



**MEASI INSTITUTE OF MANAGEMENT
CHENNAI-14**

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Institute

CASE STUDIES

RETAIL MARKETING

CASE STUDY NUMBER	1
LEVEL OF TEACHING	L3
PROGRAM OUTCOMES COVERED	PO4,PO6
COURSE OUTCOME COVERED	319.4

Margin Free Market Private Ltd.

Subhiksha in Chennai, Margin free in Kerala, Bombay Bazaar in Mumbai, RPG'S Giant in Hyderabad, and Big Bazaar in Kolkata, Hyderabad, and Bangalore have one thing in common - they all price their products below MRP. Discount stores are slowly arriving in India and industry insiders feel they will spearhead a revolution in organized retailing. On the list of top retailers in the world, quite a few are discounters. Around 60% of the business abroad comes from this format. Incidentally, the largest retailer in the world, Wal-Mart, is a discount store.

Margin Free was registered as a co-operative society in 1993 in Kerala and entered the supermarket business in 1994. It is run by the Consumer Protection and Guidance Society, a charitable organization based in Thiruvananthapuram. Today, it has emerged as India's number one supermarket chain with 150 stores and a turnover of Rs. 450 crores. Margin Free purchases directly from manufacturers at ex-factory price and sells at lower prices than the MRP, as it eliminates the margin accrued in the traditional manufacturer-stockist-wholesaler-retailer network.

Margin Free takes extreme care while pricing the products through its entire stores. It has employed software which evaluates the price by minimizing profits. Every store is computerized and utilizes the software to determine the pricing. This helps in ensuring that the products are rationally priced.



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Margin Free has found exceptional success in its scalable franchised model. It is now looking to upgrade to a central warehouse concept, which will help it manage growth further. The success of Subhiksha and Margin Free indicate that the discount war will hot up in the coming months but it will be the customer who will emerge as the final winner.

Margin Free also gets an average credit of 20-22 days from suppliers, which it sells, on an average in 10 days, thereby even earning a notional interest on its sales also. Its strategy has made it flush with funds, which can finance further expansion. Margin Free uses its customer base as a bargaining power to strike discount deals. Any dealer who wants to set up a Margin Free store has to buy at least rupees one lakh worth of share of the main Margin Free holding company. Margin Free has a consumer base of 6 lakhs and it sells them consumer cards at Rs. 40 per year. Customers who buy using this card get discounts on bulk purchases and also on government subsidized produces like Rs. 2 per kg rice.

The stores are now opting for a major expansion drive. A key part of this is the introduction of private labeling, which is the season's flavor in the retailing industry. For the purpose they have shortlisted 15 items - all generic labels like rice, sugar, etc. - and will add to the list in future.

Hence, they will be in a better position to provide quality stuff at considerably low prices within easy reach of an average middle-class family. For example, a packet of tea which sells for an MRP of Rs. 120 at one of the corporate retailers, will be available for Rs. 90 at the Margin Free stores.

The chain is now planning to open huge Margin Free hyper markets, The first such hyper market, featuring an array of wares and spread over 50,000 square feet of well-laid out space, is planned to open at Ernakulam. The two other hyper markets would be opened in Thiruvananthapuram and Kozhikode.

If the success of retail activity is measured in the number of outlets, the existing 240-odd chain of franchisees must have already made Margin Free the largest 'pure retail chain' (as distinct



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from retailers who are manufacturers) in the private sector Even going by the number of footfalls, the Kerala-based retailer must have already beaten competition by a handsome margin.

The hyper markets will feature almost all conceivable retailing products under one roof - textiles, leather, cosmetics, provisions, electronic goods, consumer durables, grains; and grocery. As for ambience and class, they are most likely to resemble the Giant retailing chain operating out of Hyderabad and other cities.

The hyper market would not dabble in imported items - Chinese or otherwise - that are flooding the retail market right now. The cooperative society is in the process of mobilizing resources for the hyper market initiative. It plans to rope in outside investments over and above what the Consumer Protection and Guidance Society hopes to raise on its own.

The Society chose Ernakulam first because it happens to be the most commercialized city in the state Also, the comparable purchasing capacities are higher there. The nomenclature for the hyper market has a Margin Free prefix to it, seeking to build on the enormous trust that the discount chain has been able to build over a span of eight years of existence.

The management feels that the Margin Free retail chain has been able to earn the wholesale trust of consumers in a very short span. However, in its journey to success, the Margin Free stores have made life slightly uncomfortable for entrenched interests who have, on one hand, been fleecing consumers and on the other, resorting to indiscriminate under invoicing to avoid tax. The latter leads to loss of crores of rupees in realizable revenue for the state government.



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Every month, Margin Free is opening up to 12 stores and the number has grown to 241 at last count. The chain has spread to literally all parts of Kerala. It has seven franchisees in neighboring Tamil Nadu already and two in Karnataka. The overall turnover has grown to Rs. 600 crore.

Questions :

- (a) What has been the role of pricing strategy in the success of Margin Free Markets?
- (b) What are the salient features of Margin Free Market pricing strategy ?
- (c) Analyze the external and internal factors that have made it possible to sustain the present pricing strategy of Margin Free Market.
- (d) Discuss the limitations of the existing pricing strategy of Margin Free Market. Suggest appropriate changes.



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CASE STUDY NUMBER	11
LEVEL OF TEACHING	L3
PROGRAM OUTCOMES COVERED	PO4, PO6
COURSE OUTCOME COVERED	C319.4

An IIM - Lucknow student has pioneered a tea in several varieties and flavors and started vending it from the canteen of IIM - L which has brought lot of Laurels to her. The tea is being marketed in prepared term under the Brand Name "Refreshing Magic." The student is not sure whether it can be sold in other places, so she has decided to leverage it to other IIMs through their canteens. Looking at the very nature of the product she is not sure how she should proceed so as to be Successful. It has been suggested to her by her friends to improve the product presentation and set off a chain of tea outlets in IIMs in a phased manner

Questions : (a) What kind of knowledge of consumer behavior is necessary to be collected through research to ensure success of retailing of the above product ? (b) Do you feel that tea retail chains be limited to few IIMs ? Justify your answer. (c) What type of Promoter and Communication - mix you suggest to motivate the customer towards the product ?



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CASE STUDY NUMBER	111
LEVEL OF TEACHING	L3
PROGRAM OUTCOMES COVERED	PO4,PO6
COURSE OUTCOME COVERED	319.5

CASE STUDY-III

Personal selling is a matter of creating one-to-one relationships with the customer by the retail store's sales personnel. Building relationship with customers through personal selling ensures that customers come back to one's retail store in future. While the customer is browsing in the retail store, the sales person should open up the conversation by offering to help the customer. Such personal conversation with the customer can make him/her feel important and the customer would want to return to the store to buy more. In Titan, personal selling does not end with the conclusion of each sales transaction with the customer. Since, the store has the database of customers with details such as their names, addresses and telephone number, the sales associates utilize the database to make follow up phone calls inquiring about their purchased watch, especially high value products. Customers are said to appreciate such follow up actions from the store personnel, which often result in repeat customer visits to the store. The store personnel even use the database to wish the regular customers on occasions like birthdays and wedding anniversaries.

Questions: (a) Why is personal selling important to a retail stores. (b) Write notes on the Titan store personnel's after sales follow up with customers.