics systems.

The Make in India programme was the key message on Brand India at the Annual Meeting of the World Economic Forum at Davos 2015. The India Lounge, set up by the India Brand Equity Foundation (IBEF) was inspired by the Make in India programme. IBEF backed it with a strategic communications campaign to create brand resonance. Make in India is also the theme for India 's participation as Partner Country at Hannover Messe 2015 scheduled to be held from April 13-17, 2015. ("Entrepreneur Council of India ", 2019)

Some of the government's recent initiatives and developments are listed below:

• The Government of India approved the National Software Products Policy–2019 in February 2019 to develop the country as a software hub.

- In 2019, the Government of India also approved National Mineral Policy 2019, National Electronics Policy 2019 and Faster Adoption and Production of (Hybrid) and Electric Vehicles (FAME II).
- In April 2018, electrification of the Indian villages was completed. It is expected that universal household electrification will be achieved by the end of March 2019.
- Around 1.29 million houses have been constructed up to December 24, 2018, under Government of India 's housing scheme named Pradhan Mantri Awas Yojana (Urban).
- Prime Minister's Employment Generation Programme (PMEGP) will be continued with an outlay of Rs 5,500 crore (US$ 755.36 million) for three years from 2017-18 to 2019-20, according to the Cabinet Committee on Economic Affairs (CCEA).

Road Ahead: -

India 's gross domestic product (GDP) is expected to reach by 2027 to $6 trillion. India 's revenue receipts are estimated to reach Rs 28-30 trillion (USD 385-412 billion) by 2019, owing to India 's infrastructure enhancement measures and reforms such as demonetisation and goods and services tax (GST).

India is expected to be the third largest consumer economy since its consumption could triple to US$ 4 trillion by 2025, owing to a shift in consumer behaviour and expenditure pattern, according to a Boston Consulting Group (BCG) report; and is estimated to be the second largest purchasing power parity (PPP) economy in the United States by 2040, according to a Pricewaterhouse report. (IBEF, Indian economic overview 2018)

1.5 Investment environment & regulation: -

Foreign direct investment (FDI) in India is one of the most controversial regulations in India. Still a very major monetary source for economic development in India . Global companies can invest directly in moderately growing private Indian businesses to take benefits of cheaper wages and changing the business environment of India. According to the Financial Times, in the year 2015 India is currently ranked at 9 in FDI inflow with a total inflow of 44 billion dollars. FDI in India is categories in two ways

- AUTOMATIC ROUTE

FDI is allowed under the automatic route without prior approval either of the Government or the Reserve Bank of India in all activities/sectors as specified in the consolidated FDI Policy, issued by the Government of India. Please refer to the appendix for the list of sectors.

- GOVERNMENT ROUTE

FDI in activities not covered under the automatic route requires prior approval of the Government. Such applications are considered by the Foreign Investment Promotion Board (FIPB), which is part of the Department of Economic Affairs within the Ministry of Finance. Plain paper applications carrying all relevant details are also accepted. No fee is payable. Indian companies receiving FDI, either under the Automatic route or the Government route, are required to comply with provisions of the FDI policy, including reporting the FDI to the Reserve Bank of India.

FDI in India is currently not permitted in the following sectors:

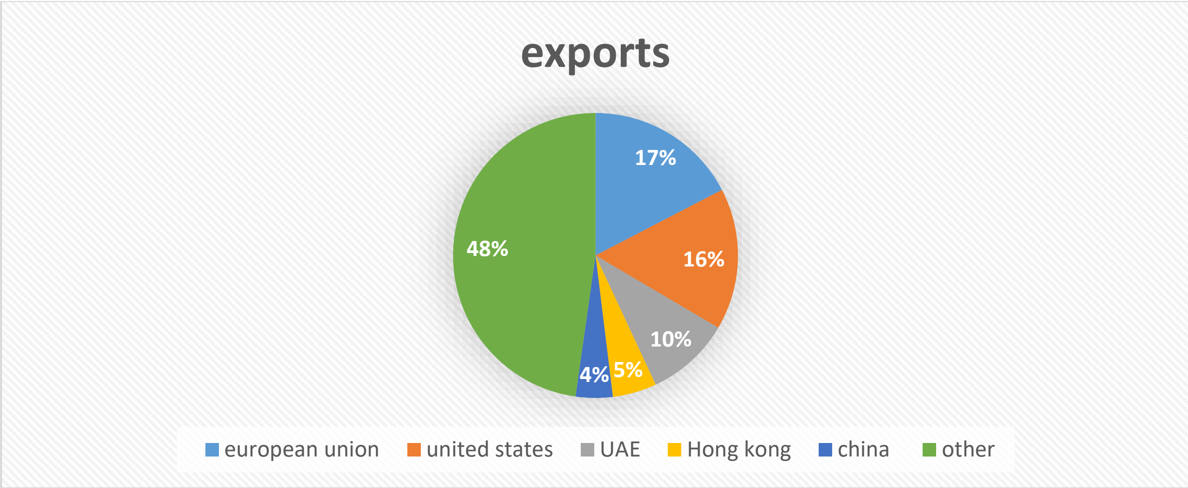
- Lottery Business including Government /private lottery, online lotteries, etc.;
- Gambling and Betting including casinos etc.;
- Chit funds;
- Nidhi company (borrowing from members and lending to members only);
- Trading in Transferable Development Rights (TDRs);
- Real Estate Business or Construction of Farmhouses;
- Manufacturing of Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes; Activities/sectors do not open to private sector investment e.g. Atomic Energy.
- Legal, accounting and architecture services
- B2C e-commerce (Office & Limited, 2019)

1.6 India 's major exports and imports

India is at 7th rank when it comes to the leading exporting economy in the world. The total export values in the fiscal year 2017-2018 are 303.4 billion $. While the imports were at 465.6$ billion. Clearly, India is a net deficit in goods and services account by 161 billion $. Major exporting goods from India are agricultural goods, fuel and mining products and manufacturing goods. On further classifying these products – petroleum product aprox61.2 billion dollars, jewellery 41.2 billion dollars, automobile - 14.5 billion dollars, machinery-13.6 billion dollars.

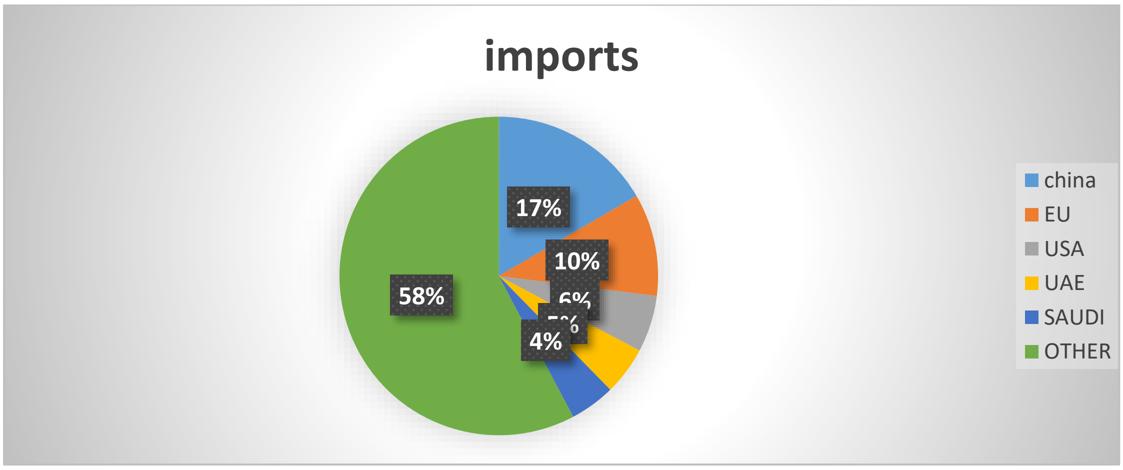
These were majors' exports of India. Now comes minor exports of India which are pharmaceuticals, cereals, iron and steel, textile and electronics. The major imports of India are chemical fertilizers, gold, crude petroleum, edible oils, machinery, precious stones, paper, plastics, electronic devices

<u>Major export partners of India are: -</u>



Source author

Major import partners of India are: -



Source author

India: - member of important organisations.

1) WTO - a world trade organization
2) BRICS - Organisation of large economies of NICs (Newly industrialized country) namely Brazil, Russia, China, India , South Africa.

3) SAARC - South Asian Association for Regional Cooperation
4) G-20 major economies
5) Commonwealth of nations.

1.7 Characteristics of the Indian consumer market

India is a very compelling and attractive country for investments because the size of the population and currently relatively low GDP per capita which means that foreign companies have opportunities in abundance either to serve growing population or bringing their production facilities in India to reduce their production cost and from there on that can sell it to different markets. Let’s look at some of the facts and figure to see the prospects of this growing consumer market.

- 431 million people elevated from poverty since 1985.
- Size of the workforce is around 45 per cent of the total population which is roughly 467 million people.
- One-fourth of the world population under 25 years of age lives in India, which makes them the largest young people populated country.
- The Indian healthcare market is expected to be valued at $280 billion by 2020.
- Internet users in India are around 460 million which is second to China. By 2021, there will be about 635.8 million internet users in India.
- The expected size of the Indian loan book by 2020 will be around $ 2048.billion.

Coming back to the key characteristics that distinguish Indian consumer market from others.
Favorable demographics: one of the important features of the Indian economy is their huge working-age population. According to the census of 2015, 41 per cent of the population was in between the age group of 25-54 which is usually considered as working age group. India is expected as the world’s largest population by the year 2021. India has a very big middle-class population.

Industry (Retail) Analysis: - Evolution of retail industry in India

With revolutionary changes taking place in the worldwide economy and the growing importance of 24/7 operation of the business, the retail sector has been undergoing a paradigm shift across the world. The world of today has turned into a global village; consumerism is having a huge impact on the contemporary retail business, and technological advancements have created opportunities as well as several challenges for the retail industry. With the advent of the internet, the growth in the retail industry has been impressive due to the benefits of the economies of scale and also the expansion of business across the geographical boundaries at B2B (Business to Business) and B2C (Business to Consumer) levels. (prachi juneja, 2019)

Several studies have proven that the Indian Retail Market is one of the top emerging markets in the world. For Indian Economy, the retail sector is one of the pillars, which contributes towards a growth rate of approximately 10% of the total GDP and towards the total employment around 8%. According to the latest studies, Indian retail market is ranked amongst the top 5 retail markets worldwide estimated around 600 Billion US Dollars. (prachi juneja, 2019)

Indian Retail industry is expected to have a bright future and offers numerous opportunities for progress and growth. According to GRDI reports, some favorable factors which support the growth of retail business are rise in fashion loving and brand conscious young population, extensive urbanization, and expansion of opportunities for new investment in retail sector. As per the report of FICCI (2011), a positive trend in the Indian retail sector can be attributed to a sharp rise in the Middle-Income segment and growth in domestic consumption. Moreover, studies suggest that with changes in the consumer buying preferences, demographics composition and increasing preference for mall culture, there has been a transition from the traditional retail formats to a more organized form of retailing, as a result of which the Indian Retail market is expected to witness an optimistic trend in future as well. (prachi juneja, 2019)

The retail sector in Indian context can be subdivided into Organized and Unorganized retail sectors. Organized retailing constitutes licensed retailers registered under sales and income tax, involved in carrying out their day-to-day trading functions. This may include large hypermarkets, large-scale owned retail ventures owned privately or the retail chains as well. On the other hand, unorganized retailing comprises of a sizeable proportion of small retailers operating their own Kirana, paan, beedi shops, general stores, chemists, hawkers, etc. In developed economies, organized retail enjoys a predominant share of around nearly 75-80% as against traditional retailing, while in developing economies; unorganized sector enjoys a predominant share in the retail market. (prachi juneja , 2019)

The retail sector in India is highly fragmented or distributed. Unorganized retail constitutes a significant share of over 90%, while the organized retail segment is just in a start up stage and has witnessed an impressive growth over last few years. Retail in India originated with the Mom and Pop Stores and Kirana Stores, which used to cater to the requirements of the local population. Over a period, the government encouraged rural retail and provided support for establishing Khadi & Village industries. During 1980's, the retail scene in India changed further with the opening up of the economy, as a result of which leading retail chains in textile sector were established like Raymond's, S Kumar's and Bombay Dyeing. Subsequently, Titan launched its retail showroom, and the organized retailing started strengthening its grip in the Indian market. By 1995, major retail outlets such as Food World, Music World, and Planet M, Crossword entered the Indian retail market. Large retail formats and stores like shopping malls, hypermarkets and supermarkets came into operation for providing best of the class experience to the customers. The retail sector evolution witnessed improvements in the distribution set up, supply chain management, technological innovations, back end operational support and excellence and increase in business alliances in the form of collaborative ventures, mergers, acquisitions, joint ventures, etc. (prachi juneja , 2019)

In the graphical figures below, we can see sales of organized and unorganised retail market in India from 2014-2018. The industry experts believe that in coming years the growth of organised retail India will grow faster than the unorganized retail. Mainly there are two main factors for this, firstly and primarily the recent changes in multi-brand retailing FDI in 2015, which was changed to 51 per cent and single-brand retailing to 100 per cent. The second reason is the ever increasing the purchasing power of the Indian middle-class population which is motivating them to shop from the supermarket and discount stores rather than from the local kiranas. The e-commerce industry is very strong,and it comes under the organised retail.

