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Improving the competitiveness of Metro Cash & Carry Ltd. on the Russian market of goods and services

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Thesis abstract

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Metro is a large international trading company with rich experience in doing business and a reputation of a reliable supplier of goods and services. The main purpose of this thesis was to make valuable recommendations for the company for preserving and improving its competitiveness on the volatile Russian market.

The theoretical part discusses such terms as strategy, value chain, and competitive advantage, and focuses on the basic types of strategy, value creating activities and approaches to gain competitive advantage. Finally, the methodology of SWOT and financial ratio analyses are studied.

In the empirical part, the author conducted a SWOT-analysis, analyzed the company's financial position, and determined the level of customers' satisfaction. For drafting the SWOT matrix, such data collection techniques as content analysis and unstructured observation were used. Financial data were gathered using structured statistical observation. In the determination of customer' satisfaction, a questionnaire including both open-ended and close-ended questions was sent by email to the customers of a single store and the obtained findings were supplemented by quantitative data collected from the chain stores in Russia.

The study revealed that Metro is a profitable company; however, it has a significant risk of liquidity and solvency due to the large amount of inventories, uncollected account receivables, high costs, and strong dependence on borrowed funds. Problems related to operating activity were also identified among which the most significant are: high prices, lack of goods on shelves and information about it, lack of the diversity and quality of promo offers. Provided recommendations aimed at solving these problems as they prevent the company from remaining a strong competitive player in the target market.

Key words: competitiveness, competitive advantage, strategy, value chain, SWOT-analysis, liquidity, profitability, customers' satisfaction

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ABBREVIATIONS

Ltd.	Private Limited Company
GDP	Gross Domestic product
GNI	Gross national income
DFI	Direct foreign investments
CPI	Consumer Price Index
IPO	Initial Public Offering
SWOT	Strength, Weakness, Opportunities, Threats
MCC	Metro Cash & Carry
CAWI	Computer Assisted Web Interviewing
CRM	Customer Relationship Management
WRC	Working capital requirement to sales
ROA	Return on Assets
ROE	Return on Equity
ROCE	Return on Capital Employed
EBIT	Earnings before interests and taxes
EBT	Earnings before tax
HoReCa	Hotels, Restaurants, and Café bars
SAP	System Application and Products
SCO	Small and medium service companies, Public institutions and Offices
DESADV	Dispatch Advice
RECADV	Receiving Advice
EDI	Electronic Data Interchange
EANCOM	The leading international standard for the EDI, instructions for its implementation
MDW	Metro's special application where suppliers can see all necessary data

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1 INTRODUCTION

1.1 Background and motivation

Rapid development of economic relations in the context of globalization and international division of labor entails the increase of competition among business entities for limited financial, technological, labor resources as well as reliable suppliers and loyal customers on the local and foreign markets, moreover, this competition intensifies under the influence of political, economic, legal, technological or socio-demographic changes that can be shown by the example of Russia.

Russian economy is one of the unstable economies in the world as it is characterized by high dependency on oil and gas resources, undeveloped industrial and financial sectors, frequent currency fluctuations, high rate of inflation and unemployment. Sanctions imposed against military, financial, energy sectors as well as countermeasures of the Russian Government significantly exacerbated country's existing economic problems: according to the report of World Bank Group (April 2016, 14–34), real gross domestic product (GDP) reduced by 3.7% and gross national income (GNI) by 10%, the deficit of consolidated government budget increased to 3.5%, the outbound of direct foreign investments dropped by half to \$21 billion, inbound investments' decline accounted for \$17.2 billion and net capital outflow was \$93,1 billion less than in 2014. As a result, currency exchange rate weakened by 37.4% core inflation increased to 16%, consumer price index (CPI) accounted for 12.9% that, in turn, was caused by increase of food inflation to 14% and non-food inflation to 13.7%, respectively. Changes affected labor market indicators: the overall unemployment rate increased to 5.5%, real wages dropped by 10.1%, pensions reduced by 4% and the decline of total

revenue amounted to 33% that contributed into the increase of the poverty level from 11.2% to 13.4% and, accordingly, the decline of overall consumption (op.cit. 35–38). Fraser Tennant (2015,1) stated that “Business and consumer confidence is near the bottom of the scale and the prospects for future growth are hardly optimistic”.

Described consequences affected all economic sectors: industrial enterprises and trading companies recorded the decrease of profit; many organizations emphasized the decline of shares' value, some companies postponed the entry of initial public opening market (IPO); however, all business entities understood the necessity of sustainable competitiveness and Metro Cash & Carry is not an exception.

Metro is the international trading company with more than 54 years experience of doing business. It is represented in 27 countries and has more than 700 stores with more than 100 000 employees. The company entered the Russian market in 2000 still remaining one of the leaders until the present days: it operates in 49 regions and has 84 stores; however, the issue of competitiveness maintenance became crucial for the organization after sanctions imposition.

1.2 Research question and research objectives

Considering economic situation in Russia and goal of Metro Cash & Carry for today, as outlined in subchapter 1.1, the main general research question can be formulated as:

What recommendations can be given to Metro Cash & Carry for improving its competitiveness on the Russian market under conditions of economic instability?

To achieve the stated goal that is presented in the form of general research question, the researcher was to accomplish the following research objectives:

- To carry out SWOT-analysis;
- To fulfill financial ratio analysis;
- To conduct customer' satisfaction survey.

1.3 Research methodology

Towards the intended goal, several research designs, data collection techniques, and analysis procedures were employed. The researcher began with descripto-exploratory research and used sequential multi-method approach to gather more detail information about strengths and weaknesses, opportunities and threats of the company. The first stage included study of printed media, online articles, and official Web-site of Metro, the second stage focused on data collected through observation and regular consultation with the supervisor provided by the company, obtained during both stages information was qualitatively analyzed and presented in the SWOT-analysis matrix. Those studies were conducted in compliance with appropriate rules and requirements; however, their results may be perceived as unreliable and invalid due to the high probability of subjectivity. Therefore, the research was continued to confirm or refute findings represented in the SWOT-analysis matrix and special attention was on finances and the level of customer' satisfaction.

