

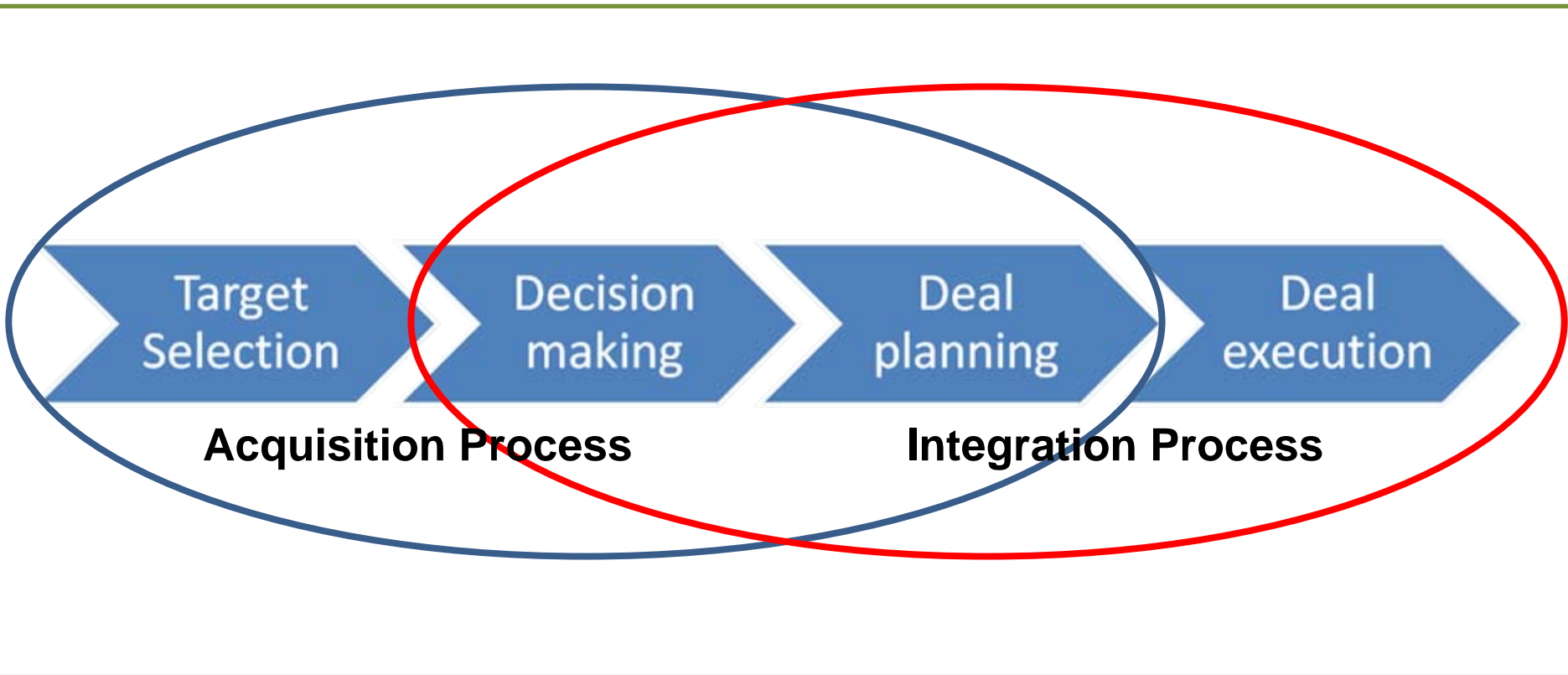
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Mergers & Acquisitions

Integration of Acquired Retail Company



# Integration as a way of doing business...



- ❑ Acquisition selection requires skill, timing and taking risks.
- ❑ Integration competency completes the process by translating strategy and vision into realized value

# Succeeding in a merger/ integration process requires structured and documented process

- ❑ 70% of the failures are not linked to the deal itself but to the way it is implemented – Mckinsey & Co.

## Good deal poorly implemented

- Poor integration Management
- Failure to address cultural differences
- Poor communication
- Poor tracking

## Poor Deal

- Unrealistic synergies
- Price too high
- Competitor reactions

# Making M&A the growth engine...

## Corporate Functions

- Capability to integrate; small/ equal/ bigger size
- Develop pool of functional experts
- Knowledge Repository, processes

## Human Resources

- Leadership for emerging roles
- Organization appreciation and awareness: company culture/ country
- Ability to work in cross functional/ country/ business groups

## Business Leaders

- Capability in business where M&A anticipated
- Develop pool of project, cross functional experts
- Awareness about business valuation, legal, media
- Develop industry intelligence

# Steps for Acquiring Any New Company

## Revalidate reasons for acquisition

- Sustainable competitive advantage
- To acquire dominant market share in a given industry
- Leveraging good management pool: Domain expertise, synergistic organisation structure, Learning curve & Development expertise

## Due Diligence

- Statutory & General Management/ Legal/ Intellectual Property
- Accounting & Financial details/ Assets & Properties
- Business Applications & Processes/ Quality Systems
- Operations/ Vendor Management

## Paying the right price

- Overpaying for a great company is lesser risk than paying for a poor target company
- For due diligence resources should include domain specialists as well as functional specialists

# Wins for Aditya Birla Retail from Acquisition of Trinethra

Trinethra Super Retail, was a South India based chain of supermarkets.

Trinethra was the largest and most efficient chain of supermarkets in South India. It had imbibed the philosophy of running a low cost operation with a lean and seamless organization structure.

In January 2007, at the time of acquisition it had - 172 outlets across TN, Karnataka, AP and Kerala with expansion plans in place. Average size of stores was about 2.5K sq.ft.

- An immediate footprint across South India
- Gain access to retail space with lower rentals
- Got a head start over competition
- Low cost organisation structure
- Most importantly, a head-start in the “retail learning curve”
- A top management team – with capability & experience in launching and running a super market chain

- An employee strength of 2,500
- Vendor relationships - Private Label & FMCG Manufacturers, Staples etc.
- Distribution and Re-packing facilities in Bangalore, Chennai and Hyderabad
- Alliances with Credit Card & Promotion organizations
- Two functional IT systems: e-Retail and pilot implementation of Navision

# Major Challenges in Integration

## Mismatch in Organisation Structure

Difference in designations for similar roles and compensation structures

Trinethra top management was not pro-actively involved in decision making

ABRL did not absorb Trinethra's best practices in store size, catchment size, assortment mix

Opportunity lost in validating business model that was being pursued by ABRL with Trinethra's data and test stores

Teams at Trinethra and ABRL were neither operated independently nor integrated completely

Accounts & Finance and MIS were not integrated for the two organisations for long time

# Meeting the Challenge

A common customer value proposition was defined with shared vision and mission statements

Aditya Birla Group Values have been adopted uniformly across the two organisations

Zone based organisation structure was implemented across both the organisations with clearly defined roles & responsibilities

Single set of Retail Best Practices rolled out

Resources have been moved across the two organisations not only in similar roles but also into new roles

Single Performance Management System and common MIS formats

All communication from CEO's desk and HR communication are uniform across the organisation with Trinethra being run as a region of the integrated organisation

All South store operating costs have been benchmarked for implementation across network



**more.**

Thank you

