

Metcash Expansion Strategy

Most successful organizations such as Metcash (ASX: MTS) utilize comprehensive engagement strategies to increase involvement and commitment to strategic planning. Metcash (ASX: MTS) is a multinational wholesale enterprise which is headquartered in Australia (Merrett & Smith, 2013). The enterprise is subdivided into various segments where each segment distributes specialized products such as grocery, liquor, and hardware, among other consumer goods. These distribution segments are diverse. For instance, the food and grocery segment is responsible for distributing dry groceries and perishables to retail outlets. Each segment manager's objective is to expand the market share. However, the company has currently focused more on expanding its food and grocery segment since the demand for these products is so high especially during this duration of the Covid-19 pandemic.

The Proposed Project for Metcash (ASX: MTS)

The proposed project is the Metcash expansion of its food and grocery segment to reach a wider market share, increase its value in the market, and compete with peer competitors such as Ahold enterprise. For Metcash, it is essential to first and utmost review its mission and vision attain the set objectives (Porananond & Thawesaengskulthai, 2014). The intended direction for the organization is vital hence it should align with the project. In strategic planning, shareholders are key stakeholders that need to be involved. The engagement of the shareholders in the project implementation will build support for the future development of the organization (Bahadorestani, Naderpajouh & Sadiq, 2020). The company has opted to expand its outlets in other countries around the world. Meaning a lot of resources and professionalism will be required to oversee this

project. Therefore, shareholders have to gather capital for the project, which is an important and inevitable pillar of the project.

Accountability, communication, and a thorough knowledge of the strategic plan and various roles to be played by each stakeholder will be required; hence, all stakeholders need to get actively involved in the strategic plan. In this project, food processing, production, and distribution in the organization will support the organization's strategies to ensure a larger market share. Eventually, with various foods produced to meet consumer demands around the world, the value will elevate (Arcand, 2015).

Food distribution enterprises are currently faced with stiff competition and a huge demand at the same time. There is almost a ready market for food as every human and animal depends on food for life (Gold & Seuring, 2013). Simultaneously, there is stiff competition in the markets for food commodities; hence, every investor sees a ready need for food production, processing, and distribution. Food joints, both small and huge, are all over the markets. However, there are food joints or groceries that operate at minimal profits and stagnate for a longer time. For this reason, Metcash (ASX: MTS) has to come up with explored mechanisms on how the expansion project for new food stores around the globe in the next five years will be realized.

The targeted additional food stores will require efforts and commitment from the management. A dedicated management team will be the first step towards achieving the plan. The market exploration to foresee the opening of the five hundred new food stores will be vital. Metcash's strategic positioning of the grocery store, therefore, has to be closely examined. Evaluating the demand for certain foods at different locations and by different consumers will be vital (Hansen, 2013). As noted by Ansell (2012), big enterprises normally dominate the food

distribution markets, therefore, Metcash (ASX: MTS) will need to identify niches and available gaps in the market regarding food production and distribution. Hence, Metcash organization will have to check on factors such as culture, religion, age, level of income, and availability of raw materials.

Also, Metcash (ASX: MTS) will have to pay attention to their consumers' preferences. For consumers that are vegetarians, Metcash (ASX: MTS) management will have to get more alternatives for proteins that do not come from animals directly for a balanced food proportion. Since food production and distribution is a process that requires a high level of professionalism, caution, and hygiene, the management will have to invest sufficiently in storage facilities, supply, and distribution (Ansell, 2012). The suppliers to be identified will have to provide food products to the organization to retain customers sustainably.

More so, the organization will have to ensure safe and appropriate transport and logistics. This way, the organization will ensure only fresh produce is taken to the store and stored properly under the correct temperatures. For perishable foods, the transport vehicles will have to be equipped with coolants for groceries to remain fresh during transportation. Another strategy for ensuring product freshness will be for Metcash to grow its product. The organization could get a field to produce at least a few products for its stores or contract nearby farmers to cut on transportation costs (Pullman, 2012).

To proceed, branding of the stores for the organization could form an essential element of advertising (Zenker & Martin, 2011). Possibly, all the food stores will have a similar appearance, products, and service. The store's format will display a clear brand strategy and help achieve product uniqueness (Chen, 2016). Namely, similar packaging can be used to signal brand

ownership and identity. An increase in the product range will widen the organization's market base. There will be a product for every consumer. Consumers of different cultures, ages, religions, and all walks of life will find varieties to choose from at Metcash (ASX: MTS) stores.

Besides, customer satisfaction cannot be undervalued. Food is not just food, and the stores will have to offer products that promote wellbeing and good health. The stores will be opened and operated with health consciousness in mind.

Consumers will feel that the value for their money is attained through the service, quality, and convenience offered at the stores (O'Cass & Ngo, 2011). The organization as a whole will reassess the needs of the consumers. The ultimate objective of the project is to meet customer needs through the product or the service offered. There will be a need to evaluate if the grocery products meet the consumers' demand and needs. One of the ways is through customer feedback based on the first sales after the store is opened (Ansell, 2012). Thus, customer satisfaction will be rated and improved through this data.

To add, a review of the information technology systems in the existing stores and the stores to be opened is vital. In the world today, information communication technology does more work than it used to. To gain a competitive advantage in the market, the organization will need to adopt a system for placing orders and delivering the same orders at the comfort of the consumers' homes or desks irrespective of the distance. The Metcash management will have to invest much into the demand and satisfaction of the consumers (Martin, 2011). This will be achieved by creating online platforms where customers will place their orders online and then the company will deliver at their doorsteps.