Figure 13 retail market size in India

All Indian streets, villages and slums are dotted by small shops known as kiranas. These micro-businesses are usually family run, ranging from street vendors selling vegetables to one-car garage shops. They pay low wages and have little or no rent, helping to keep down costs. And as they largely cater to neighbourhood populations, many offer instant delivery, interest-free credit, and other personalized services that global giants cannot or will not provide.
"The kirana store has a better economy than a supermarket," said Rajiv Lal, Harvard University retail professor. "You can't beat them."

Major players in the retail industry like Tata Group, Future Group, Bharti, and Reliance, etc. have stepped forward with aggressive and ambitious investment plans in the retail sector as a part of their business expansion strategy across various verticals. Moreover, with the introduction of retail reforms by the Government of India which allows FDI of 51% in multi brand stores in India , organized retail sector is expected to capture a major share of the market in the upcoming future. According to **Assocham study**, factors such as globalization and liberalization of economies, increase in the purchasing power of the consumers, changing lifestyle and infrastructural developments, have revolutionized the Indian retail market. Studies reveal that organized retail market which was just at 7% of the total retail market share in 2011-12, is expected to attain a total share of over 10% across the retail sector by 2016-17. The estimated growth rate of traditional retail is expected to be around 5% while for organized retail it is expected to be around 25% by 2020.

Food & Grocery is the major contributor in the entire retail market in India with a total contribution of almost around 60% of the total retail sector in 2012. This is followed by Clothing (8%) and Telecom & Mobile (6%) and many others. In organized retailing, Apparels is the major contributor which accounted for a total contribution of 33% in 2012 to the retail industry followed by food and grocery (11%). Though, the share of Food & Grocery segment in organized retailing has shown an impressive growth since last few years. E Commerce and E Tailing in recent years have redefined the retail landscape and offer a lot of opportunities to various stakeholders.

Challenges Faced by the Indian Retail Sector

Even though the retail sector in India has a lot to offer regarding opportunities and prospects of business growth, still it is susceptible to various impediments/bottlenecks which may slow down the pace of growth. Several challenges such as infrastructural limitations, rigid or stringent regulations, political uncertainties, etc, may restrict the growth prospects and pose a lot of hurdles. Some of the major challenges which Indian retail industry is faced with are:

- Competing with the international standards
- Indian retail industry is exposed to several systemic inefficiencies and problems with the supply chain framework.
- Indian retail outlets operate in a constrained space of below 500 sq. ft., which is too small as per the international retail outlet space standards.
- Growth in the retail industry has given rise to real estate related problems with increasing requirements for setting up hypermarkets and supermarkets across various locations in large scale.
- Problems related to the shortage or lack of availability of trained or skilled manpower.
- Frauds in the form of thefts, vendor frauds or administrative loopholes in the retail industry, are a major cause of worry and this has posed several challenges before the management.
- Infrastructural and logistics related issues. (Prachi juneja, 2019)

Pestel Analysis Of Retail Industry In India

We explore the Political, Economic, Social, Technological, Environmental, and Legal forces that impact the Indian Retail Industry using the PESTEL framework. This framework is especially pertinent and relevant as it lends itself to a thorough macro analysis of the industries and more importantly, provides a useful lens by which one can view how broader forces and trends shape the evolution and transformation of the industry.

Political Forces

To start with, Political factors play a significant role in determining the fortunes of the Indian Retail Industry. While governments in the Western world tend to deregulate and liberalize the industries based on free market and capitalist principles, the Indian Government, thus far, has been hesitant to throw open the Indian Retail Industry to foreign competitors. Where it has done so, it has proceeded haltingly as can be seen from the way it allowed FDI or Foreign Direct Investment into Single Brand Retail but not Multi Brand Retail. This means that foreign retailers can set up shop and sell products of a particular brand under one roof but not open stores where everything is available under a single roof.

While this has led to much lobbying by giant retailers such as Walmart and Tesco and Target, the fact remains that the Indian Establishment does not want to displease the Trader segment which forms a significant and crucial voting bloc that comes in handy during fundraising and election time.Indeed, no discussion on the Indian Retail Industry would be complete without mentioning the role of the Kirana and the Small Shop lobby which is both numerically and financially powerful. (Prachi juneja, 2019)

Economic Factors

Having said that it is also the case that the **economic forces at work throughout the world and especially in Indian would sooner or later lead to the Indian Retail Industry becoming more transparent and global in nature**. This is mainly on account of both changing consumer preferences as well as the sheer impact of the economies of scale as far as the operations of the retail industry are concerned. For instance, the world over, Mom and Pop stores or the equivalent of the Kirana stores have found it difficult to survive the onslaught of Big Retailers mainly as the latter have deep pockets and also because they operate on a scale which means that they can give attractive discounts which the former cannot match. (Prachi juneja, 2019)

Also, automation ensures that efficiencies accrue which on top of the inbuilt advantages of size and convenience means that sooner or later, the Indian Retail experience would see more malls and supermarkets when compared to the neighbourhood stores. However, the Kirana stores are unbeatable as far as servicing the Bottom of the Pyramid consumers is concerned. Indeed, given the fact that India is still a rural economy despite urbanization, the unparalleled penetration of the Kirana stores in the hinterlands, as well as the inner city neighbourhoods, means that they are not going to disappear completely. (Prachi juneja, 2019)

Social forces

The changing social mores and the consumer choices and preferences are the key drivers of the Indian Retail Industry. Compared to previous generations, the youth and those in their 30s have been exposed to Western modes of living since they grew up after the liberalization of the Indian Economy and especially with the internet and the Smartphone revolutions. In addition, with more and more Indians traveling abroad on tourism, work, or to visit their relatives, they see for themselves what Western consumers prefer and how Western retailers service them.

Thus, the social forces of liberal mindsets and the economic forces of free-market capitalism combine to create a consumer base that is impatient with the traditional modes of shopping and consumerism and this is driving the transformation of the Indian Retail Industry. It is also the case that older Indians also find it convenient to shop in Malls and online portals and this is another critical factor impacting the transformation of the Indian Retail Industry. (Prachi juneja, 2019)

Technological forces

and mobile shopping, the emergence of the eCommerce and the mCommerce sectors can be thought to be the most important trends in the last decade or so. Indeed, homegrown companies like Flipkart and foreign ones such as Amazon have seen their revenues grow manifold ever since they established a presence in India.

Thus, technology led shopping and consumerism makes the Indian market a very exciting prospect. This is the reason for the American retail giant, Walmart, acquiring Flipkart recently wherein the former wants a pie of the mouthwatering action in the Indian Retail Space. Apart from this, it would not be an exaggeration to state that the proliferation of Mobiles and Smartphones in India has allowed it to bypass the traditional evolution from landlines to mobiles and instead, leapfrog directly into the Smartphone and Mobile era. (Prachi juneja, 2019)

Thus, the technological factor that is transforming the Indian Retail Sector is evident from these trends. Also, last mile connectivity issues have been mainly sorted out wherein it is now routine for Indians of all incomes and hues to either order online or through phone and have their goods delivered to their doorsteps free of cost. (Prachi juneja, 2019)

Again, the better coordination in the consumer value chain between the consumer, the merchant, and the delivery personnel is mainly being driven by technology.

Environmental forces

With increasing social and environmental consciousness among the Indian Consumers, the Retail Sector has had to grapple with its business practices that were widely seen as being polluting and environmentally damaging. For instance, the widespread use of Plastic Bags for carrying the goods brought in groceries was banned by the Courts since such plastic carry bags were found to be environmentally damaging. (Prachi juneja, 2019)

Unlike cloth and paper bags, the plastic bags do not decay or merge with the soil. Hence, the courts felt that Kirana and Supermarket stores should not use them. In addition, the rise of the Eco Chic Consumer or the Consumers who insist on buying so-called Green Brands meant that such brands that are deemed to cause minimal environmental damage were found to be in demand more than others.Moreover, with the Indian and Foreign Media focusing on these issues and how the Retail Sector was reacting, there was added pressure on it to rectify and correct their business practices. (Prachi juneja, 2019)

Legal forces

Apart from that, the courts and the government too took an active interest in how the Indian Retail Sector was responding to the growing social and environmental practices. The combined effect of all these trends meant that Child Labor was outlawed, Green Practices were prescribed, Food Safety was mandated, and Adulteration and Quality issues were subject to stricter fines including cancelation of licenses. (Prachi juneja, 2019)

Taken together with other legal measures such as sealing of shops in residential neighborhoods as well as banning encroachments meant that overcrowded footpaths and dingy shops were now being elbowed out. While this move was widely hailed, the fact remains that those at the lower end of the Retail Pyramid were more impacted than Big Supermarkets and Stores. The Double Whammy of Demonetization and GST and How the Industry is yet to RecoverNo discussion on the Indian Retail Industry would be complete without analyzing the impact of Demonetization and the introduction of the GST or the Goods and Services Tax. Indeed, when compared to the other sectors in the Indian Economy, the retail sector perhaps took the biggest hit in terms of lost revenues as well as disruption of the supply and value chains. This is mainly because the Indian Retail Sector is a Cash Driven one where Cash is King and hence, the sudden move to withdraw nearly 80% of the money in circulation led to large-scale disruptions in the way the sector operates. The effects can be seen on the sector in terms of lost revenues on account of the days and months it took for the cash supply to be restored, the disruption to the livelihoods of the Millions of owners, traders, supplier, and employees who make up the workforce in the Retail Value Chain. (Prachi juneja, 2019)

In addition, the introduction of the GST dealt another blow to the Indian Retail sector long accustomed to multiple taxation structures as well as not having paid direct taxes like Income Tax earlier. In other words, the Millions of Kirana shops and Neighborhood Grocery Stores, the Merchants and the Traders, were simply out of the Tax Bracket before GST was implemented. Thus, the introduction of GST meant that they all now had to register themselves as Taxpayers in addition to filing taxes every month or quarter. While this move was intended to both simplify the Taxation Structure and Broaden the Tax Base, the way in which it was implemented led to serious and severe disruption in the workings of the Indian Retail Sector. It would be an understatement to say that the Sector has yet to recover from the Twin impacts of Demonetization and GST fully. Indeed, one can go so far as to say that the Retail Sector was hit by a Double Whammy by the Demonetization and GST Measures. (Prachi juneja, 2019)

Cultural forces

far has examined the ongoing transformation of the Indian Retail Sector using the PESTEL framework. As can be seen from the points made so far, the Indian Retail Sector is rapidly changing with the confluence and the convergence of all these trends. However, a key factor that both aids as well as inhibit further transformations is the very real impact of Culture. Given that India is a socially and culturally conservative country, it remains to be seen as to how far the transformation of the Sector happens in terms of the ongoing attempts to westernize it. (Prachi juneja, 2019)

Indeed, this is the reason why many Foreign, as well as Indian Retailers, have begun to Think Global, but Act Local, or to use a famous term, adopt Glocal strategies. In other words, any retailer wishing to do business in India has to necessarily adopt a Glocal strategy wherein world-class infrastructure and consumer experiences are merged with highly localized marketing and advertising strategies as well as product and brand choices. This is the reason why McDonald's in India sells McTikka and McAloo in deference of Indian tastes and this is also the reason why many Indian Retailers use their Indianness as a Unique Selling Proposition. (Prachi juneja, 2019)

Michal porter five forces model

Michael Porter's Five Forces Model helps in the determination of the industry attractiveness and in analyzing the prospects of growth and opportunities by assessing the competitive trends and the intensity of the rivalry amongst the existing competitors. It is a major strategic tool used for determining the industry potential/prospects and the possible threats which may limit the attractiveness of this industry and prevent new entrants from joining the competitive battle. It provides key insights to the organizations for crafting and implementing both long-term and short-term strategic plans. (prachi juneja , 2019)

The Five forces are Threat from the Competitors, Threat from the Substitutes, Buyer Bargaining Strength, Supplier Bargaining Power and the Intensity of the Competitive Rivalry. Let's analyze each of these forces from a retail industry perspective:

Threat from the Competitors

This is one of the key factors which will ultimately be deciding the attractiveness of the retail industry. New entrants will be able to learn from the mistakes of the existing players and may join the industry with improved strategies or corrective measures. The new entrants can offer low-cost offerings with improved features for luring the customers. The competition in the retail industry is quite fierce and intense. As a result of this, the existing players may impose barriers to entry in the industry for the new players. These barriers can be imposed by strengthening the distribution infrastructure and the supply chain framework. Barriers for the new entrants can also be imposed by gaining a cost advantage or low-cost leadership and in the form of economic regulations or trade barriers for foreign players. Apart from this, the threat to the entry of new players could be from the differentiation of the product, capital investment strength and strong loyalty of the customers for the existing players. (prachi juneja , 2019)

Threats from the Substitutes

The existence of substitutes will affect the attractiveness of the industry and lower the profitability. This is because substitutes directly influence the prices of the products and the demand for the products from the customers as well. In the retail industry, the threat from the substitutes is very high. With the availability of more substitute products, the buyers will get more options to choose from the available alternatives for satisfying their requirements. The willingness of the buyers to buy the substitute products is directly dependent upon various factors such as quality, prices and the performance of the substitute products. (prachi juneja , 2019)

If we analyze the retail industry, various factors such as availability of alternative options for buying like online shopping, different modes of payment, availability of home delivery service, and cost of the substitute products can intensify the threats from the substitutes.