The purpose of the financial ratio study was the descripto-explanatory as the researcher used structured observation technique to obtain necessary data and analyzed gathered information using quantitative statistical analysis procedure whereby numerical changes of ratios were identified; factors, which caused the

deterioration or improvement of ratios' values were revealed, and the outcomes were compared with the industry's average value.

Customer' satisfaction research was the final stage of the conducted study where the researcher applied the mix-model research approach to receive necessary information about the level of customers' satisfaction with assortment price, quality, employees competence, purchasing convenience as well as customers' willingness to recommend Metro Cash & Carry to friends, colleges, and business partners. The email survey was chosen as the data collection technique; however, both quantitative and qualitative data was gathered using both close-ended and open-ended questions. Data obtained with the help of close-ended questions was analyzed using quantitative procedures and represented in the numerical form, whereas the information received using the open-ended question was analyzed qualitatively and presented in the narrative form. The data collection process was made in compliance with established rules, in view of this, received information is valid; nevertheless, obtained data incompletely describe the studied phenomenon and cannot be generalized as reflects only one store of eighty-four. Therefore, the researcher referred to the total quantitative data that was processed by specialists in Moscow to eliminate this limitation.

1.4 Thesis layout

Table 1. The description of the thesis structure.

	The main idea of the chapter
Chapter 1	Description of the background and research motivation, research goal with research objectives and methodology; presentation of the target thesis structure.
Chapter 2	Study of the theory, which includes definitions of such terms as competitiveness, strategy, competitive advantage, and value chain; description of their types as well as detailed description of SWOT- and financial ratio analyses methodology.
Chapter 3	Introduction to Metro Cash & Carry where history of its formation and development on international markets as well as in Russia is described; mission, strategies, main principles of doing business as well as competitive initiatives are represented. Additionally, the SWOT-analysis of the target corporation is conducted as a basis for the further research.
Chapter 4	Assessment of Metro's financial condition and performance using the financial ratios analysis; tracking and characterization the trend of its indicators covering the period of 2012–2014 and comparison of obtained results with industry's average value.
Chapter 5	The theoretical description of available research purposes, research approaches, data collection techniques and data analysis procedures as well as presentation of research approaches, data collection techniques and analysis procedures that were employed in the observed study.
Chapter 6	The part of the survey related to customers' satisfaction with assortment, services, quality, price, housekeeping, employees, purchasing convenience as well as willingness to recommend are studied.
Chapter 7	Discussion and conclusion part where the researcher summarizes all findings, critically evaluates them in accordance with intended goal, analyses how valid, reliable, and generalizable are obtained data, indicates aspects, which require deeper study and gives recommendations for improving Metro Cash & Carry competitiveness on the Russian market.

2 THEORETICAL BACKGROUND

2.1 Competitiveness, competitive strategy and competitive advantage of organization

According to X. Sala-I-Martin, R.Crotti, A. Battista, M.Hanouz, C. Galvan, T. Geiger, and G.Marti (2015, 4), national competitiveness is “the set of institutions, policies, and factors that determine the level of productivity of an economy that in turn sets the level of prosperity which the country can earn”. This definition describes the concept on macro-level; however, meso- and micro-levels are allocated as well.

Industry competitiveness relates to meso-level and implies “ability of industry to provide goods and services that fulfill requirements of local and foreign markets as well as create conditions for the further development of enterprises” (Vasilieva 2006) while competitive ability of product refers to the micro-level and represents “a generalized characteristic of a product that differs it from competitors on the degree of consumers’ satisfaction and cost of its satisfaction as well” (E.I.Mazilkina. G.G. Panikhina 2009, 129). These intermediate stages can be perceived as the basis for the national competitiveness; nonetheless, the competitive ability of business actually determines it as the productivity of the country depends on the productivity of companies, which operate on the market and create the main evaluation factor of national competitiveness – wealth. “The economy cannot be competitive unless companies operating there are competitive, whether they are domestic or subsidiaries of foreign companies” contend M.Porter, M. Delgado, C. Ketels, S. Stern (2008, 48).

According to M. Porter et al. (2008, 48), the increase in productivity is achieved through improvement of its activities and assimilation of best world business prac-

tices, distinctive strategy and structure of an organization as well as innovations that are implemented in production of goods and delivery of services. Thus, Hamel and Prahalad (1989, 7) assert, “The goal is not competitive imitation but competitive innovation, the art of containing competitive risks within manageable proportions.”

Strategy is one of elements providing the business competitiveness that implies “the long-term goal, the course of action and proper allocation of resources that organization has” (Chandler 1962, 13). Purposes of strategy are constant; however, the course of action, aimed at achieving these goals, may vary due to constantly changing conditions. The management may review long-term directions of organization development only under the influence of external conditions or internal adjustments; herewith, limited resources of the business entity are always a deterrent in this process. Mintzberg, Lampel and Ahlstrand (2005, 26–28) claim that competitive strategy is a thoughtful plan that creates a mental implementation of pre-defined intentions of senior management, it is a position implying the company’s interaction with the external environment as well as perspective, business concept, or a certain ideology of development that should be perceived by both management and employees; moreover, it is a ploy representing method, which ensures the achievement of competitive advantages and high, constant profit.

Competitive strategy is the search for a profitable and sustainable position against the forces that determine industry completion. Strategy is about being different from rivals, choosing a different set of actions and offering a unique mix of value (M. Porter 1998,1).

According to Porter (1998, op.cit 47), value can be provided through primary activities such as:

- Inbound logistics or receiving, warehousing and delivering materials internally;
- Operations or change materials into products that are, later, sold to the customers;
- Outbound logistics or collection, storage and delivery of products or service to the target customers;

- Marketing and sales that implies the quality of presentation of products and services as well as high-level communication;
- Services.

Additionally, Porter contends that value can be provided through supported activities such as:

- Procurement implying the purchase of raw materials and components for production as well as related materials for marketing, services and distribution or for providing secondary activities (A. Zimmerman, J. Blythe 2013, 44).
- Human resource management or how well a company hires, trains, motivates, rewards and retains employees,
- Technological developments, where research and development, product design, and know-how.
- Infrastructure that “...allows to maintain daily operations and covers the costs of general management, planning, finance, accounting, legal and government affairs” (Kotler & Keller 2012, 56).

