

Wal-Mart Lobbying in India?

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INDIAN RETAIL INDUSTRY
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- India is ranked as the 18th highest potential destination for retailers in the world.
- Fastest growing retail segment is food and beverage.
- Problems, opportunities and challenges in infrastructure, which represents a challenge for retailers to run their operations efficiently.
- One set of standards norms are applied due to a lack of proper storage facilities, transportation facilities and infrastructure.
- Less regulations of FDI in the retail industry has led into practice in 2012, which makes for fast and foreign companies can move into the country.
- Cost of multiple retailers has caused high competition such as the acquisition of Bhartiya Retailer, to invest up to 50% of their FDI in such infrastructure and an almost a century of old, manufactured products from small local industries.

WAL-MART INDIA
ENTERING A JV W/ BHARTI ENTERPRISES
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- In a recent statement by Walmart, we came to understand that they joined together with Bharti Enterprises in 2007 to create a 50:50 ownership equity partnership joint venture to set up retail chain, modern supply chain and logistics infrastructure.
- Under the name Best Price Modern Wholesale they were operating 20 stores by the end of 2012.
- Their strategy, according to a key report of the Indian market and the fact that one of the major retail problems is a number of the largest retailers in India are struggling to secure FDI inflows, Walmart announced that it has opted to enter into a joint venture.
- Walmart's entire investment in India as they had "already" raised the country's foreign exchange reserves by "regularly" receiving \$100 million in India's retail market through Bharti Enterprises from 2005.

Based on the information provided in this case study and other information available on the internet, conduct a Political, Economic, Social, Technological and Legal (PESTLE) analysis of the retail market of India.

- Political:** Taxation policies - VAT (value-added tax, it is used in order to generate tax revenues for the government which is similar to personal and corporate income tax), strong opposition for the FDI, tax banking systems that are available.
- Economic:** Increasing GDP growth, generating wealth for the economy (money supply, inflation, foreign investment).
- Social:** CSR (Corporate Social Responsibility), accessibility to shops.
- Technological:** online shopping, CRM systems (enterprise resource planning), CRM (customer relationship management), ITMS (total media services).
- Legal:** wages act, establishment and shop act.

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WAL-MART & BHARTI: FACTS AND FIGURES



- Wal-Mart is the world's largest retailer with sales that reached US\$447 billion in 2012.
- Sales revenue of the international operations grew 10.8% from 2011 to 2012, while Wal-Mart US had an increase of just 2.2%.
- On the Forbes list of the 400 Richest Americans, members of the Walton family who source their wealth from Wal-Mart take places 6-10.
- Bharti Enterprises started from humble beginnings, founded by two siblings who began manufacturing bicycle parts.
- It is now is a leading Indian conglomerate operating in the telecom (top 44 wireless operators in the world), agribusiness, real estate, insurance and retail industries.

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Explain how the change in FDI Indian policy benefited Wal-Mart. Why is the Indian market strategically important to Wal-Mart?

- Changes in India's FDI policy has now allowed Wal-Mart to sell directly to consumers.
- India is ranked as the fifth highest potential destination for retailers in the world.
- Fastest growing retail segment is food and beverage.
- Improved reputation.
- Expected to grow by \$1.3 trillion by 2020.

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Analyse the advantages and disadvantages to Wal-Mart of the joint venture with Bharti Enterprises. What recommendations would you give Wal-Mart in order to make this alliance work?

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Advantages:

- Walmart would benefit from the supply-chain and operational expertise Bharti had already established in the market.
- India offers an incredibly large market with growing middle class with growing middle class with growing middle class and also the increasing income and more educated in terms of taste.
- There is an opportunity to expand into the Indian market.
- India is the fastest growing FDI growth rate 2012, it gives Wal-Mart an avenue to gain a competitive in the Indian market.

Disadvantages:

- There is resistance by the retail consumers/retailer to enjoy the Wal-Mart brand as it is foreign and they are used to a more locally branded product.
- Walmart has a long history of being a controversial company in the US. But there is a strong belief that both sides might have conflicting objectives and goals with different rights/interests in particular about how they are operating.

Recommendations:

- Keep the customer/retailer/branding open.
- Allowing distribution to be open to both sides, no matter a competitor of the other.
- Expand always to a new market with both sides, but including to open to changes in the environment that could be used for both sides (e.g. Wal-Mart's expansion).
- Walmart should employ the resources who have local experience with the Indian market but have similar or be familiar with Walmart's values to maintain them, who understand culture and what makes product desirable to the market.