Bargaining Power of the Buyers

Buyers are the firms or the individuals who are the ultimate purchasers of the industry products and services. Buyers include the end consumers, distributors, retailers and the industrial purchasers.

A buyer’s bargaining power is expected to be higher if the scope for switching from one supplier to another exists. Moreover, if concentrated numbers of buyers purchase a large quantity of products, then the bargaining power of the buyers is expected to be higher. Apart from this, the industry bargaining power will be expected to be high for those products for which quality is given utmost importance.

Therefore, in case of the retail industry, the bargaining power of the buyers is expected to be very high because of the easy availability of plenty of substitutes with better price offerings, volumes purchased by the buyers, sensitivity towards the pricing/cost related factors and poor loyalty towards the brand. (prachi juneja , 2019)

Bargaining Power of the Suppliers

Suppliers supply the required raw materials or the inputs to the industry players. These inputs can be in the form of man, material, finance or technology related support from the suppliers. Various factors determine the bargaining power of the suppliers. The suppliers bargaining power is expected to be high if the quality of the raw material or the inputs are unique. The factors which govern the strength of the bargaining power of the suppliers are the uniqueness of the inputs or the raw materials, the quality of the product which is offered by the suppliers and more demand for the supplier's products will increase the bargaining power of the suppliers. (prachi juneja , 2019)

The intensity of the Competitive Rivalry

The higher the intensity of the competitive rivalry in the industry, the lesser will be the profitability of the firms. In the retail industry, the intensity of competitive rivalry is affected by a gamut of factors such as:

- Intensification of competition with new competitive players joining the industry.
- Gaining a competitive edge over the counterparts by achieving economies of scale in production
- Stiff competitive rivalry amongst the established retail tycoons or major industry players.
- Varieties offered in the product offerings for maximizing customer satisfaction and strengthening customer loyalty. (Prachi juneja, 2019)

The other crucial factors which determine the intensity of the competitive rivalry are the pricing of the products, service quality, strategic alliances as mergers/acquisitions, etc. Highly competitive rivalry can be regarded as a threat because it weakens the profit prospects and the prices. On the other hand, low competitive rivalry can be viewed as an opportunity because this will open new avenues for maximizing profits for the firms. (prachi juneja , 2019)

To sum up, retail industry globally has been witnessing a paradigm shift since last few years. **The industry is faced with cut-throat competition and is still ruled by unorganized**

players though the organized retail sector has shown an incredible performance. Various factors such as entry barriers, bargaining power of the buyers/suppliers, the intensity of competition and economies of scale should be taken into consideration by the retailers and work towards them for enjoying economies in scale and achieving a competitive edge in the industry. (prachi juneja , 2019)

Competitive analysis in retail industry India

Currently, India is the only market where the offline retail king Walmart and world biggest e-commerce retailer Amazon are showing their rivalry but not to their core strength. Amazon in India is trying to establish themselves in offline retailing which means in the coming two years, Amazon will have their retail stores in India while Walmart is trying their luck in online retailing in India but not through greenfield operation method but through acquisition of the India biggest e-retailer Flipkart by acquiring 77 percent of their stakes. But the twist is that their mightiest rival is the ubiquitous local champ: the mom-and-pop or in a more common way to explain- the unorganized retail store.

For years, large retail chains, both domestic and international, have tried–and often failed–to find a profitable business model in India which is a massive market with 1.4 billion people and economic growth. Carrefour from France has come and gone. The Metro from Germany has just 25 cash and carry stores.

India 's largest conglomerates have launched their own new retail chains, including the Tata, Birla and Reliance groups, but have not made much of a dent in the dominance of mom-and-pops. According to Indian retail consultancy Technopak, small retailers control nearly 90 per cent of the country's over $700 billion retail markets.

"The real challenge for e-commerce, brick-and-mortar, or any retailer is how you match those cost structures," said Raj Jain, Walmart India 's former president.

In contrast to the U.S.— where big-box retailers used their heft to get wholesale discounts, offer lower prices, and squeeze out smaller players— small stores in India stores often have the cost edge. Although they pay higher wholesale prices for their goods, their cost and operation structure is very lower than western retail chains, giving them higher profits, according to a Boston Consulting Group survey of stores in India. A 2016 report estimated that the rent, labour and other operating costs of small shops were as low as 7% of sales. The same costs tended to be more than 15% in modern supermarkets in India.

Shops like Amit Jindal's Maa Bhagwati Store in Noida's booming New Delhi suburb show the challenge facing big retailers. Mr Jindal's store is just 240 square feet, but he's packing it with over 1,000 different products, stacked on the ceiling shelves. In the corner, there are rice and wheat bags, a front cooler drinks, a cooled glass display case filled with chocolates, plastic snack packets hanging from the walls, and two ladders to help you reach everything. the rent is $250, and about $120 a month cost him his two employees, he says. He has few expenses other than his products ' wholesale price. He does not keep any inventory.

A few years ago, Easy Day, a national chain of grocery stores once owned by Walmart 49per cent, set up a shop about a mile away, then Amazon's grocery delivery service through mobile app also started in the neighbourhood Mr Jindal says he barely noticed it, and he continued to climb his own sales. There are no longer those bigger retailers in the neighbourhood today.

Saravjeet Singh, one of Jindal's regular customers, says he occasionally shops in large modern stores but still prefers his local shop's convenience. "We have a personal relationship with our kirana man, even my name is known to the owner," he said. "We can call and ask for just one match box or four eggs and they come running."

Big international and local retailers say the growing market has sufficient business to go around. In India , Walmart operates a wholesale business selling directly to mom-and-pop shops.

"We love the fact that our cash-and-carry business here in the country supports kiranas," said Walmart Chief Executive Doug McMillon

While some small retailers are making changes to ensure they can sustain the competition from the global retailers. Millions of these kiranas have started accepting cashless payments through e-wallets, mobile wallets and direct phone bank transfers apps . also they are interacting with customers through messaging apps rather than on the phone to receive orders. Some of them are even are having an e-commerce website.

India's Retail Market Size - Organized Vs Unorganized (In $ Billion)					
Market Type	2014	2015	2016	2017	2018
Total	501.69	556.76	619.39	694	777.14
Organized	39.26	46.82	55.84	66.6	79.43
Unorganized	462.43	509.94	563.55	627.4	697.71

India's Retail Market Size - Organized Vs Unorganized (In $ Billion) - In Percentage					
	2014	2015	2016	2017	2018
Organized	8%	8%	9%	10%	10%
Unorganized	92%	92%	91%	90%	90%
Total	100%	100%	100%	100%	100%

India's Retail Market Size - Organized Vs Unorganized (In $ Billion) - Year On Year Growth					
Year on Year Growth	Market Type	2015	2016	2017	2018
	Organized	19%	19%	19%	19%
	Unorganized	10%	11%	11%	11%

Figure 15 Growth Figures

2018 retail industry updates.

The story about Indian retail in 2018 was incredibly interesting. many industry experts predicted the year would be the beginning of the end of India 's offline retail were proved to be wrong. Walmart, the world's largest physical retailer, finally re-entered or rather reintroduced Indian consumer-facing retail by acquiring Flipkart, the country's largest online retailer, for an astronomical $16 billion.

The action, however, did not really move towards retailing online. The game's name in 2018 was omnichannel retailing. While Indian modern retail pioneer Kishore Biyani announced his retail 2.0 ambition to empower his physical store's chain with technology, Amazon India and Samara Capital purchased Aditya Birla's 608 million dollars grocery chain. Amazon's news buying a minority stake in Future Retail later in the year.

The intense M&A activities lead to the market valuation of retail companies hit the roof. It soared by 57 per cent. The biggest gainer has been

- V-Mart Retail, whose average market cap grew by 127.8 per cent,
- Future Retail saw a 96.81 per cent jump,
- while Shoppers Stop's average market cap grew by 68.20 per cent.
- Value retailer Dmart (owned by Avenue Supermarts), whose market cap growth was the talk of the market all through 2017, also saw a 59.15 per cent growth in market cap.

An online presence is needed by physical retailers and vice versa. They don't necessarily want to buy online as far as consumers are concerned, they also want to touch and feel. A retailer like V-Mart, which provides tier 2-3 markets, therefore has a unique advantage. These are markets where online retail hasn't really made inroads and they like to touch and feel the products they buy.

Again, these are markets where other modern physical retailers have not forayed into, so shopping in an air-conditioned environment is consumer luxury. Analysts, therefore, find retailers like V-Mart, who operate in smaller markets to be big acquisition candidates for the likes of Amazon and Walmart, who want to percolate into small-town India.

Amazon, through its assisted online retail initiative Udaan, has tried to reach out to small-town India. Reliance Retail plans to do the same as well. But let's not forget that if her grocery or vegetables get the door delivered to her, a home-maker in a village won't be too happy. After all, her only form of social interaction is stepping out for grocery and vegetable shopping. It's the only time she can catch up with her friends and keep up with what's going on in her locality. Thus, while retailing online is set to take off, neither the modern physical retailer nor the Kirana store will soon disappear. Instead, both through physical stores and online, retail companies will try to reach out to the consumer.

The fully-owned retail subsidiary of Amazon in India is on a spree of expansion. According to an Economic Times report, Amazon Retail India , which is already present in over 100 cities, plans to increase its presence in around 60 tier 2-3 cities.

Amazon is setting up several delivery centres for its hub-and-spoke model for this purpose. This comes nearly two years after the government gave the company a thumbs up to source items locally. The retail giant had infused around 34 million dollars into Amazon Retail India , signalling an increased focus on the grocery/FMCG arm. Amazon Retail India forms the Amazon Pantry and Prime Now services of the giant that deliver food and other household products.

Interestingly, it was reported that when the government upgraded the foreign direct investment laws in marketplaces in November, Amazon might stop selling food products in India. The government later clarified, however, that the food retail businesses with FDI will not be affected. This led Amazon to resume its operations in the food industry.

Main features of the retail industry of India

Robust Demand: -

The important growth drivers in the organized retail market of India are increasing disposable incomes, changing consumer tastes Healthy economic growth, changing demographic profile and preferences are driving growth in the organized retail market in India. Rapid urbanization with increasing purchasing power has led significantly to the growing demand. (IBEF,2019)

Increasing Investment: -

The Global big retail companies are continuously entering the Indian retail market which is quite evident from the fact that Cumulative FDI inflow in retail as of September 2017 stood at US$ 1,098.81 million. 100 per cent FDI allowance through government approval in cash and carry operations are gaining significance in India with Thailand's Siam Macro being the latest entrant in this space, following Metro, Walmart and Booker. (IBEF, retail report ,2019)

Innovation in Financing.: -

The collaborative efforts of financial banks and other financial institutes with retailers are enabling consumers to go for durable products with easy credit. The concept of EMI is widely used by consumers while shopping for expensive durable products. Even the e-retailers with the help of financial institutes are offering EMI payment options. IN January 2016, Bank of India, third largest public bank of India announced a reduction in interest rates on retail loans offered by the bank. (IBEF, retail report ,2019)

Policy Support: -

About 51 per cent FDI is allowed in multi-brand retail while100 per cent FDI in single-brand retail under the automatic route. The Introduction of Goods and Service Tax (GST) as a single unified tax system from to provide a level-playing field to stakeholders, the government is planning to synchronize policies of retail, FMCG and e-commerce within a single policy framework. (IBEF 2018)

Retail formats in India: -

- Mono/exclusive branded retail stores
  - Exclusive showrooms owned or franchised out by a manufacturer
  - Complete range available for a given brand, certified product quality

➢ Multi Branded Retail Stores: -

- Focus on product categories and carry most of the brands available.
- Customers have more choices as many brands are on display.