Good packaging, qualitative production, and efficient distribution will attract more customers, thereby overcoming rivalry in the markets. Through its presentation, health and wellness consciousness, Metcash will add value to food products and will be potent to achieve a competitive advantage in the markets (McGrath, 2013). Certainly, for Metcash to gain a competitive advantage in the market, Porter's five forces model way of handling tasks is to be explored professionally. The company will have to check on the impact of suppliers on the profits made or losses made; how qualitative and quantitative their products are; what other similar businesses offer in the market. Again, it will study the alternatives of food products offered in the markets by other companies while considering its products. This task can be easily solved by gathering feedback from the consumers.

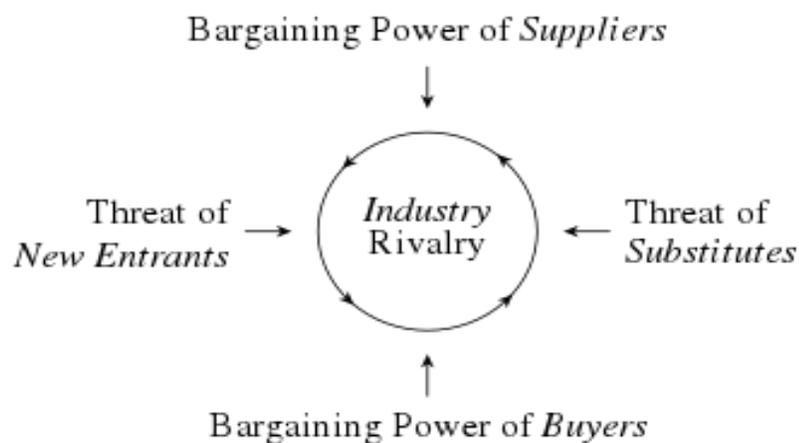


Figure 1: Porter's five forces to explore for competitive advantage

The Nature and Timing of Competitive Advantage

Numerous perspectives on the timing of competitive advantage will be thoroughly be considered by the management. The profitability of the project to be implemented is strategic since Metcash presents the plan when the firm is more attractive and dominant in the Australian

food market. Therefore, there is a likelihood that Metcash would use its reputation in the food industry to conduct activities in the new stores in a more distinctive way from its competitors. Well-experienced works at the headquarter will offer pivotal competencies that will facilitate distinctiveness and diversity adoption within the new stores. The timing of expansion is appropriate since the management will analyze the widely available big data to sport deficiencies within the food industry. Big data analysis will aid in the identification and perception of customers' demands, concentration on the customer, and improvement of the process from customers' perspectives (Merrett & Smith, 2013). The firm will then exploit its unique competencies valuable for the customer. For example, Metcash will be expanding when there are extensive lockdowns globally, hence it can use the predicament to its advantage and deliver foodstuffs to the customers.

Discount Rate

The risk-adjusted discount rate will be used to cushion cash flows in the future (Gallo, 2014). For example, the Metcash expansion project requires a capital outflow of \$80,000, at each new store which is projected to return a cash inflow of \$100,000 after three years. Therefore, Metcash elects to fund a different project that will earn a let say 5% in which the rate is used as the discount rate. The net present value factor then will be $[(1+\text{Discount})^{\text{time}}] [(1+5\%)^3] = 1.1557$.

Therefore, the present value of the future cash flow is

$$NPV = \sum_{t=0}^n (1+i)^{-t} R_t$$

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where: R =net cash inflow-outflows during a single period

i =discount rate of return that can be earned in alternative investments

t =number of times

$$NPV = \frac{\$100,000}{1.1557} = \$ 86,383.76$$

Since the present value of the future cash (\$ 86,383.76) is higher than the current cash outflow (\$ 80,000), the Metcash project will result in net cash inflow. So, the grocery store project is viable if it is executed in the native area (Australia).

It is necessary to note that the outcome may change due to adjustment on the discount rate to reflect risks (Ansell, 2012). If the project is to be implemented in a foreign country where the value of the currency is unstable, it will result in a higher risk of expropriation. The discount will then be adjusted to a higher value say 9% to interpret that project in a foreign country with a similar risk profile will result in a 9% return on the cash flow.

$$NPV = \sum_{t=0}^n \frac{R_t}{(1+i)^t}$$

$$[(1+9\%)^3]$$

$$[(1+9\%)^3] = 1.2950.$$

Therefore, the present value of the future cash flow is

$$NPV = \sum_{t=0}^n \frac{R_t}{(1+i)^t}$$

$$PV = \frac{\$100,000}{1.2597} = \$ 79,383$$

Since the Metcash expansion project is global, the discount rates are adjusted to reflect risk, and in this case the rate increases. Higher discount rates result in lower present value which justifies why a higher discount rate indicates that cash flow will raise further rapidly over time due to the highest rate of earning.

Conclusion

Any organization, including Metcash, needs a project that enables it to achieve high net present values. The project in question will bring higher margins of profits to a company.

Metcash corporation will need to incorporate more than just Porter's five forces to gain a competitive advantage. Long-term projects need a more precise examination and explorations by business management to oversee their actualization. Investing in a net present value, the corporation aims to increase companies' earnings and, on the other hand, boost the shareholders' wealth. Metcash project expansion requires to be implemented with accountability, communication, and a thorough knowledge of the strategic plan to attain a competitive advantage. Organizational reputation is paramount, meaning Metcash's new grocery market will have to meet customer satisfaction levels to ensure their customers feel that value for their money is secured through the services, quality, and convenience. Metcash will have to oversee its produce qualitatively and quantitatively to achieve beyond 99% customer satisfaction and retainment.

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