What recommendations would you give Wal-Mart in order to overcome the challenges caused by the lack of infrastructure by India?

Wal-Mart can work with the government and invest in creating the infrastructure that India has long struggled to invest in. It is important that the government push for digital as priority. The government policy also forces Wal-Mart to invest up to 50% in the infrastructure.

Wal-Mart can work with the government to invest in building and development. The government is very keen in providing funding for projects that are used in the infrastructure that it can create more jobs and provide services to the public and build on the national road infrastructure.

It is better for Walmart to have some strategic alliances with some of the leading manufacturers in India, to build their infrastructure with limited cost and resources but maintaining a strategic priority of operational excellence. Also production facilities and product line demands with the long-term work strategy.

Do you believe it is possible for Wal-Mart to ensure its executives do not get involved in any bribery/corruption scandals? How?

- Yes.
- Strengthen global compliance laws and regulations.
- Empower heavy punishments.
- Warn executives of the probable consequences of getting involved in bribery and corruption scandals.
- Domestic loss of profit.
- Digitalized operations, used for getting and investigation of bribes.
- Damage to public image and reputation globally.
- Stalled store opening processes.
- Losses.

This case study was written in January 2013. Conduct some research on the latest events that that have affected Wal-Mart India.

- On October 15, the joint venture between Wal-Mart and Bharti Enterprises had an expected 2013 outlook.
- On April 8, Global Warming began to get in place plans to expand its a commercial partners. This would involve taking FDI in business to business cooperation.
- On April the 15th, Bharti Enterprises the former joint partner of Wal-Mart, began to form a joint venture with Carrefour, the world's 2nd largest retailer after Wal-Mart.
- On April 27, Wal-Mart, by the time an expansion into India, planning to open 100 stores and only stores in 4 years.
- On April 18, Wal-Mart introduced a money transfer service that it can use with fees by up to 50 per cent compared with similar services elsewhere. It enables a transfer up to \$500 to and from over 1000 areas.
- Finally the recent election results in India saw the Bharatiya Janata Party (BJP) be elected into power. This was a first since the first time in the party is finally reported in allowing FDI in the retail sector, causing further potential issues down the track.

Thank you for your attention!
Group 6

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INDIAN RETAIL INDUSTRY

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- India is ranked as the 10th highest potential destination for retailers in the world.
- Rising growing retail segment in food and beverage.
- Political, social, environmental problems in infrastructure, which represents a challenge for retailers to set up their operations in the country.
- One set of curable items are applied due to a lack of proper storage facilities, the management practice and infrastructure.
- New regulations of FDI in the retail industry has not into practice in 2012, which makes for fast fall foreign companies can move into the country.
- Lack of multi-brand retailers has caused high competition such as the acquisition of foreign retailers to invest up to 50% of their FDI in such and infrastructure and an almost a majority of them manufactured products from small local industries.

WAL-MART INDIA

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ENTERING A JV W/ BHARTI ENTERPRISES

- In a report released by Walmart, we came to understand that they joined together with Bharti Enterprises in 2007 to create a 50:50 ownership equity partnership joint venture to set up retail chain, modern supply chain and logistics infrastructure.
- Under the name Best Price Modern Wholesale they were operating 20 stores by the end of 2012.
- The business strategy is a key aspect of the Indian market and the key to have one of the world's most profitable and fastest growing retail chains.
- After the decision to acquire a JV partner, Walmart announced that its first option should be open with Bharti.
- Walmart's entire investment in India as they had "already" opened the country through existing retail by "Bharti" through a JV between in India's retail market through Bharti Enterprises from 2005.

Based on the information provided in this case study and other information available on the internet, conduct a Political, Economic, Social, Technological and Legal (PESTLE) analysis of the retail market of India.

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WAL-MART & BHARTI: FACTS AND FIGURES



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Explain how the change in FDI Indian policy benefited Wal-Mart. Why is the Indian market strategically important to Wal-Mart?

- Changes in India's FDI policy has now allowed Wal-Mart to sell directly to consumers.
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What recommendations would you give Wal-Mart in order to overcome the challenges caused by the lack of infrastructure by India?