➢ Convergence Retail Outlets

- Display most of the convergence as well as consumer/electronic products, including communication and IT group
- A one-stop shop for customers; many product lines of different brands on display.

➢ E-Retailers

- It is an online shopping facility for buying and selling products and services; the facility is widely used for electronics, health and wellness
- Highly convenient as it provides 24X7 access, saves time and ensures a secure transaction (IBEF, retail July 2018)

<u>Figure 5: - Competitive landscape in Indian retail sector.</u>

Figure 5: - Competitive landscape in Indian retail sector.

retail stores

departmental stores

- pantaloons has 209 sotres
- westside operates 108 stores as of fy 17.
- shopper stops has 81 stores in India as opf 2016
- As of FY17, Reliance Retail launched ‘Trends’ in this format and currently has nearly 3,616 stores across India

hypermarkets

- big bazaar -512 stores
- hypercity 17 stores
- aditya birla retail 20 stores

supermarkets

- aditya birla retails - more than 500 stores
- spencers daily (134) stores
- reliance fresh (700 stores)

speciality stores

- Titan Industries is a large player, with 430 World of Titan, 174 Tanishq and 336 Titan Eye+ shops
- Vijay Sales, Croma and E-Zone are into consumer electronics
- Landmark and Crossword focus on books and gifts

cash and carry stores

- Metro started the cash and carry model in India ; the company operates 24 stores across Mumbai, Kolkata, Delhi, Punjab, Hyderabad and Bengaluru
- As of FY17, Reliance Retail operates 41 cash and carry stores called ‘Reliance Market’

Recent growth in the retail industry: -

India 's retail sector is emerging as one of the economy's largest sectors. In 2016, the total size of the market was estimated at around US$ 672 billion, recording a CAGR of 7.74 per cent since 2000. It is expected that the retail industry will grow to US$ 1.3 trillion by 2020.

Food and grocery segments are expected to account for 66 per cent of total revenues in the retail sector by 2020, followed by apparel segment Demand for Western outfits and ready-made clothing has grown by 40–45 per cent annually. New Indian organic labels in hair care, cosmetics, food and apparel are setting up to establish an organic niche in the growing herbal segment after 2017 is a favorable year for herbal-Ayurveda brands. India 's organized retail is in its initial phase. As organized retail penetration (ORP), the transformation measurement index from unorganized retail to organized retail is called. India 's top is quite low, currently stabilized at 7 per cent compared to other countries such as the US has 85 per cent ORP

The index results indicate that organized retail in India has strong growth potential. It can also be concluded that the Indian retail industry is still in its infancy. During the fy period 2016-2017, organized retail accounts for only 7 per cent of the total market. While there is still a majority of unorganized retailers with over 15 million mom and pop stores. Although India 's organized retail is growing at a 20-25 per cent annual growth rate. The estimated organized retail penetration of around 10% by 2020 and the remaining 90% by 2020. (IBEF, retail april,2019)

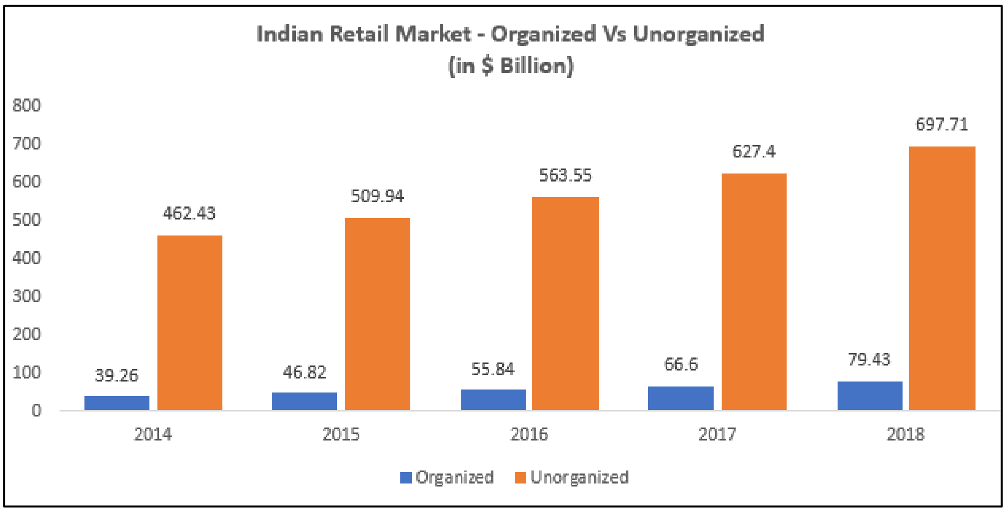


Figure 6: - Indian retail market – organized vs unorganized.

Occupied by the unorganized retail sector. The unorganized retail sector in India has huge untapped potential for adopting digital mode of payments, as 63 per cent of the retailers is interested in using digital payments like mobile and card payments.

EY analysis of Retail and wholesale industry of India

- The world's largest unexploited retail market recognized as the leading destination for retail investment in the 2006 Global Retail Development Index
- Organized retail still only accounts for less than 4% of the overall sector. This is expected to grow by more than 400% to $30bn by 2008, taking 8% – 9% of the retail sector.
- The rapid development of the real estate

- FDI of up to 51% is now permitted in an Indian company operating in the retail sector under a single brand.
- Overseas retailers are also able to operate via franchise and strategic licensing agreements as well as wholesale operators.
- One-quarter of the world's youth live in India. More than 50% of the Indian population is below 25 years of age.
- By 2050, India will have overtaken China as the world's most populous nation.
- Growing consumer class and rising disposable incomes
- 209 million households across the country. Although only six million of these are classified as rich, a further 22% are regarded as the consuming classes. This figure is expected to rise to 32% by 2010
- Disposable incomes are expected to rise at an average of 8.5% per annum until 2015
- Availability of cheap credit is increasing
- One of the world's fastest-growing economies; a 3rd largest country in the world in PPP terms
- GDP has more than doubled in the last ten years

Rising disposable incomes, cheap consumer credit, highly attractive demographics, a booming economy and an increasingly liberal regulatory environment. No wonder, retailers globally are getting serious about India. Though the prize may be great the road is still a tough one. From understanding local tastes and tailoring the product offering, to securing access to the right real estate, entrants to the world's largest untapped retail market face some difficult challenges. (EY, "why India why now", 2019)

2. Chapter 2 Entry Strategies of Multinational Companies in The Indian Market

2.1 Market Opportunities in The Indian Retail Market

India during the period of 2013-2015 was the world's fifth most attractive destination for investments as well as operational establishments by multinationals. The factors that makes Indian market as one of the most attractive markets for entry of global corporations are as follows-

Domestic Favorable Demographics

Approximately 18 per cent of the world population currently resides in India with a median age around 25 years old which supports them to be known as a young skilled nation. India has an enormous middle-class population which is going to be 1 billion by the end of 2039. Reports from the National Sample Survey Organization (NSSO) states that India is countersigning a radical decrease in the Below Poverty Line (BPL) population which supports favorable demographics.

Developments in the Indian consumer market, consumer spending has doubled in India over the past years and is expected to continue to grow in the coming year. Favorable regulations for attracting foreign investments, increasing openness to promote international trade. The high development of software, information technology and other business services. One of the main reasons for current foreign investors is the huge potential of the domestic market. But the high quality of the workforce also makes it an attractive destination for outsourcing. ("Sales in India - What is my best India market entry strategy?", 2015)

Huge workforce and outsourcing support: -

The advent of India as one of the most appealing destinations for outsourcing services are well supported by the fact that huge, skilled and young workforce. Nearly 70 per cent Indian population comes under the bracket of working age group 15 to 64 years of age. with the current population growth and stats, approximately 250 million of Indians would be joining the workforce by the end of 2032.

Labor force of India has a strong knowledge base with a significant English-speaking population and high level of tertiary education supporting a diverse talent pool across industries Resources – To remain in the radar of foreign investors, India offers a rich bank of mineral resources supported by low cost of production Location -Foreign companies strategize to utilize India as a springboard to access some of the regional South Asian, Middle East and even African markets.

The outsourcing destinations in India are well scattered across the world. The high number of higher education students ensures a large talent pool. With 33,000 plus colleges and 650 plus universities, India enrolled ~26 million higher education students in the year 2011-12. With English being the official language, India offers an attractive potential workforce. Large labor force keeps labor costs low and competitive. Huge labor supply offers opportunities for labor intensive industries Low labor costs in comparison to other emerging economies such as China and Brazil. The Indian government supports investor-friendly policy reform India the most preferred destination for foreign investors

Recently announced investor friendly schemes include the further opening up of FDI in the retail sector, the introduction of the Qualified Foreign Investor (QFI) scheme that enables foreign investments in mutual funds, and the enhancement of Financial Institutional Investors (FII)' access across various debt security categories. The wide infrastructure network is improving continuously, supported by government investments.

India offers one of the world's largest infrastructure networks in terms of roads, rail and ports, among others. A US$ 1 trillion investment plan that is rolled out in the next 5 years is targeted at current infrastructure deficiencies. A large industrial corridor will be created to connect Mumbai and Delhi. This multi-decade plan also entails the development of 6 new cities. Outsourcing can form first access to the large domestic market. India accounts for c.8% of the global outsourcing market, the FDI is successfully implemented through outsourcing. Companies that enter India through outsourcing can gain access to the growing and maturing domestic (consumer) market. ("Sales in India - What is my best India market entry strategy?", 2015)

developing Infrastructure support

India extends huge infrastructure support which covers the following major points. India has the second largest road network in the world which is approx. 3.34 million kilometers. Not an only road, nut also in the railway network, India has the largest in Asia and second largest in the world around 63000 kilometers of rail lines. There are 15 major ports and 190 intermediate or minor post-Special Economic Zones (SEZs) Policy to attract larger foreign investments in India.

According to kpmg India report 2015, The keys to market entry success in the Indian market are: -

1. The Ability to understand the diverse market and not to treat the entire market as one single market. The companies need to segment the market according to their offerings and create strategies towards specific regions and income groups (target segment).

2. Indianization of offerings -Molding the offerings according to the target group can help to gain early acceptance.

3. Integration of the informal sector into the core business model followed by gaining access to relevant networks.

4. Consistency and reliability in approaching the market, and patience to realize results.

5. Patience to understand and obtain mandatory licenses and approvals, crucial for business operations.

6. Outsourcing services and manufacturing emerges as some of the leading routes to market for FDI investments. ("Sales in India - What is my best India market entry strategy?", 2015)

Modes of Entry

2.2 Exporting

Market entry strategy is the key & decisive factor of any multinational company for its success into a new market. The strategy of market entry is majorly influenced by the following key factors- firstly and primarily the capital required for the investments like how much investments to make or it can also be a non – equity based market entry, secondly the availability of company resources like human resources, thirdly the growth potential of the target market. While other relevant factors are the possible ways of controlling the corporate activities in the new foreign market, the political and the business risk, market research about the operational stuff like consumer usage behavior, adaptation behavior of a consumer of foreign products, etc. Depending on the finances, the corporate might go for either the primary market research or could use the reports from the management consulting firms like E&Y and KPMG.

The modes of international market entry strategy are categorically divided into three parts: -

- Export and related activities.
- Non-equity-based / contractual entry strategies
- Equity based investments.

Direct Exporting to India

The easiest way of serving the Indian market is definitely the direct exports of manufactured products from overseas. However there are legal and market complications in this form of entry, such as that it assumes that the company already know about potential consumers in India , as per as the legal requirements are concerned the entity should have all the import registrations which actually is binding upon the importing partner and further settlement commercial business invoices in the foreign currency instead of the local Indian Rupees.