This theory concerns more the manufacturing enterprises and their elements of value chain; however, in trading sector strategy, competitive advantage, values chain and activities that contributes creating the value for customers are significant for business entities as well. A retail strategy always relates to the retailer’s target market or a segment, format of the store with the help of which organization plans to satisfy customer’s needs; therefore, accurately formulated strategy is always the basis for the stable competitive advantage, which is achieved by means of value-creating activities.

Levy, Weitz & Lauren (2012, 7–8) define value-creating activities such as:

- Delivery of goods and services. Customers can choose from products, brands, sizes, and in different prices at one location; compared to manufactures, the retailers are more flexible and can offer much more;
- Breaking bulk. Retailers often sell products in small quantity but purchase them in big volume that, in turn, allows manufactures to make

and ship products in a larger quantity and enables consumers to purchase such goods in smaller, more useful quantities;

- Holding the inventory. Retailers are like a wholesaler as products are available for the customers all the time and consumers do not need to purchase and keep at home a large amount of goods that is more preferable for those who do not have enough space;
- Providing services. Retailers provide a wide range of services such as: to take products now and pay for it later using credit or to test before the purchase; moreover, to make it easier for the consumer, retailers hire salespeople in stores and create a colorful Web-site as well.

This value is the key to competitive advantage that, in turn, means an essential superiority over rivals gained by offering customers greater value, either through lower prices or through differentiation i.e. by providing benefits and high-level service that justifies quite high prices (Ehmke 2008, 1).

There are three approaches to build the sustainable competitive advantage for retailing companies (Levy, Weitz & Lauren 2012, 115), which include:

- Building strong relationship with customers,
- Building trustful relationships with suppliers,
- Achieving effective internal operations.

Customer loyalty can be achieved by developing sustainable brand image and reputation, providing valuable service and unique merchandise as well as undertaking CRM programs (op.cit. 115–118). The most important supplier for trading company is vendor of merchandise who provides beneficial assets and programs that will be competitive advantages. One of the examples is the collaboration between Procter & Gamble and Wal-Mart the main aim of which is to improve the supply chain between these two corporations: Wal-Mart is the good specialist in introduction of PMG brands with the unique package (Levy et al. 2012, 119). Effective internal operations are achieved through a combination of multiple source of advantage such as strong human resource management, favorable location, sophisticated distribution and information systems as well as

unique or good merchandise and supported services, close relationships with suppliers and strong own brands.

2.1.1 Types of strategies

Porter (1998,11) identifies following general competitive strategies that provides the competitive advantage:

- Cost leadership,
- Differentiation,
- Focus: focus cost leadership and focus differentiation,
- Integrated cost leadership and integrated differentiation.

The main idea of cost leadership is to produce goods and services on average prices, at lowest costs, relative to competitors and with features that are appropriate for customers employing, for instance, economy of scale, own-patented cutting-edge technologies, and special access rights to resources (M. Hitt, R. Ireland & R. Hoskinsson 2016,118). Companies with this strategy usually market standardize goods and services to different segments in its industry; nevertheless, sometimes segments from related industries are covered. Cost leaders concentrate both primary and secondary activities where excessive costs are reduced in the most costly spheres. For example, according to M. Hitt, R. Ireland & R. Hoskinsson (2016, 118), cost leadership strategy may be more applicable in logistics as it contributes reducing excessive costs on inventory control as well as storage and distribution of goods that is on most costly primary and secondary activities; that, in turn, will allow cost leader to significantly lower prices on produced goods and services. Additionally, cost leaders often use outsourcing (op.cit. 119) that, on the one hand, allows reducing costs by attracting

cheaper resources, on the other hand, increases risks arising if cost leaders dependence on outsourcing company becomes too great: suppliers of services can increase prices that will contribute to the growth of company's costs and competitive advantage as well. These are particular cases of cost reduction; however, common cases of use as well as main threats should be considered.

Cost leadership strategy can be employed when strong price competition escalates or consumer makes no distinction among brands; furthermore, the company has lower costs for brand's change as well as large amount of clients prefer making regular huge orders. However, cost leader can meet threats which include the probability of rapid change of technologies to which the leader may be unprepared or the emergence of new competitors with more advanced technologies that allows saving much more; furthermore, the cost leader can excessively cut costs that will lead to the situation when profit insufficiently covers all expenses that, in turn, will lead to the decrease of produces goods' or services' quality. Finally, competitors having the same technologies can imitate the company's strategy and become a new cost leader on the market where can be only one leader (Petuchov [ref. 15.10.2015]).

According to G. Johnson, R. Whittington & K. Scholes (2014, 197), differentiation strategy "involves uniqueness along some dimension that is sufficiently valued by customers to allow a price premium", from which it follows that with special features, company can rely on the customers' loyalty and their ability to pay higher price that covers all additional costs related to the differentiation and guarantees much more profit. There are several differentiation methods among which are:

- Brand differentiation,
- Service differentiation,
- Employees differentiation,
- Image differentiation.

It is appropriate to use differentiation strategy both when customers evaluate offered characteristics as valuable and customers' needs as well as ways of product use are varied: different clients prefer products with diverse

characteristics, competitors use different ways of differentiation, and industry is characterized by regular innovations and fast changes of technologies, products, and services (Petuchov [ref. 15.10.2015]). Using differentiation strategy, companies, however, should take into account that prices should not be increased too much as if the difference between the differentiator and its competitor is too large or products' or services' characteristics exceed needs, customers can easily switch to competitors; however, customers can switch to competitor decided that suggested features do not match costs. In addition to these threats, there is a high probability of imitation when competitors having the same opportunities and technologies can easily repeat "unique" characteristics of the differentiator's product, service, or sales method. Finally, the unique feature can stop being exclusive that is why differentiator should always develop and change its products as well as reduce costs and does prices close to competitors in areas, which has not got the direct relevance to the selected sphere of differentiation; moreover, it is important for the differentiator to notify customers about modifications.