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Wal-Mart can work with the government to invest in building and development. The government is very keen in providing funding for projects that are used in the infrastructure that it can create from the public services to the public and build on the national road infrastructure.

It is better for Walmart to have some strategic alliances with some of the leading manufacturers in India, to build their infrastructure with limited cost and resources but maintaining a strategic priority of operational excellence. Also production facilities and product line demands with the long-term work strategy.

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- Stalled store opening processes.
- Closure.

Analyze the advantages and disadvantages to Wal-Mart of the joint venture with Bharti Enterprises. What recommendations would you give Wal-Mart in order to make this alliance work?

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Advantages:

- Walmart would benefit from the supply-chain and operational expertise Bharti had already established in the market.
- India offers an incredibly large market with growing middle class with growing middle class and also the increasing income and more educated in terms of taste.
- There is an opportunity to expand into the Indian market.
- India is the fastest growing FDI growth rate 2012, it gives Wal-Mart an avenue to gain a competitive in the Indian market.

Disadvantages:

- There is a concern for the retail consumers/retailer to enjoy the Wal-Mart brand as it change and has yet to build a reputation in the market.
- Despite the joint venture, it does not eliminate the fact that there is a language barrier both sides might have in carrying objectives and goals with different rights/interests in particular about how they are planning.

Recommendations:

- Keep the communication channels open.
- Allocating distribution to be open to both sides, no neither a competitor or a partner.
- Enforce always to be with attention for both sides, but including to open to changes in the organizations that under the need for both sides can benefit from each other.
- Walmart should employ the resources who have local experience with the Indian market but have similar or be familiar with others' values is important from the operational capacity and what makes product available to the market.

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INDIAN RETAIL INDUSTRY

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- India is ranked as the fifth highest potential destination for retailers in the world
- Fastest growing retail segment is food and beverage
- Presents some fundamental problems in infrastructure, which represents a challenge to retailers to move goods into stores efficiently
- One third of perishable items are spoiled due to a lack of proper storage facilities, refrigerated trucks, and adequate highways
- New regulations of FDI in the retail industry was put into practice in 2012, which include the fact that: foreign companies can now own up to 51% of multi-brand retailers but comes with conditions such as the obligation of foreign retailers to invest up to 50% of total FDI in back-end infrastructure and to source a minimum of 30% manufactured products from small local industries

WAL-MART INDIA

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ENTERING A JV W/ BHARTI ENTERPRISES

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 - Under the name Best Price Modern Wholesale, they were operating 20 stores by the end of 2012
 - Relationship building is a key aspect of the Indian market and this has been one of Wal-Mart's main priorities as it is one of the largest hurdles in a foreign market
 - After the changes in India's FDI policies, Wal-Mart announced that its first stores should be open within two years
 - Wal-Mart is under investigation in India as they had "allegedly" violated the country's foreign exchange norms by "illegally" investing \$100 million in India's retail market through Bharti Enterprises from 2010.
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Based on the information provided in this case study and also information available on the internet, conduct a Political, Economic, Social, Technological and Legal (PESTL) analysis of the retail market of India.

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Advantages:

- Wal-Mart would benefit from the supply-chain and operational networks that Bharti had already established in the market.
- India offers an incredibly large market and a growing middle-class with greater buying power and who are also becoming more and more sophisticated in terms of taste.
- There is the opportunity to support
- Due to India's previous FDI policy (pre-2012), it gave Wal-Mart an avenue to gain a presence in the Indian market

Disadvantages:

- There is hesitance by the Indian consumer/stakeholder to enjoy the Wal-Mart brand as it is foreign and has yet to build a trustworthy brand image
- Despite the joint venture, it does not alleviate the fact that there is lackluster infrastructure
- Managers from both sides might have a conflicting objectives and goals, with different weights attributed to particular ideas they may be pursuing.

Recommendations:

- Keep the communication channels open
 - Allowing information to be open to both sides, so neither is suspicious of the other
 - It cannot always be a win-win situation for both sides, but learning to agree to disagree or find compromises that create "little wins" for both sides can keep a JV from splitting
 - Wal-Mart should employ managers who have direct experience with the Indian market but have similar or be familiar with Western values to represent them, who understand customs and what makes project desirable to the consumer.
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INVOLVED IN
any bribery/
corruption
scandals?
How?