The pros of direct exporting to India are that the exporters have strong control over pricing as there is no intermediary indirect exporting. This also reduces distribution costs and expenses.

Another huge advantage is that in India it’s vital to have direct contacts with customers. Interpersonal trust and relationship play a very crucial role in the buying experience for consumers, and most of the Indians are quite hesitant and doubt to see the involvement of the intermediaries –quality, reliability and the post-purchase services are generally the main selling points. Direct contact with customers also the company to get the honest feedbacks which is a very important factor in assessing their position in the market and to know their customers need.

While there are a lot of advantages of direct exporting to India but there are a couple of disadvantages also. Disadvantages of direct exporting from an overseas location are the lack of discernibility and also a limited range of actions. Not having the own local presence as a liaison office or wholly owned Indian subsidiary, the corporates will only have a rough assessment of the potential opportunities to explore in the market.

Alternatively, the corporates cannot do online selling to Indian customers. As per the law, foreign entities that want to sell products online directly to Indian consumers will need to have an Indian partner, or the source of the product should be Indian which either assembles in India or manufactured in India. ("Sales in India - What is my best India market entry strategy?", 2015)

Exporting Through Dealers: -

One of the most common ways for foreign manufacturers to enter the Indian market is exporting through distributors. This not only enables retail consumers or end users to pay in the local currency but also increases customer base potential for foreign manufacturers. Additionally, the distributors allow the manufacturers for instant access to a country wide sales force with an existing customer network and without any large initial investment or long lead times. There are plenty of export distribution companies in India whose main operations are to coordinate with a foreign manufacturer to provide the services related to distribution and supply chains. On top of this dealers are usually trading houses and works for a lot of companies at the same time and keeping diversified product portfolio – with their focus on margins and volumes.

Since it is quite difficult to evaluate the partner's work from abroad, companies need to involve their staff in running the operations of the Indian business–and multiple trips to India are a must. However, there is one more risk associated with the distributor regarding the pricing and cost estimates. The foreign partner needs to make sure they do not set prices in the favor of domestic partner by estimating costs too high – e.g., final prices for labelling; transport and storage, taxes customs duties.

The value of imported–and often high-quality–products are not always Indian distributors ' top priority, so their sales representatives may not have the knowledge about products or be fully able to maximize their market potential. However, this is one of the key criteria for market success or market failure, especially in a price-sensitive market such as India.

The final issue is that many foreign entities faces are that the scale of India which means that the distribution network throughout the country is not uniform. Foreign companies need to segment the market well in terms of geographical distribution. This means you may have a great distributor in the North East covering Kolkata and surrounding areas, but you need another distributor for the Hindi speaking North, and still others for the South and the West. Building and maintaining relationships with all these takes time and companies often find they need to have a team in place on the ground to manage everything and ensure that everything is above board. ("Sales in India - What is my best India market entry strategy?", 2015)

2.3 Licensing and Franchising

Contractual entry strategy

Licensing – it is non-equity-based type of market entry strategy where the company doesn't to invest any capital while entering a new market. Non-equity mode of international corporations is a contractual relationship between firms without any capital investments. In layman terms, a license generally means approval or permission given for an activity/ business operation that would otherwise be forbidden to use. So basically, under licensing, the company or licensor assigns the right to use a patent, trademark or a product know how (trade secrets) to another company or licensee. So, it is easy to enter a foreign market without investing any capital. Licensing is generally used by the manufacturing companies, the most common examples of licensing are the usage of windows platform on the laptops manufactured other than Microsoft such as HP, Dell, Lenovo, etc. (win in India , An Analysis of Market Entry Strategy Into India 's Food and Beverage Industry, 2018)

Franchising also falls into contractual modes of entry strategy. The Franchising is an agreement in where the franchiser can sell the rights to use its brand name, trademark, patent, technical know-how to a franchise in an exchange for a franchise fee or lump-sum payment and can also share of the franchisee's profit (Levi, K., 2007). An advantage of this strategy is the speed at which a foreign company can enter a new market. Licensing is similar in form to franchising; however, it is only employed by manufacturing companies while franchising is used by manufacturing and service companies. The strategy is attractive to companies that wish to have a low capital investment and intends to use the benefit from local knowledge. Control is also maintained to a certain extent since the principal company has rules and standards to abide by when using the brand name.

This can be both an advantage and a disadvantage. Quality control and global coordination are difficult when a company manages multiple franchises across several countries. McDonald's in India is quite different from McDonald's in Europe. For instance, in India, with every burger they buy, the consumers will get a free sauce sachet without paying any extra money for it, which is here in Europe, people must buy it separately. There are also plenty of vegetarian options in McDonald's and in other multinational fast food chains like KFC, Mc Donald’s. Lastly, the negotiations and agreement on terms over the profit sharing and franchise fee may take a little time, as Indians tend to negotiating a lot. (win in India, An Analysis of Market Entry Strategy into India ’s Food and Beverage Industry, 2018)

Case study:- Pizza Hut Market Entry Strategy in India

Pizza Hut, which is a division of Yum! Brands Inc. entered into the Indian fast food market in 1996 with the grand opening of its first ever franchised outlet in New Delhi The company initially established only four franchises in India : Pizzeria Pure Foods, Devyani International, Weighbridge, and Dodsal (Pizza Hut Aims for 100 India Outlets by '04, 2002). The global food chain giant began expanding its operations by opening more dine-in restaurants all over India and was serving about 40,000 customers per day by the end of the year 2003. the standard dines-ins was approximately 2,000 square feet and the sitting was in between 120 to 200 people (Srikanth, G., 2004). However, being the first international company to pioneer the market of pizza in India, Pizza Hut’s offerings were not clearly understood by the Indian consumers, they were not sure whether to have pizza as a snack or meal option.

This confusion catalyzed with high prices eventually were stopping the consumers from eating at pizza hut outlets which on estimate needed 49 average of 450 customers per day ordering a minimum of approx. $5 dollars’ worth of food to at least cover the rent (The Incredible Shrinking Outlets, 2004). The global food chain was not only facing competition from other local dine-in restaurants, but also from their archrival Domino’s Pizza. Domino’s pizza followed the company’s entry into India in 1996 through a franchise agreement with Vam Bharti Corp (Srikanth, G., 2004). Dominos was quick enough to position themselves as the brand which delivers pizza straight to the homes free of cost that too within 30 minutes of placement of the order, or otherwise, the order was free (Srikanth, G., 2004). Domino’s strategy was an instant success which affected Pizza Hut as they began to lose its customer base.

After the demand for pizza in India was established, other international pizza giants began entering the country and attempted to compete with Pizza Hut and Dominos for market share. Pizza hut need to differentiate themselves from other multinational food chains. The company began to do very well in large cities, becoming the first pizza giant to match pizza selection with local tastes. The company did just that by catering to regional tastes, offering a variety of pizza options including ev puri, chettinad paneer, chicken achari, and nimbu mirchi flavored pizzas.

2.4 Wholly Owned Subsidiary Mode of Entry Strategy

Some multinational companies prefer to enter new markets by setting up a solely owned subsidiary in the target country, either through the establishment of a new entity or by the acquisition of a well-established company. In most cases, the parent company has complete control over the entity by owning 100% of the subsidiary's stock. Companies whose competitive advantage is based on technological competency should consider this mode of entry to maintain control. Wholly owned subsidiaries also enable the company to benefit from strategic coordination and from local economies (Levi, K., 2007). often these subsidiaries have Less competition and can gain access to local assets. However, wholly owned subsidiaries have disadvantages too, primarily they require a huge capital investment which comes with a massive risk factor. A wholly owned subsidiary also requires companies' resources such as human, thus, this strategy should be well planned which should also include contingencies regarding government policy changes. (Greer, 2018)

Minimum requirements of a wholly owned subsidiary in India are

- Capital: There is no minimum capital required to form a Private Limited Company in India.
- Directors: Minimum two directors are at least required to incorporate a Private Company in India. Both should be individuals and at least one of whom should be a resident of India. (A resident of India is a person who has stayed in India for at least 182 days in the previous year).
- Shareholders: Companies Act, 2013 requires that a Private Limited Company have a minimum of two shareholders. There is no condition for the residential status of shareholders. Shareholders can be either individuals or entities or a combination of both.

While the procedure of registering of a wholly owned subsidiary by parent foreign company is still quite complicated, although the changes implemented by the present government have eased it to some extent. (Bhatia, 2019)

Three step Procedure of Subsidiary Registration in India:

1. Obtaining DSC and DIN-

The first step towards subsidiary registration is applying for the DSC (Digital Signature) and DIN (Director's Identification Number) of the Directors.

2. Name Approval:

Selecting a unique and acceptable name for the proposed Company is one of the important steps in the whole Incorporation process. The name should be in consonance with the Object of the Company and should not be identical to existing entities or Undesirable by Law. (Bhatia, 2019)

3. Incorporation Application:

This is the final step in the subsidiary registration process. It requires the filing of the Memorandum and Articles of Association of the Company digitally along with various other documents duly executed by the proposed directors and shareholders (Bhatia, 2019)

Case study ikea market entry strategy in India

Ikea market entry strategy

Ikea India is a wholly owned subsidiary company of Sweden. It became a global headline when the world's largest furniture company IKEA decided to enter the second most populous country in the world. IKEA was Founded in Almhulty (Sweden) and headquartered in Leiden (Netherlands), IKEA had taken 12 years to enter India with quite a few firsts (departure from its global practices) for its 'long-term' play. IKEA built a global business empire selling affordable, Scandinavian design inspired furniture with a DIY model. Having honed the IKEA WAY over 51 countries with 403 stores and $40.2 billion sales, IKEA's India entry was quite a news globally and in Indian business landscape. IKEA's entry was news for a few firsts as it entered India. As of September 2018, IKEA's $1.9 billion investment had been India 's biggest single-brand FDI.

For the first time ever, IKEA was experimenting with an Omnichannel retailing strategy starting from Mumbai in 2019. IKEA's Hyderabad store has IKEA's biggest restaurant with 1000-seater with customized Nordic - Indian menu. DIY seemed to be replaced with LUHY (Let Us Help You) with home-delivery (using e-vehicles) and assembling services (tie-up with UrbanClap). IKEA's first Indian store was launched in Hyderabad on August 9th, 2018 after postponing the inauguration once (slated for July 19th, 2018). The 4-storied store in HITEC city (2 floors for parking) was built in 400,000-square-foot (37161.26 square meters) with 7,500 well-researched products (1,000 products selling below ₹200) had been quite a business disrupting force for Indian retailing industry in general, and for Indian furniture retailing industry in particular. While Hyderabad welcomed IKEA store with warmth, the CEO, Peter Betzel (Peter) stared at quite a few daunting challenges including product labelling (with MRP), taxes, IPRs, discerning Indian consumers and most importantly how the established competitors (offline as well as online) would ready their stealth weapons to take on India 's new guest. ("IKEA Market Entry Strategy in India | Peter Betzel's Business Challenges", 2019) (patil,2019).

2.5 Joint Ventures & Strategic Alliance:-

strategic alliance is as an agreement between two companies to combine their value chain activities for a competitive advantage (Levi, K., 2007). The only difference between strategic alliance and joint ventures is that a new company is formed in a joint venture, while in strategic alliances, it's just contractual agreements. While a joint venture is traditionally represented in the form of a 50/50 venture in which both the participating companies have 50% ownership. There are a lot of advantages in selecting this mode of entry, including the opportunity to receive a greater return from greater equity participation.When foreign direct investments are fully not open or have some kind of restrictions, multinational corporations then often select this mode of entry and parties mutually benefit from each other's understanding of the international market. The external environment risks such as Economic and political risks mode strategy are also reduced when a foreign company joins with a local partner. A disadvantage of this mode strategy could be tension and conflict that results from partnered decision making. Conflict resolution is something that should be addressed upfront when establishing a joint venture. There is also a potential risk of losing control over technology or patented products. Joint ventures and strategic alliances do not always yield a fruitful advantage; however, more and more companies are using this mode to

Case study Vistara case study

A great example of Indian Joint Venture with a foreign company is the airline, Vistara, a Full-Service Carrier. Vistara is the brand name of Tata SIA Airlines Ltd, a JV between India 's corporate giant Tata Sons and Singapore Airlines (SIA).

The airline Vistara commenced operations on January 9, 2015, with its maiden flight between New Delhi and Mumbai. By end of January 2018, Vistara operated some 25 destinations in India.