Focus strategy implies that firm produces goods and services that "...serve the needs of a particular segment of customers" (Hitt, Ireland & Hoskinsson 2016,127).

Firm succeeds serving segment which unique needs are so specialized that industry-wide rivals choose not to serve these customers or firm satisfies the target group of clients that were not satisfied by its indirect competitors (Porter 2004, 15).

Focus strategy can be two types: focus cost leadership and focus differentiation; herewith, both strategies are similar to cost leadership and differentiation strategies; however, the difference is in serving customers. In earlier described strategies, companies serve all customers' segments: companies using focus strategy concentrates more on a particular segment. Focus strategy combines advantages of cost leadership as well as differentiation strategies; nevertheless, it has disadvantages such as the possibility of market niche glut, shortening differences between needs of the selected segment and needs of the whole market, customer switching to competitors due to the significant difference in

prices. In addition to all these threats, industry-wide firms can switch to the target segment on which the company operates and reach higher level of specialization on it.

The objective of the integrated strategy is to produce products with low costs as well as differentiated features. Successful companies, utilizing it, usually are flexible and quickly adapt to modern technologies and rapid changes in the external environment; however, such firms should become competent in more number of primary and supported activities, have strong networks with external and internal parties and good total quality management system. Unsuccessful firms, used this strategy, are characterized by Porter (2004, 16) as “stuck in the middle” that means “...the company’s cost structure is not low enough to allow suggesting an attractive price and their products are not differentiated enough to provide added value” (Hitt, Ireland & Hoskinsson 2016,133). Company is considered to “stuck in the middle” when it fails in implementing either the cost leadership or the differentiation strategy; thereby, the main disadvantages of this strategy are in high costs and the complexity of its combining and implementing.

Every company eventually enters foreign markets to get much more profit and to achieve stated goal, business entity can choose such strategies as:

- Direct investment,
- Joint Venture,
- Strategic Alliance,
- Franchising.

Direct investment strategy is quite risky as the retailer invests a lot to be competitive in the new market. At the same time, it gives a great opportunity for company to have the highest potential returns and allows controlling all its operations. Joint Venture assumes the cooperation of entering company with local firm in which ownership, control, all risks, and profits are shared between theses two organizations. The problem can be with the possible disagreements between partners or with government restrictions on the repatriation of profits. In comparison with earlier mentioned strategy, Strategic Alliance strategy implies the collaboration between two independent companies. Firm can enter the market

through direct investment but, for example, such operations as warehousing and logistics are responsibility of the local company. Finally, franchising strategy has the lowest risk and requires the least of investment but the retailer, at the same time, has limited control over operations in the foreign market. The company not only reduces the potential profit but also can create the strong local competitor.

Growth strategies that assist company to gain competitive advantage are allocated as well among which Levy, Weitz & Lauren (2012, 122–124), based on Ansoff's matrix, identify four types:

- Market penetration,
- Market expansion,
- Retail format development,
- Diversification.

Market penetration is the strategy implying that company will open more stores in existing format to gain much more clients from the target segment or it will keep existing stores open for longer hours; additionally, company using this strategy often trains its salespeople of cross-selling. Companies employing the market expansion strategy use their existing format in new market segments while retail format development implies that the retailer develops new kind of format for the same market: Express, Classic, Extra, City Center. Diversification strategy is aimed to serve the new segment of the market by introducing the new format of the store and it can be related and unrelated. Related diversification implies attraction of the same suppliers, distribution, and management information systems as it is in the existing business format; furthermore, organization has a possibility to use the same advertising projects and operate in the same location while unrelated diversification assumes the little similarities between retailer's present business and the existing one. Vertical integration strategy implies that the company starts both to produce and market products; however, this strategy may be risky as requires large investments and skills

2.1.2 SWOT-analysis as business analysis tool

“SWOT-analysis is the overall evaluation of company’s strengths, weaknesses, opportunities and threats” (Kotler & Keller 2012, 70) that, in other words, is the way of analyzing the external and internal marketing environment of organization.

Gilligan & Wilson (2003,89) highlight two principle objectives explaining the reason for SWOT-analysis design:

- It is necessary to select the significant marketing data from irrelevant one and
- To find out what managers must do within target market segments, both today and in the long-term perspective.

Strengths are unique and valuable company’s assets as well as business activities in which it has a distinguishing advantage over competitors; additionally, strengths are factors that characterize the internal environment of the organization and allow achieving set objectives. Strengths should always be considered in the context of ensuring competitiveness, based on existing resources of the company, and managed properly to become competitive advantages for organization. Weaknesses are referred to the characteristics of internal environment of the company and indicate limitation in assets, lack of abilities or poor operation that prevents, in turn, achieving company’s main goals on the market. Determining weaknesses, company should detect errors in the implementation of chosen strategy and its appropriateness as well as highlight the most problematic areas that require special control and improvements. According to the Kotler & Keller (2012,74), internal factors, that can be strengths of the company, are:

- Marketing that includes market share, reputation, previous performance, product quality, distribution effectiveness, sales force effectiveness, service as well as customer satisfaction and retention, price level, effective promotion and innovation;

- Financing that consists of the availability and cost of the capital, cash flow and the ability to meet short-term and long-term obligations as well;
- Manufacturing by having available workforce, facilities, capacity, production on time, technical production skills and the ability to use economy of scale;
- Organizational factors: good management or leadership, high-qualified employees, culture, workforce flexibility and adaptability.

Thompson and Strickland (2006, 135–136) give the similar classification of possible company's strengths among which are:

- Skills or experience that include low cost price, E-commerce experience, technological know-how, little defects in the production, perfect service, unique advertising and promotion methods;
- Valuable tangible assets such as modern production capacities or equipment, comfortable property location, strong marketing facilities, special resources rights, modern IT-technologies and high liquidity of assets;
- Qualified personnel or experienced employees and reliable managers, intellectual capital.
- Valuable institutional resources such as proven quality systems, stable clients database, and financial position with good credit reports, stable local systems including well-organized information exchange between departments and customers, company and suppliers;
- Valuable intangible assets among which are strong brand image, good company's reputation, customers' loyalty, high motivated personnel;
- Competitive advantages such effective strategy, modification and entry of products, diverse dealers network, diverse suppliers' and customers' databases, flexibility of company's institutional structure.

