

## Reliance Retail to acquire Metro Cash and Carry India

Case study for Business Analyst Experience Program



Metro AG is a German international wholesale and retail food specialist in 34 countries. Its headquarters is in Düsseldorf, Germany. The company uses the cash-and-carry wholesale business model.

METRO Cash & Carry began operations in India in 2003 and was the first company to introduce the cash-and-carry business format in the country.

Companies like Reliance Retail, Amazon, TATA Group, Avenue Supermarts, which runs the DMart chain, Thailand's Charoen Pokphand (CP) Group, Swiggy, Lulu Group, and PE fund Samara Capital were in the race to buy the Indian unit of Metro AG.

### **Business Model of Metro AG**

Retailers, caterers, hotels, restaurants, and other unique businesses use the cash-and-carry model to buy goods from a wholesale warehouse and pay the invoice in cash on the spot. Here, customers are responsible for arranging their transportation.

Metro's Indian subsidiary was founded in 2003 when the Indian government permitted 100% foreign direct investment in wholesale trade on a cash and carry basis.

Under the Metro Wholesale brand, the company operates 31 cash-and-carry stores in India. These wholesale centres are only open to business customers.

### **Metro AG's Main Products and Services**

Metro Cash and Carry India offers its customers 7,000 products from various categories, such as fruits and vegetables, dairy, frozen and bakery products, general grocery, health and beauty products, media and electronics, confectionery, detergents and cleaning supplies, household goods and apparel - all at wholesale prices - all from a single warehouse.

### **Metro AG's Target Market**

According to Metro's official website, its core customers in the Indian market include small retailers and Kirana stores, SMEs, and all types of companies and institutions. The company also caters to the HoReCa industry, which includes hotels, restaurants, and caterers.

### **What is unique about the Metro AG and Reliance Retail acquisitions?**

Reliance is attempting to disrupt the retail and quick commerce segments. Since 2021, the company has made significant efforts to construct many wholesale centres for food and grocery, apparel, electronics, and medicines. Reliance is also incorporating several small businesses into its business strategy. Mukesh Ambani has stated that they intend to onboard more than ten million merchant partners over the next three years.

The company's primary goal is to provide a variety of products to consumers via its eCommerce platform, JioMart. Reliance already has a massive warehouse network, and with the acquisition of Metro AG, they will be able to achieve this goal much more quickly.

- As a business analyst, what factors do you believe will benefit Reliance Retails as an outcome of this acquisition?
- What strategies will you recommend to Reliance Retails to expand and capitalize on its existing business?