It also holds the unique distinction of being the first airline to operate a domestic flight out of Terminal-2 from Mumbai's Chhatrapati Shivaji International Airport. Tata Sons holds 51 per cent stake while SIA controls the remaining 49 per cent in the airline. Vistara has carried some three million passengers since its launch. The two stakeholders are pumping in billions of US Dollars into Vistara to expand domestic operations, foray into international markets and expand its fleet of narrow-body and wide-body aircraft. Vistara is one of the most successful joint ventures company in India and is estimated to hold about four to five per cent share of India 's domestic aviation market. (things in India ,2019)

3. Chapter 3 Company (Wal-Mart) Overview and Market Entry Strategy into The Non-Eu Country (India) Analysis

3.1 Company Overview

Walmart is a multinational American retailing company that operates retail stores which includes grocery stores, cash and carry store discounts warehouse clubs and combination of general merchandise store. The “Everyday Low Price” (EDLP) business strategy distinguishes Walmart from its competitors. The corporation is divided into three sections: Walmart U.S, Sam’s club and International Segment of Walmart. In the Financial year 2013, approximately 60% of the total sales came from Walmart U.S. which makes them the biggest segment, while 29% of the total sales came from Walmart International and the remaining 11% of the total sales came from Sam’s Club. The product portfolio of this retail giant has a huge and diversified range which include electronic items, baby & kids clothing, video games, toys, fitness and sports instruments, jewellery, groceries and so many other things. According to Fortune’s ranking, Walmart is the world's largest company in terms of revenues, which is almost $495 billion in 2017.

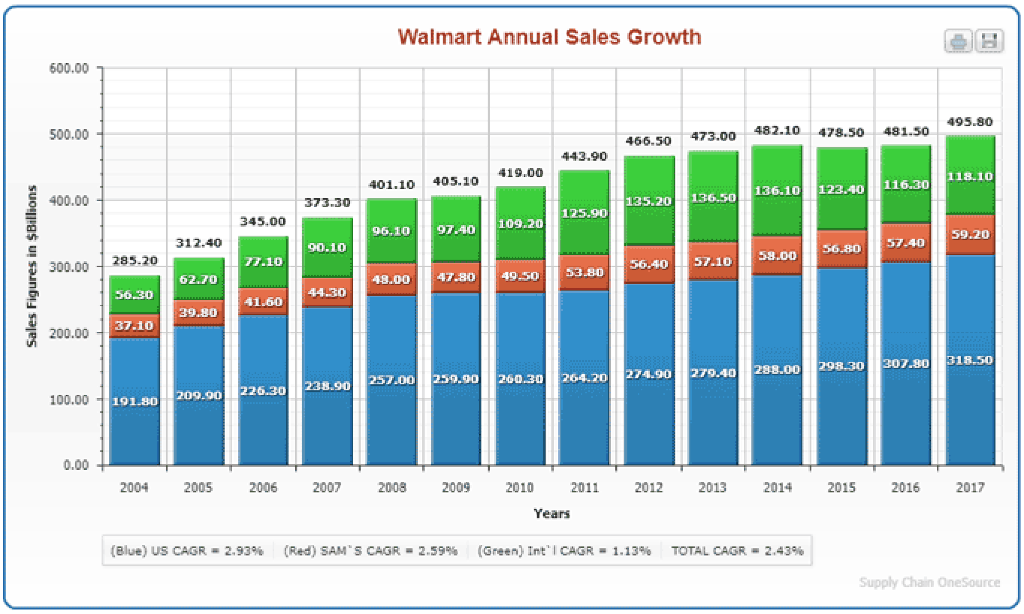


Figure 10 Walmart annual sales growth

3.2 History: -

The Walmart stores were founded in 1962 in the Rogers district of Arkansas by Sam Walton and his brother Bud. Before opening Walmart, it was called "Walton's Five and Dime,". The new business model of Sam Walton's was very different from other retailers not only in terms of discount but he also keen on opening stores in small towns.

In the beginning, they opened up more stores in Arkansas but later expanded Walmart to neighbouring states Oklahoma and Missouri in 1968. In 1972, the company got listed in the New York Stock Exchange ('NYSE'). Walton group with the help of capital raised introduced the Sam's Club warehouse store and also opened other supermarkets in Iowa, Nebraska and Indiana in 1983. During the 1980s, the company rose immensely and reached $25 billion in sales with more than 1,500 stores and almost 270,000 workers at the end of the decade. In the 1990s, Walmart became the largest retailer in the country.

3.3 International Presence of Walmart: -

The multinational retail company is catering over 179 million people all over the world per year and it also employs 2 million people all over the world. The number of retail stores owned by Walmart and all its subsidiaries is around 7,300 and while Sam's Clubs store are also present in over 14 countries. between the year 2002-2005, the company has been top of the list of fortune 500 company. In 2017, Walmart again became the number 1 company in the fortune 500 company raking. the company has been quite successful in many countries by optimally utilizing the human resources as well as the other country-specific resources in the nations. The idea of Walmart international is to capitalise on the strategy set by the company for global expansions and the present targets of Walmart are the big nations with huge human resources like Russia and India.

There are plenty of strategies being employed by Walmart. The major strategies implemented by the company in international markets are as follows:

- Establishment of partnership with the organisations and business that are present locally.

- Working in close association with that of the governments of the states and nations
- Trying to exploit the flourishing purchasing power of the people in the middle class (Newsweek, 2007)

Strategies for global expansion

The strategy implemented by Walmart at the international level is altered or modified to make it a transnational strategy. The key aspects of this strategy include operations at the international level response at the national level, and gaining and using the knowledge from the operations that are being conducted on a global scale. The main strategy adopted by Walmart in global expansion is by through acquisition of existing and well established domestic retail chains while working upon reducing the distribution cost of goods.

According to the needs as well as the culture of the people, there is a high level of adaptation and the company has its location which is proximal to its market. Walmart showed a lot of sensitivity to the individual needs of every country and then responded in an appropriate way to these needs by adopting and modifying its product portfolio. Walmart worked and cooperated with the all forms of government in the country whether it's local or federal to work out their best opportunities in the target market that would not only benefits the citizens as well as the company itself to establish their foothold. The company does a lot of community works. One such is the provision of sponsors for the student community and contributes its share to the welfare of the people in the nations where it has its operations.

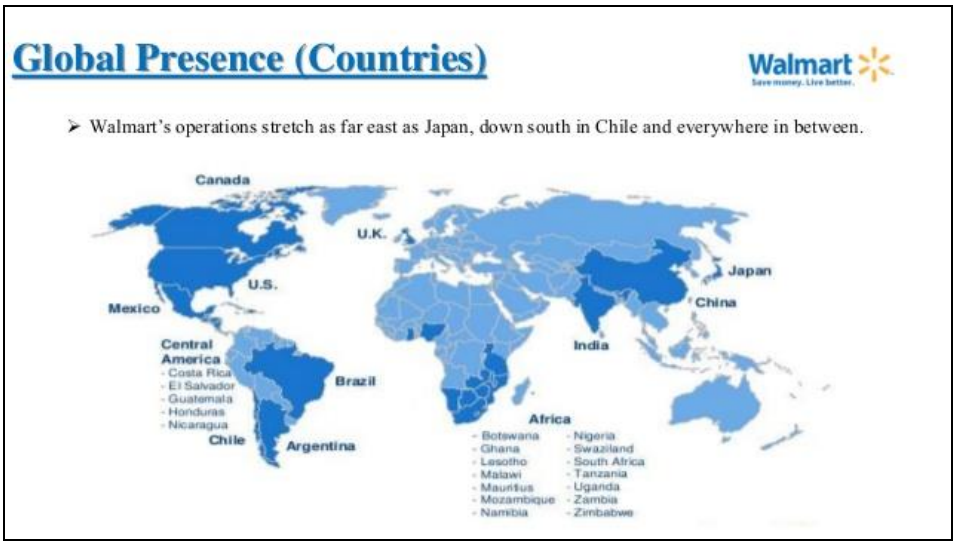


Figure 11 global presence of walmart

Success factors of Walmart:-

The retail stores operated by Walmart is that of the product being stored by the company which would move towards the equipment at the front end and this would go a long way in helping the checkouts quickly with the company's philosophy of providing goods at low daily prices and at the same time providing high-quality customer services. The added benefit of the low cost is that the cost of sales promotions incurred in organizing can be largely reduced. In addition, sales are increasingly predictable. The company strongly believes in the "cross-docking inventory system" system and has therefore invested a lot in it.

The cross-docking process has led Walmart to attain economies of scale and in turn, has led to substantial cost savings for sales. In the system followed up by Walmart, the goods are delivered continuously to the stores in no more than two days and sometimes even inventory is not necessary. Therefore, Walmart's shelves are refilled more quickly than four times the current market competition. This is a particular advantage that the company has as far as competition is concerned. The purchasing power of Walmart is leveraged by bulk purchases and the company is responsible for its own distribution. The company thus guarantees low prices every day and is thus a one-stop shop for its customers.

Single Business Strategy :-

The main reason behind Walmart's success is that the company believes and focuses on a single business strategy. This is the strategy that has brought success to the company over a period of more than 30 years. The company has never believed in the concept of diversification in the three decades to sustain its growth and its competitive advantages. The customer services and the low prices offered are therefore the main reasons behind its success.

Supply chain, distribution

A company's competitive advantage depends on the efficiency of the company's operating system and also on the degree of supply chain efficiency. Walmart's store chain is extremely successful only because of the company's capacity to distribute the goods from an enormous network of modern distribution centres, which are in turn serviced by private trucks. In terms of the installation and the filling of the racks in the new stores established by the company annually, Walmart was also highly efficient. This is evident from the fact that while Walmart increased its sales by 30% in a two-year period, in the same period of time there was only a 12 % increase in inventory value at the cost of replacement. Therefore, the strategy of leveraging a supply chain in order to limit inventory growth continued to be followed by the company, resulting in a 14 % increase in inventories and a subsequent 3 % increase in inventories during the first quarter.

For Walmart, winning the local battle involves two steps:

1. Local adaptation

A company that wishes to establish a domestic presence should understand the unique features such as buying patterns of local people of the market and decide which aspects of its business model requires changes, which require local adaptation and which need to be completely reinvented. The entry of Walmart to China provides insight into this process. China, as the world's most populous country, is a major potential retail market. Between 1990 and 1995, China's retail sales grew at an annual rate of 11%, driven by economic liberalization and a large pent-up demand for consumer products. (Govindarajan & Gupta, 2002)

however, the Chinese market poses unpredictable challenges, as Chinese ' infrastructure and regulations are often unpredictable and inconsistent. Furthermore, disposable middle-class income in China is significantly lower than in the US, so even the discount chain stores of Walmart must reinvent its business model to function within the reach of key population groups. Finally, Walmart had to recognize that most Chinese buy in small amounts, which requires tailored marketing approaches for the labelling of products and brand names.

Walmart responded with several experiments. First, to see which had the biggest customer appeal, it experimented with different store formats. One was the Shenzhen Supercentre, a hybrid store that combines a supercentre with a warehouse club where memberships were sold but non-members or consumers without the membership of warehouse club were also able to shop at "everyday low prices" plus at a premium of 5%. Operation Shenzhen also experimented with stocking merchandise focused on a predominantly male market. Walmart also started testing smaller satellite stores in China that seemed to fit better with buying habits as well as trends in transportation and shopping.

Walmart tested goods to determine what would best fit in the Chinese culture and what would have been the greatest consumer appeal. Walmart, therefore, started to transport a broader range of products, especially perishable items, which were appealing to the Chinese palate. (Govindarajan & Gupta, 2002)

Another area that required adaptation was product procurement. Walmart had 3 choices,

global suppliers ' products;

- products manufactured in China by global suppliers such as Procter & Gamble,
- local suppliers ' products. (Govindarajan & Gupta, 2002)

Walmart chose to buy 85% of its Chinese market merchandise in China through a combination of options 2 and 3. This solution aims to reconcile local customers ' desire for US high-level consumer goods and local government pressure to purchase domestic goods.

2. Battles with local competitors

Whenever a company comes into a new country, it can anticipate retaliation from local and other multinational companies that already operate in that market. Successful local presence requires these competitive threats to be anticipated and responded to. Walmart used several approaches in various markets to neutralize local competitors:

Acquiring a dominant player. In December 1997, Walmart acquired from Germany's Mann family the Wertkauf hypermarket chain of 21 stores, one of the country's most profitable hypermarket chains.. Having determined that the construction of new hypermarkets in Germany would be inappropriate due to the mature European market and that strict zoning legislation precluded Greenfield operations, Walmart spent more than two years exploring potential acquisitions, including British Tesco, German Metro and the Netherlands Makro. Similar to Walmart's, Wertkauf's stores featured high-quality staff and locations and were larger than the average German hypermarket. (Govindarajan & Gupta, 2002)

Acquiring a weak player on the local market is an effective approach, as long as the global company is able to transform the weak player in a very short time. This is what Walmart did in the acquisition of Woolco in Canada.