Omissions can be interpreted as company's weaknesses that should be delayed to prevent losing organization's competitiveness in the industry.

Every company can affect on the development and condition of these elements by improving or making changes in factors that are the most problematic. Meanwhile,

the firm cannot affect on external factors, which reflected by opportunities and threats in the SWOT-analysis. “Opportunities are advantageous current or future conditions in the external environment, which support the demand for company’s products or services and contribute the increase of organization’s competitive position” (Fleisher & Bensoussan 2015, 114). According to Kotler & Keller (2012, 71), to evaluate and identify available opportunities, company’s management should ask following questions:

- Can benefits for the target market segments be exactly identified and formulated?
- Is the firm able to enter the market with the help of cost-effective media and trade channels?
- Does the company have critical capabilities and available resources to meet customers’ needs?
- Can the firm provide benefits for its customers better than competitors do?

Threats are the external environment element that means “....challenge posed by an unfavorable trend or development that, in the absence of defensive marketing action, would lead to lower sales or profit” (Kotler & Keller 2012, 71). “Threats are conditions in the external environments that have the potential to prevent managers from meeting organizational goals” (Dyck & Neubert 2009, 261). “Threats increase the risks of a strategy, hinder its implementation, increase the resources required, and reduce performance expectations” (Gilligan & Wilson 2003, 88).

To external factors, on which company does not have impact and which can either positively or negatively affect its operations and sustainability, can be attributed:

- Consumer demand,
- The number of competitors in the target market,
- Economic and political condition in the country,
- Social, cultural, ethical, ecological and technological developments,
- Changes in legislation,

- Porter's five forces such as bargaining power of suppliers, bargaining power of customers, threat of substitute products, rivalry with existing competitors and potential entrants.

SWOT-analysis involves the creation of opportunities and threats matrixes where the first one facilitates understanding the relationship between opportunities' attractiveness and probability of success while the second clarifies the relationship between threats seriousness and probability of their appearance. Finally, to measure own attractiveness and vulnerability on the market, both matrixes are combined. There can be identified four variants of received results that were highlighted by Gilligan and Wilson (2003, 92):

1. An ideal business where the company has many opportunities and few threats,
2. A speculative business, which is characterized by both high possibilities and high threats,
3. A mature business is another option where little threats and, at the same time, little opportunities occurs,
4. A trouble business is the most dangerous situation when the organization has high threats and low opportunities.

2.2 Financial analysis

"Financial analysis is the selection, evaluation, and interpretation of financial data, along with other pertinent information, to assist in investment and financial decision-making" (Drake 2010, 1). "Financial analysis is set of methods including collection, processing and use of information about economic activity of the organization for further management decisions" (Lukasevich 2010, 136).

The main source information for financial analysis is financial records of the analyzing organization that gives an opportunity for the manager to understand:

- Property and financial condition of the company;
- Company's ability to meet its obligations;
- Capital adequacy for doing business;
- Additional investment requirement;
- Ability of the organization to make a profit for its shareholders and other interested persons (op.cit. 138).

Among widely used financial analysis methods are horizontal analysis, vertical analysis, comparison analysis, financial ratios, and factor analyses; however, the most popular is financial ratio analysis.

Financial ratios are used to compare the risk and return of different firms in order to help equity investors and creditors make intelligent investment and credit decisions. Such decisions require both an evaluation of performance over time for a particular investment and a comparison among all firms within a single industry at a specific point in time (White, Sondhi & Fried 2003, 111).

When the management assesses the company's performance, it pays a close attention to the efficiency of available assets' use and company's capability to generate profit, when the company's financial condition is evaluated, ability to meet the short-term and long-term financial liabilities is determined (Verevka 2010).

Advantages of financial ratios analysis can be stated as:

- Simplicity and expeditiousness,
- Ability to discover trends in organization financial condition changes,
- Provision of information that is interesting for both external and internal users,
- Ability to compare financial position of the own organization and competitors' financial condition,
- Stripping out the impact of changes in the prices (Lukasevich 2010, 149–150).

To evaluate the firm's operation and its financial position, the following financial ratios are utilized:

- Liquidity ratios,
- Profitability ratios,
- Capital structure and financial sustainability ratios,
- Turnover ratios.

2.2.1 Liquidity ratios

Liquidity ratios demonstrate the company's ability to meet the short-term financial obligations by effectively employing assets that easily can be converted into cash; additionally, liquidity indicators demonstrate company's ability to fulfill all production and operational expenses. To this type of ratios can be attributed current ratio, quick, cash ratio, and the net working capital.

Current ratio or coverage ratio expresses how many monetary units of current assets occur in monetary units of current obligations. To calculate this ratio the following formula is used:

$$\text{Current ratio} = \frac{\text{Total current assets}}{\text{total current liabilities}} \quad (1)$$

Where numerator consists of assets that a company expects to convert into cash, sell or consume within one year while denominator comprises obligations requiring to be repaid within one year.

The normal value of this ratio is in the range from one to two where the value less than one indicates the high financial risk for the firm or inability to repay the debt, at the same time, the value more than three implies not rational investment activity of the organization that is investment in short-term or low-earning current assets. It is important to note that the current ratio may have a normal value; however, company is not able to repay current debt as it has many current assets in the form of accounts receivables and inventories (Baker & Powell 2005, 48). Meanwhile, described range of normal indexes depends on the average indexes of companies or enterprises in the industry where the studied firm operates as the low indicator can be due to the strong cash flow that it is in the retail or service companies where the low value of ratio is normal. Additionally, it is useful to analyze the dynamics of highlighted indicator and compare it with the average industry's figure when the company's financial analysis is being conducted.