Launch of frontal attack against the incumbent. Only when the global company can bring significant competitive advantage to the host country is it feasible to attack dominant and entrenched local competitors head-on. The entry of Walmart into Brazil shows the potential– and limitations–of a frontal attack. (Govindarajan & Gupta, 2002)

Since 1975, Carrefour, the French retailer, has operated in Brazil. When Walmart entered Brazil in 1996, by aggressively pricing its products, it decided to overtake competitors. As

Carrefour and other local competitors also lowered prices, this strategy backfired, leading to a price war and initial losses. Walmart realized that its global sourcing offered no built-in price advantage because food items, whose sourcing tended to be regional, were the leading sales category in Brazilian supercenters. Competitors like Carrefour, due to their long relationships with local vendors, had an advantage in local sourcing.

Walmart has therefore chosen to focus on areas where it can distinguish itself: customer service, aimed at neutralizing Carrefour, and merchandise mix, aimed at overwhelming smaller local competitors. An industry observer remarked: "While small shops in Brazil have a strong customer service component, most large shops, including Carrefour, have adopted the European ethic that the customer is fortunate to have them at their disposal and if they are unhappy with something, they are welcome to go next door". (Govindarajan & Gupta, 2002)

3.4 Swot Analysis of Walmart Global:

Strengths:

- Strong financial performance -

Walmart's financial year terminates on January 31st that's when the retail giant publishes the annual financial reports. In 2018, the net revenue of Walmart all divisions reached almost 500-Billion-dollar mark for the first time. Net sales were higher than 495 Billion. The fiscal year 2018 has remained very impressive as per the financial performance is concerned. from the last year, the growth in Walmart's revenue has risen around 15 Billion dollars. (Pratap, 2019)

- Large assortment of quality products and services -

Walmart's pricing strategy is its primary strength. EDLP is a great strategy that has been shown to attract and retain customers efficiently. Besides, it offers the widest range of goods and services of quality. Its merchandise mix is made up of three main categories: food, health, wellness, and general merchandise. Entertainment, apparel, hardline and apparel products are the general merchandise. Apart from this, Walmart also offers fuel and financial services, as well as other related products. (Pratap, 2019)

- Brand image –

Walmart has always focused on being a centric customer. It created a customer friendly image of the brand. This is the brand's greatest strength. Focusing on customer service has helped it gain more popularity and increase market share and customer base. Its low price strategy and customer orientation have made the most favoured retail brand in America. (Pratap, 2019)

- . Market share and large customer base –

The pricing strategy and quality of Walmart helped Walmart to acquire the largest share of all US retail brands in the market. It also works to assertively boost the market share in emerging markets. In order to increase its presence in India , it acquired a very large stake in Indian e-retail brand Flipkart. (Pratap, 2019)

- International presence–

the international presence of Walmart has continued to grow stronger over the past three years. India is not yet open to foreign direct investment, but by buying a large and controlling stake in the Indian e-commerce brand Flipkart, Walmart entered the Indian market. (Pratap, 2019)

- Growing e-commerce and digitisation –

Walmart took its first step in e-commerce in 2000 and has since gone far and has covered a wide range of markets with its e-commerce initiatives. Their multiple websites operate on 28 markets under 65 banners. Walmart will contribute to faster growth by focusing on e-commerce and digitalisation. (Pratap, 2019)

Weaknesses:

- HR issues –

It has always tried to reduce its operational costs in order to increase its price advantage even at the cost of employee satisfaction, a major problem with Walmart and its organizational culture. It affects employee satisfaction negatively and drives high turnover rates. Walmart has increased wages over the past few years, but the HR environment and culture at Walmart need to be pioneered to provide security and satisfaction for the workers.

- The negative image of a large finance hungry corporation –

While friendly to its consumers, Wal Mart has also acquired the image of a profit-hungry organization that is always watching the retail market's larger pie. While in recent years it has to some extent strengthened its reputation and image, it will also need to increase its focus on CSR, ethics and HR management in order to completely shed its old image. (Pratap, 2019)

Opportunities:

- Growing e-commerce operations –

In addition to the US, all major markets such as the Asia Pacifica markets have increased online sales. More than that, Walmart will also help to fight the challenge of Amazon by focusing on its online channels.

- Changing consumer shopping habits –

Global population demographics are changing and the millennial generation's shopping habits are very different from those of the baby boomers. But studying these customs and satisfying their needs provides the brand with faster growth opportunities. This consumer generation likes shopping online and is a highly knowledgeable and technological generation. Knowledge of its shopping habits and technological innovation will help increase sales. It will provide better shopping experience. (Pratap, 2019)

Threats:

- Intense competition from other retail and wholesale brands –

The retail industry is highly competitive and there are several retail and wholesale brands competing in the retail industry for market share. The competitive pressure from online brands such as Amazon has also continued to rise, leading Walmart to focus more on technological innovation and lower prices. Competition is one of the retail industry's biggest challenges and a major threat to growth. Walmart will need to expand to more markets and increase its online presence to overcome its pressure.

- Increased legal and regulatory pressures –

Legal and regulatory pressures in the retail industry have increased, leading to more compliance-focused brands. This increases the costs associated with compliance and the fines can be immense in the event of non-compliance. Walmart paid heavy fines in India when broke up their joint venture in India

- **Stronger dollar internationally affecting profits –**

Economic factors also have a significant impact on international brands ' profits. A stronger dollar can adversely affect American brands ' profit. Currency exchange rate fluctuations can also result in lower profits. (Pratap, 2019)

3.5 The Journey of Walmart In India

The journey of Walmart in India has been a rollercoaster ride.to categorically explain the journey, I have divided it into three parts

- Joint venture with bhakti enterprises
- Walmart India – a wholly owned subsidiary of Walmart international
- Acquisition of Flipkart, the biggest e-retailer of India.

Joint Venture with Bharti Enterprises

Walmart signed an agreement with Bharti Enterprises on November 27, 2006, to establish a 50-50 joint venture to do wholesale business there. The partnership or the new venture was named as Bharti Walmart Private Ltd and would operate stores called Best Price Modern Wholesale.

Bharti Enterprises is an Indian conglomerate which is headquartered in New Delhi. The company was founded in 1976 and had revenues of US$ 16.5 billion in the year 2014. It had more than 30,000 employees in 2010. Bharti Enterprises has following subsidiaries like Bharti Airtel, Bharti AXA General Insurance, Bharti Realty, Bharti Retail, and Field Fresh Foods, among others. It currently has 220 retail stores which operate under the brand name of Easy day in 20 states of India. (Bhandari, 2017)

Both the companies brought their up their own core strengths to the joint venture. Walmart brought financial strength and support, its expertise in national and international retail management and its globally recognized brand name. Walmart is also known for having expertise knowledge in retail information management, retail transportation management and just-in-time inventory management. (Bhandari, 2017)

While Bharti Enterprises brought into the table its knowledge familiarity with the Indian laws, culture, economy, and labor. It is also involved in agribusiness, food processing, retailing, insurance, and telecom industries nationally and internationally.

Joint Venture Terms

The historical retail joint venture Bharti Walmart Private Ltd included the following terms.

- Walmart invested around $100 million in the venture. The retail shops will be owned by Bharti Enterprises under the Walmart franchise. Bharti is expected to pay a royalty for the cash and carry operations. It is also expected to pay various kinds of fees to Walmart such as franchises fee, software license fee, administrative support fee, design fee, technical training fee, and documentation fee (The Economic Times, 2007).
- Walmart would manage the convenience stores and supermarkets called an easy day for Bharti's multi-brand retail. This arrangement was believed to help Walmart later introduce its own brand in India. (Bhandari, 2017)
- The entire cash sale and carry venture best price would sell a variety of products from grocery to clothing and consumer electronics to retailers, offices, and organizations.
- Since Indian laws only permit FDI in retail industries in cities with a population of one million or more, finding suitable real estate in these large urban areas is not easy. Therefore, the partnership planned to set up relatively small size stores in other countries compared to their larger counterparts. (Bhandari, 2017)

When Walmart announced its first large-scale arrival in India in 2007, it planned to sprinkle its huge signature stores throughout the country. The reality looks very different nearly a decade later.

The breakup of Bharti-Walmart Joint Venture: -

The successful operation of a joint venture requires partners to clearly define their goals and their respective responsibilities in order to achieve those goals and fulfil those responsibilities. The success or failure of a joint venture depends not only on the partners fulfilling these objectives and fulfilling these responsibilities but also on the socio-economic and political variables which in India is far behind their control beyond their control. on October 9, 2012, the Walmart and Bharti broke up their joint venture and decided to separate ways in both retail and wholesale ventures.

There were several reasons for the break-up of this retail joint venture

Corruption and Politics

Indian political and legal factors are among the major reasons for the low and slow flow of FDI in India. FDI legislation is deemed unclear and uncertain; bureaucracy, hurdles, delays, corruption routinely interfere with its implementation. it is very common practice to bribe in India especially at the top level, In an editorial published in the Economic Times it stated that "No company can operate without greasing a palm here or shelling out unaccounted amounts there."

In September 2012, the Congress Party-led UPA coalition government stated to allow global supermarket chains to take majority ownership (over 50 %) in multi-brand retailing in India. Then the opposition party BJP, however, opposed to it. The irony here is when bjp led NDA coalition party won the election in 2014, following year they opened multi-brand retailing FDI to 51 % which they ought to oppose it when they were in opposition. (Bhandari, 2017)

Sourcing Requirement Laws

For the Indian wholesale or multi-brand retail sector, it is difficult that global corporations who would like FDI should supply at least 30% of their products in the small and medium-size local industries. While this condition may be met when sourcing textiles and handicrafts when sourcing some other products such as electronics, it may not be easy to comply with it. Scott Price, chief executive of Walmart called it a "critical stumbling block" to set up its Indian consumer stores. He also said these small and medium-sized enterprises are not able to meet the large-scale requirements of large retailers.

However, Rajan Bharti Mittal the managing director and vice-chairman of Bharti Enterprises expressed that the Bharti-Walmart venture is planning to source around 90 per cent of the products to be sold at the store will be source locally. (Bhandari, 2017)

Questionable Investment in Cedar Support Services

In March 2010, Walmart invested $100 million in Cedar Support Services (CSS) compulsory convertible debentures. The CSS is both Bharti Retail's parent company and the front-end retail store operator of the latter. In effect, this mandatory convertible (into equity) debentures amounted to Bharti Retail giving Walmart its control and management. However, in front-end retail (multi-brand) stores, Indian laws do not allow FDI. In September 2012, P. Achuthan, a CPI member of Rajya Sabha questioned the leading government about the legality in regards to corruption of this Walmart investment.

Allegations of Corruption and Impropriety By Walmart

Walmart began a global ethical review of its operations to provide assurance to their various stakeholders that they are well in compliance with both the host country law and U.S. Foreign Corrupt Practices. As a consequence of this procedural inquiry in India , Bharti-Walmart suspended their five top executives in November 2012. Walmart India subsidiary CEO Raj Jain also resigned from his post in June 2013; he was then replaced by ramnik Narsey. while At Bharti Retail, Chief Operating Officer Mitch Slape, an old Walmart executive, was sent back to Walmart USA fearing his involvement might lead to the arrest. However, these executives were not charged for any wrongdoing. (Bhandari, 2017)

the lobbying activities is legal in the U.S., but it's illegal in India. When Walmart disclosed information to the House of Representatives and US Senate that they spent almost $25 million since 2008 on their lobbying activities in India which included unfair market access for investment in India , there was a huge debate in the Indian Parliament which forced the Indian government to start an investigation against Walmart.

With all these allegations and challenges that Walmart faces internationally, particularly in India , it seemed a logical thing to do to break up with Bharti Enterprises and take full control of its Indian operations. Walmart has invested more than $200 million in revising its global operations to ensure compliance with both the U.S. and the anti-corruption laws of the host country. (Bhandari, 2017)

Terms and Conditions of Joint Venture Breakup: -

Here are some of the main terms of the Bharti Walmart joint venture breakup.