Quick ratio or Acid test ratio characterizes the company's ability to repay its short-term liabilities by more liquid current assets. In comparison with current ratio, inventories are excluded as they less liquid assets of the organization and may be unavailable to meet obligations immediately; herewith the formula of quick ratio can be written as:

$$\text{Quick ratio} = \frac{\text{Current assets} - \text{inventory}}{\text{Current liabilities}} \quad (2)$$

The quick and current ratios should be analyzed together to exclude the possibility of misrepresentation as the current ratio can have a stable normal value and be above industry averages while the quick ratio can decline and be below industry's index that, in turn, entails the liquidity risk. In this situation, managers should evaluate how inventories are formed and financed in the company, decide whether this inventories' increase is temporary or still permanent and analyze how it can affect the organization's overall liquidity and performance.

Gibson (2009, 22) and Brealey, Myers & Allen (2011, 719), suggest not to subtract inventories from current assets but to use only the amount of cash, accountant re-

ceivables with a maturity of less than one year and short-term investments in the current liabilities that banks and other credit institutions usually employ analyzing the financial performance of its clients. The calculation method suggested by Gibson and so-authors is more preferable for suppliers as well when they analyze the company's liquidity.

$$\text{Quick ratio} = \frac{\text{Cash} + \text{Accounts receivable} + \text{short-term investments}}{\text{Current liabilities}} \quad (3)$$

The optimal value for this ratio is at least one; however, if the value is less, the company does not have an opportunity to cover its short-term obligations (Verevka 2010, 38).

Cash ratio is the strongest and idealistic criteria for the evaluation of company's liquidity showing what part of short-term liabilities are covered immediately by available cash and short-term financial investments. The formula of cash ratio can be written as:

$$\text{Cash ratio} = \frac{\text{Cash} + \text{Short-term investments}}{\text{Current liabilities}} \quad (4)$$

The cash ratio is used rarely as it is difficult to expect that all companies are having cash and cash equivalents as well as short-term marketable securities in the amount that is capable to cover all short-term obligations. Gibson (2012, 246) convinces that if a company must depend only on high liquid current assets, its future solvency will be damaged; however, it is a mistake to never take into account this indicator of organization's liquidity, as it can be applicable in financial evaluation of companies with slow-moving inventories and receivables as well as highly speculative ones.

The normal value for this ratio is 0.2–0.5 where the figure less than 0.2 implies the risk of liquidity for the organization or even the possibility of bankruptcy, whereas

the indicator much more than 0.5 demonstrates that company employs assets irrationally: the high share of cash is extracted from the operational circulation and organization loses opportunities for the further expansion and development.

Finally, the net working capital is the difference between current assets and short-term liabilities and the main goal of it is to maintain current financial stability of the company or enterprise. If current assets completely cover all short-term liabilities, the organization can both meet its current obligations and has reserves for further development as well (Verevka 2010,60).

2.2.2 Profitability ratios

“Profitability ratios measure the earning power of an organization” (Baker & Powell 2005, 61) that, in other words, is the ability of organization to generate income on invested capital. Gross, operating, and net profit margins, return on assets (ROA) or more detail figure ROTA, Return on equity (ROE) and return on capital employed (ROCE) can be attributed to profitability indicators.

Gross profit margin indicates how much of each sales dollar remains after subtracting cost of goods sold; moreover, it reflects the efficiency of cost management and validity of organization’s price policy (Gitman & Zutter 2012, 79; Lukasevich 2010, 176). Formula of this ratio can be represented as follows:

$$\text{Gross profit margin} = \frac{\text{Sales} - \text{cost of goods sold}}{\text{Sales}} \quad (5)$$

The more this ratio, the better it is for the organization; however, it depends on the industry where the company is operating: in production, this figure will be higher

than in trade where low gross profit is explained by fast products' turnover and high competition. Moreover, reasons for the low gross profit margin can be in the:

- Decrease in selling price without any reduction of cost of goods sold,
- Increase of cost of goods sold without selling price increase,
- Increase of quantity of selling merchandise having small gross profit margin,
- Ineffective purchase police,
- Low demand.

“Operating profit margin highlights a company’s profitability of current operations before financial costs such as interest charges and income taxes” (A Guide to Case Analysis, 6). Often, the following definition of operating profit margin can be found: “Operation profit is gross margin minus operating costs” (Robinson, Greuning, Henry & Broihahn 2009, 292) or another one is “...the percentage of each sales dollar remaining after a business has paid for its goods and paid for its variable and fixed expenses” (Pinson L. 2008, 115). If operating margin increases faster than gross margin, it implies the improvement in cost management, whereas the decline of this indicator demonstrates gaps in control of costs. Formula of this ratio can be represented as:

$$\text{Operating profit margin} = \frac{\text{Sales} - \text{Cost of goods sold} - \text{Operation expenses}}{\text{Sales}} \quad (6)$$

Net profit margin considers how company’s operation performance has been financed and to assess both operating and financing decisions, management should compare net income or earnings after deducting interest and taxes with sales (Fabozzi, Drake & Polimeni 2008, 280). This ratio demonstrates how much net income is generated from each dollar of sales and the formula of it is as follows:

$$\text{Net profit margin} = \frac{\text{Net income}}{\text{Sales}} \quad (7)$$

According to Baker & Powell (2005, 62), the low net profit margin highlights that company has not controlled its costs at the proper level that, in turn, damaged seriously the income of shareholders and, accordingly, the organization's competitiveness on the target market; additionally, specialists note that the concept of low net profit margins can vary according to the industry where the firm is operating: companies with high sales volumes such as retailers can do business and be profitable with relatively low net profit margins and the reason for it is a high turnover of total assets.

Return on Assets (ROA) is the ratio that characterizes the efficiency of all invested assets' use; in other words, ROA measures "...the net income generated from each dollar invested in total average assets" (Baker & Powell 2005, 63).

$$ROA = \frac{\text{Net income}}{\text{Total assets}} * 100\% \quad (8)$$

The normal value of this ratio depends on the industry where company is operating: in production, this ratio is lower than in service sector, where this indicator is much higher; moreover, its value should be compared with average industry's figure and company's previous outcomes as well. Total Return on Assets is one variation of ROA; however, it is the more accurate measure of total assets as considers interest expenses, contributes making ROA calculations independent from the method of company's financing, and facilitates the comparison of different business entities' outcomes in the industry. This ratio is more preferable for those business entities, which have a large amount of borrowed funds, as they can receive resorted and underestimated data about own financial attractiveness without discussed amendments. Thus, to calculate described indicator management of the organization usually use the following formula:

$$\text{Total Return on Assets} = \frac{\text{Net income} + \text{Interest}}{\text{Total Assets}} * 100\% \quad (9)$$

Additionally, to understand better company's return on assets value and its change, the DuPont model is used to determine what aspect of organization's activity has led to the decrease or increase of this ratio. Utilizing this method of ROA calculation the following formula is used:

$$\text{ROA} = \text{Net profit margin} * \text{Assets turnover} \quad (10)$$

“Return on Equity (ROE) is one of the most important indicators that represents the amount of net income returned as a percentage of shareholders equity, in other words, it measures how profitable a company is for the owner of the investment, and how profitable a company employs its equity” (Readyratios [Ref. 20.10.2015]). Thus, this ratio characterizes only the part of total assets that belongs to shareholders and the formula that can be used in calculating this ratio is:

$$\text{ROE} = \frac{\text{Net income}}{\text{Net worth}} * 100\% \quad (11)$$

Normal value for this indicator ranges from 10%–12% in developed countries with a stable income and a relatively low level of inflation, whereas in developing countries with high level of inflation and unstable economic situation, the value of ROE should be 15% and more. As in the case of ROA, to understand better the ROE decrease or increase, the DuPont model can be utilized. This model explains how ROE depends on the return on assets and financial leverage, or company's dependence on any change in the net profit margin, asset turnover and change in the level of borrowed funds as well. The formula if ROE can be represented as follows:

$$\text{ROE} = \text{ROA} * \text{equity multiplier} \quad (12)$$

Thus, the simple at the first glance model represents the structure of business risks, the dynamics change of these risks and additional estimation of capital and its cost.

“ROCE is a measure of the returns that a business is achieving from both own equity and long-term borrowed funds” (ROCE, [ref. 25 October 2015]). Utilizing indicator it is easier to evaluate management’s efficiency, compare outcomes with results of other business entities for the further development, and understand the advisability of investing in a company. In addition, it helps to understand the necessity of additional shares’ issue and development of dividend policy as well. There is no clear standard value of it. However, specialists notice that usually potential investors compare ROCE with the interest rate. If ROCE is more than average rate of the loan, the target organization can be estimated as attractive for investment. Moreover, the high value of this ratio is the fact of rational and efficient capital use in the long-term run that, in turn, helps to produce additional value for shareholders. Nevertheless, if average interest rate is more, additional borrowings can lead to the deterioration of organization’s financial position. In the calculation of this indicator the following formula can be utilized:

$$\text{ROCE} = \frac{\text{EBIT}}{\text{Net worth} + \text{Long-term liabilities}} \quad (13)$$

In addition to the represented formula, it should be mentioned that in Russian practice it is more common to use the net profit in the numerator.

If the indicator is decreasing, there are three reasons for this:

- The outlays’ increase that, in turn, influences the EBIT decline,
- The decline in asset turnover,
- The change of passive structure.

If the ratio is increasing then the company’s profit and the financial leverage are growing, respectively.

2.2.3 Capital structure or financial leverage ratios

“Capital structure and financial sustainability analysis is aimed to characterize organization’s ability to meet its obligations without the elimination of long-term assets” (Verevka 2010, 41).

In this analysis the following ratios are utilized:

- Debt-to-assets ratio or debt ratio;
- Equity-to-assets ratio;
- Equity multiplier;
- Debt-to-equity;
- Times interest earned or interest coverage ratio.

Debt ratio or debt-to-assets ratio that identifies what part of total assets is financed by debt. This dependence is represented by the following formula:

$$\text{Debt ratio} = \frac{\text{Total liabilities}}{\text{Total assets}} = \frac{\text{Current liabilities} + \text{Long-term debt}}{\text{Total assets}} \quad (14)$$

The optimal value for this indicator is 0.5; nevertheless, there are not many business entities demonstrating such relationship of own and borrowed funds, the more common value for this ratio can vary from 0.6 to 0.7, which depends on the industry. The value, which is less than optimal accepted norm, indicates too cautious company’s approach to borrowings as well as missed opportunities to improve its return on equity while the value that is significantly more than accepted norm demonstrates strong dependence on creditors (Ready Ratios, [Ref. 20 October 2015]).

The opposite indicator is equity-to-assets ratio that means what part of total assets is financed by shareholders’ equity:

$$\text{Equity ratio} = \frac{\text{Shareholders' equity}}{\text{Total assets}} \quad (15)$$

The minimum for this ratio is considered being value of 30%–40%; however, it depends on the industry and the assets' structure: if company has quite large amount of fixed assets, it requires more long-term investments, and accordingly, own equity, whereas business entities, in which current assets prevail, can afford to have more borrowed funds (Audit-it, ref. [20 October 2015]).

“Equity multiplier or financial leverage measures the amount of total assets supported for each one money of shareholder's equity” (Robinson et.al 2009, 289):

$$\text{Equity multiplier ratio} = \frac{\text{Total assets}}{\text{Net worth}} \quad (16)$$

The more it is, the more share of borrowed funds and, consequently, higher financial risk the company has as high financial leverage influences on the level of its net income.

“Debt-to-equity ratio measures the amount of borrowed funds in own equity of the organization” (op.cit. 53):

$$\text{Debt-to-equity ratio} = \frac{\text{Total liabilities}}{\text{Total equity}} = \frac{\text{Current liabilities} + \text{Long-term debt}}{\text{Total shareholders' equity}} \quad (17)$$

The ideal value of this ratio, especially in Russia, is one that is the equal amount of borrowings and own capital. It can be valid if organization has the value around two; however, only big corporations can afford to have this figure. Therefore, the more common ratio value is around 1.5 that means 60% of borrowed funds and 40% of own capital; nevertheless, this optimal value is quite conditionally as it depends on the industry where an organization is operating, the enterprise scale and even production and sales' organization (Ready ratios, Ref. [20.10.2015]). That is

why it should be analyzed in dynamics and compared with another business entities' outcomes.