- Walmart will acquire the 50 per cent stake of Bharti Enterprises in the 20 Best Price Modern Wholesale cash-and-carry stores run by the joint venture of Bharti Walmart. It would, therefore, own it 100%, which is permitted under the laws of India.
- Bharti Enterprises would acquire $100 million worth of compulsory convertible debentures (CCDs) invested by Walmart in Cedar Support Services, Bharti Retail's parent company operating its Easy Day stores. They would now be run by Bharti Enterprises alone.
- Walmart spent $334 million in monetary terms to end his partnership with Bharti Enterprises. It paid $100 million to buy 50 per cent share in the partnership from Bharti Enterprises, and it took a loss of $234 million to waive the debt and other investments it made in the Bharti Enterprises. (Bhandari, 2017)

Walmart India Subsidiary

. Walmart India became a wholly owned subsidiary of Walmart inc in 2013.

Walmart India

Walmart India Private Limited (“Walmart India”) is a wholly owned subsidiary of Walmart Inc., the world’s leading retailer renowned for its efficiency and expertise in logistics, supply chain management and sourcing. Walmart entered India in 2007 and opened its first store in India in Amritsar, Punjab on 29th May 2009. In 2013, Walmart India became a wholly owned subsidiary of Walmart Inc. (Walmart India, 2015)

Today, Walmart India owns and operates 24 B2B Cash & Carry stores in 9 states across the country under the brand name of Best Price Modern Wholesale Stores ("Best Price"). It also operates three country-wide Fulfilment Centres-Mumbai, Lucknow and Hyderabad. Their Indian business is based upon membership and has over one million members, most of them are small resellers and kiranas (mom & pop stores). Hotels, restaurants, offices and institutions are other business segments that are given the memberships. Walmart India supports them at consistent, transparent and competitive prices with high-quality products so that their businesses flourish.

In November 2017, Walmart India opened their first Fulfilment Centre (FC) in Mumbai to enable kiranas, resellers and other enterprises in Bombay and neighbouring areas to access a wide and exciting range of goods relevant to them without leaving their stores. The second Fulfilment centre was opened in Lucknow in 2018 and the third one is in Hyderabad. The FCs have been curated with the finer nuances of the convenience of kiranas, small reseller & other businesses–the value, choices and service they expect–the high quality and competitively priced merchandise, the delivery of doorstep and easy payment solutions in mind. the FCS contribute to the national and local economies by providing employment and goods to small retailers at low prices for further reselling. . (Walmart India , 2017)

In addition to India 's cash & carry business, Walmart is contributing in many other ways to the Indian economy, including through the Global Sourcing Centre and Technology Centre, Walmart Labs, and Flipkart's latest investment. . (Walmart India , 2017)

Global Sourcing Centre (Bangalore): The global sourcing hub provides Indian manufacturers with non-food products for global markets, further supporting the economy and the initiative' Make in India.'

Walmart Labs (Bangalore):, the technology centre in Bangalore began in November 2011. Nearly 2000 local engineers and technical experts develop state-of-the-art solutions, retail technology, and support global operations to ensure operational efficiencies that drive customers seamless shopping experiences. . (Walmart India , 2017)

A typical Best Price cash-and-carry store covers more than 50,000 sq. ft and provides over 5,000 items across product categories such as:

Figure 10 best price cash and carry stores

Consumer Packaged Goods (Food & Non-Food)

- General Merchandise
- Household Electronics
- Appliances
- Fresh (Fruits, Vegetables, Poultry, Mutton, Fish)

- Dairy (Milk and Milk Products)

There are also many more products available under one roof, at daily low and transparent prices for business members, allowing retailers and business owners to lower their operating costs and maximize their income. More than 90% of these products are locally sourced. This helps to minimize costs, which helps local economic growth and creates job opportunities. As the store directly employs from the local community, enhanced job opportunities are also created locally. Best Price stores have a dedicated Private Label program designed to meet the unique needs of resellers, offices and institutions, hotels, restaurants and caterers.this program was designed after in-depth and meticulous research on the country's demographic structure and unique needs, demands and aspirations from different business segments,

figure 12 best price product offerings

The offerings from the Private Label program enhance the range of' kiranas' and small retail enterprises to stay competitive with modern retail. The price structure enables members to benefit from profitability, enabling them to pass on price savings to end-customers, thus assisting them to save money and live better.

Private label products are manufactured in accordance with all legal and regulatory requirements (ethical, social and environmental compliance, quality, food safety and packaging compliance). A dedicated team ensures that all products are tested rigorously before being sold in our stores for quality and adherence to the highest standards. As Private Label products are sourced in the SME category from local suppliers and manufacturers, it helps boost the local economy and strengthen the supply chain of the company.

Right, Buy: This is a price-point opening brand that offers low-price but good quality products. The brand delivers a "Payless, save more" promise that enables members to increase their profits. It offers food, grocery, cleaning aids and more products. Bath towels, hand towels, glass cleaner, toilet cleaner, floor cleaners, cornflakes, pulse variety, papad, spices, sugar, salt, Assam blend CTC tea leaves, cookies, mustard oil, pet bottles, toothbrush, paper ream, pencil, files and matchboxes are some of the best-selling products. . (Walmart India , 2017)

Member's Mark: The "Selected for Quality" brand offers high-quality levels equivalent to the leading brands and at very competitive prices. These products use the best standards of testing to ensure high-quality levels. Products include frozen mixed vegetables, frozen green peas, drinking water, danedar ghee, dry fruit vacuum pack, sulphurless sugar, apple, orange, mango, guava, mixed fruit juices, CFL light bulbs, executive chairs and clothing/home collection. (Walmart India , 2017)

3.5c Acquisition of Flipkart

On May 09, Walmart announced that it has acquired a 77% stake in India 's largest e-commerce firm, Flipkart, for $16 billion (Rs1.06 lakh crore). The deal will give the American retailer a direct link to a market that is expected to be worth $200 billion by 2026.

"India is one of the most attractive retail markets in the world, given its size and growth rate, and our investment is an opportunity to partner with the company that is leading the transformation of e-commerce in the market," said Doug McMillon, Walmart's president and chief executive officer, in the statement. Flipkart's existing shareholders, including co-founder

Binny Bansal, Tencent Holdings, Tiger Global Management and Microsoft Corp will continue to hold a stake in the company.

So far, the retail giant from Arkansas just had a foot in the door with 24 cash-and-carry wholesale outlets, mostly on the fringes of the big cities in Asia’s third-largest economy.

Walmart’s investment in Flipkart comes at a time when India ’s e-commerce industry is growing rapidly. By 2026, online retail is expected to account for 12% of the country’s overall retail market, from just 2% in 2016, as per Morgan Stanley.

Traditionally a brick-and-mortar retailer, Walmart is moving online even in its home turf, as consumers spend more time and money online. The company has been ramping up its online business in the US through an acquisition spree and has also doubled down on the number of products sold on Walmart.com in the US.

Besides the US, the retailer is pumping investments in e-commerce in China, Mexico, and Canada. In China, where the retailer has over 440 stores, it bought a 5% stake in JD.com, the second-largest online retailer in the country, in 2016. India has now made it to this list.

“Walmart needed Flipkart possibly more than Flipkart needed Walmart,” said Yugal Joshi, practice director at management consulting and research firm Everest Group. “It didn’t have any shortage of funds and Softbank and others were really invested. It is a strong sign that a global giant found an Indian startup so important for its own online survival in the online market.” (Tandon, 2018)

4 Conclusion: -

By now, in the three chapters, we saw the economy analysis and recent trends, then the retail industry analysis, and finally in chapter three the company analysis and entry strategy of Walmart in India. to conclude, as the author, I would now like to answer the research questions formulated in research methodology sections. Firstly I will try to answer if the Indian market is really an attractive market to enter for global corporations, with all information stated in chapter 1 and chapter 2, I can say that yes, the Indian market is very attractive but also challenging market for not only global corporations but also for foreign investors too. The attractiveness of the Indian market has grown in recent years, the cause for it, is the changes implemented by the government to ease the procedural followings in entering the Indian market. The definitive structural reforms have been one of the talking points of the present central government of NDA. The ease in FDI regulations have also attracted the foreign investors to invest in India. While regarding companies, the new fdi regulation brought new hope for them to establish themselves as wholly owned subsidiary in India.

Now coming to the second research question, why is the retail industry a growing prospect industry in India. the answers are that the retail industry of India has been one of the most dynamic and fast-paced and with high growth potentials in the coming years. In the final analysis, it is my view that the changes underway in the Indian Retail Sector would take a little more time to have deep and meaningful impacts on the way the Indian Retail Sector operates. Indeed, the convergence and the confluence of all the trends discussed so far means that while there would be attempts to reform and rejuvenate the sector, overall, we can expect the changes to be glacial in both the speed as well as the basic structure of the sector are concerned.

The Total consumption expenditure is expected to reach nearly US$ 3,600 billion by 2020 from US$ 1,824 billion in 2017. Accounts for over 10 per cent of the country's Gross Domestic Product (GDP) and around 8 per cent of the employment. India is the world's fifth-largest global destination in the retail space. The changes implemented by the present government has simplified the ease of doing business in India. Changes in FDI allowance in the retail sector along with the introduction of GST have encouraged global retailers to enter the market. Although there is still some room for the improvement in the regulations. The FDI in multiband retiling is at 51 % with a minimum of 200 million dollars of investment. The regulatory bodies should ease some of the regulations in it.

The recent growth of the organised sector retailing in India has been a big plus for global retailers. To highlight one more time the real competition of the foreign retailers is the unorganised retail sector in India which still accounts for almost 90 per cent of the total retailing.

While the e-commerce industry is thriving because of aggressive pricing strategy competition adopted by the e-retailers.

Interestingly, no e-commerce company in India are making profits, all they of them just care they care about is how much valuation they have in the market. The total valuation of the e-commerce industry in 2017 was around 34 billion dollars and just next year Walmart acquired more than 77 per cent of stakes in Flipkart, the largest e-retailer in India by paying around 17 billion dollars.

Global retail players have done quite well in cash and carry operation stores. Last year Walmart cash and carry brand best price turned profitable after five years of operation in the loss. Metro is also getting good response in this segment of retiling in India. The main idea behind this cash and carry stores are to act as a wholesaler to the small retailers known as kiranas which are in almost every street in India.

The research question was why Walmart failed in India initially. Walmart in India started its retail adventure by a joint venture with Bharti Enterprises. The terms of the joint venture and commitments by each party of the venture were not issued, in fact, initial years of the joint ventures, everything was going good as per the plan, the problem aroused when Walmart got involved in the corruption charges globally as well as in India , they invested in of the subsidiary company of Bharti enterprises which use to operate the retail business arm of the collaborative joint venture.

Walmart initially did not react to these charges but later when questioned by the US house representatives and the house of senate, they said to lobby the government, although the lobbying activities are prohibited in India. in my view, the national cultural difference is one of the main problems for their unsuccessful joint venture. What could be a right thing to do in one country doesn’t mean a right thing to do in another country. Lobbying is prime example of

The change in their entry strategy from a joint venture to wholly owned subsidiary has worked out quite well for them. The wholly owned subsidiary has been successful for Walmart in India because of the change in fdi regulations of multi brand retail in India. which is now 51 percent. However, the FDI policy also imposes conditions on global retailers related to mandatory sourcing of goods from MSMEs and investment in back-end infrastructure. But, Walmart in India was operating cash and carry stores since 2009, and they have two private label brands associated with it, which was actually sourced/produced in India only. So perhaps the new regulation supported their existing business operations.

With the acquisition of Flipkart in 2018, the battle between Amazon and Walmart in India is very competitive. Amazon is responding to Walmart buying stakes in Flipkart is showing interest in buying stakes in future retails which is one of the biggest physical retailers in India. Additionally, Amazon has also opened its retail subsidiary in India by the name of Amazon retail India.

While Walmart continues to strengthen up their cash and carry store business. By the year 2022, Walmart is planning to open 50 more stores across 2- 3 tiers cities in India. With the acquisition of Flipkart, they might also be looking for launching a new online grocery delivery business. Flipkart has a very good distribution network across the country, while Walmart has a very good supply chain system.

Walmart is present in India from 2006, since then they have seen a lot of setbacks. But that does not make them take an exit from the country. For the global retailer like Walmart, India is a very important consumer market. The approach taken by Walmart in India is of a waiting game. They waited for their right opportunities to come. When it came up, Walmart conquered it. For instance, Walmart was the first global retailers to open the cash and carry supermarkets in India. Now, Walmart is all set to expand itself throughout the second most populous country right now. With potential growth opportunities in the retail industry and their experienced core Indian operation management team, they are all set to become the biggest retailer in India.

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