“Interest coverage ratio assesses the margin by which the organization can pay interest expense from its operating earnings” (Baker & Powell 2005, 54). Good interest coverage ratio defines the stability of operating earnings of a company as if a company has stable earnings, it can rely on getting finance. Creditors or credit rating agencies in determining the company's position in the stock market or in defining the possibility to grant loans for this organization use this indicator and calculate it with the help of the following formula:

$$\text{Interest coverage ratio} = \frac{\text{EBIT}}{\text{Interest expense}} \quad (18)$$

The normal value of the observed indicator should be at least one; however, the best variant for the organization will be the situation when EBIT is twice as much of paid percentage or even more.

2.2.4 Activity ratios

Activities ratios are relative characteristics of assets' utilization efficiency and often these indicators are known as turnover ratios that are expressed in days or in the number of resource's turnover. Activity ratios are subdivided into:

- Inventory turnover,
- Accounts receivable turnover,
- Accounts payable turnover,
- Fixed asset turnover,
- Current asset turnover,
- Total asset turnover,
- Operating cycle,
- Financial cycle.

Inventory turnover ratio “indicates the number of times inventories are sold or used during one year “(Drake 2010, 7). The number of turnover times can be calculated by dividing cost of goods sold on the average amount of inventory; however, if the purpose is to define the number of days in the inventories’ processing, inventory turnover ratio takes the following form (Baker & Powell 2005, 58):

$$\text{Inventory processing period} = \frac{365}{\text{Inventory turnover}} \quad (19)$$

Where inventory turnover is calculated as:

$$\text{Inventory turnover} = \frac{\text{Cost of goods sold}}{\text{Average Inventory}} \quad (20)$$

Accounts receivable turnover ratio measures how quickly an organization receives payments for goods or services sold during the accounting period (Ready ratios, [Ref. 20 October 2015]). This indicator characterizes the efficiency of communication with customers in the part of collecting debts and reflects company’s credit policy and calculated using this formula:

$$\text{Accounts receivable turnover ratio} = \frac{\text{Sales}}{\text{Average balance of account receivables}} \quad (21)$$

When it is necessary to know how many days the accounts receivable have not been paid, the manager should make this calculation:

$$\text{Number of days accounts receivable} = \frac{365}{\text{accounts receivable ratio}} \quad (22)$$

Accounts payable turnover ratio highlights how quickly an organization own debts and, as in the case of accounts' receivable turnover ratio, this indicator is used in evaluation of cash situation in the target company and efficiency of outgoing payment' management (Ready Ratios, [Ref. 25 October 2015]). Accounts payable turnover ratio is calculated as follows:

$$\text{Accounts payable turnover} = \frac{\text{Total purchases}}{\text{Average accounts payable}} \quad (23)$$

As it was in the previous turnover ratios, the turnover in days or days payable outstanding can be calculated using the following formula:

$$\text{Number of days accounts payable} = \frac{365}{\text{accounts payable ratio}} \quad (24)$$

"Fixed asset turnover is the assets management characteristics that evaluate how effectively the company is utilizing its fixed assets to generate sales" (op.cit, 60). Current asset turnover measures how much time company's average current assets have been utilized or have gone through the stages from purchase to sell or from production to distribution. Both ratios are calculated in days or time. To calculate described ratios following formulas are employed:

$$\text{Fixed asset turnover} = \frac{\text{Sales}}{\text{Average fixed assets}} \quad (25)$$

$$\text{Current asset turnover} = \frac{\text{Sales}}{\text{Average current assets}} \quad (26)$$

Total asset turnover represents how many dollars of sales a company can generate for each dollar invested in assets; in other words, it identifies how effectively a target organization employs all its available resources. There is no clear value of the target financial indicator as it mostly depends on the industry to which a company belongs: in capital-intensive industries, asset turnover is lower than in labor intensive such as trade and service sectors. Companies with low profit margin frequently have high asset turnover, whereas organizations with low turnover have high profit margin: the jewelry store where few items can be sold can make higher profit than ordinary supermarket with a large amount of goods sold everyday (ReadyRatios, ref. [21.10.2015]).

One of the most important characteristics of the company's activity is the operating cycle that means "...the length of time from the commitment of cash for purchases until the collection of receivables resulting from the sale of goods and services" (J.Horne & J.Wachowicz 2008, 146). This indicator is measured in days and identifies the efficiency of working capital management.

$$\text{Operating cycle} = \text{account receivables turnover} + \text{inventory turnover} \quad (27)$$

The short operating cycle shows both how effectively the organization manages receivables with inventories and provides additional information about company's liquidity; thus, the shorter this cycle is the more liquid is the organization. The operating cycle focuses mainly on the commitment of cash for purchases without the actual cash outlay determination that, in turn, is represented by the financial cycle defining as "... the length of time from the actual outlay of cash for purchases until the collection of receivables resulting from the sale of goods and services" (J. Horne & J. Wachowicz 2008, 146).

3 INTRODUCTION TO METRO CASH & CARRY

3.1 Metro's development on foreign and Russian markets

Metro Cash & Carry is German trading company, one of the subsidiaries of Metro AG holding that was founded by Otto Beisheim in 1964. Just four years after foundation, the unique concept “cash & carry” had entered the European market and Holland was the first country of the international presence of MCC where the corporation signed the contract on cooperation with Dutch Steenkolen Handelsvereniging N.V and opened the first subsidiary – Makro Cash & Carry. In 80-s the observed company had already had more than 100 stores throughout Europe and was one of those which started to use Japanese “just-in-time” concept and manage inventories using electronic technologies (Metro Cash & Carry Press Release, [ref. 29 September 2015]).

In 90-s Metro Cash & Carry continued the penetration of international markets opening one business unit or subsidiary after the other: Turkish and Portuguese subsidiaries were opened in 1990, Greek, Hungarian and Polish departments appeared in 1992–1994; additionally, Metro entered the Asian market having opened the first store in China. Metro Cash & Carry became the first international company that had a license from the Chinese Government for a wide market penetration and, nowadays, the corporation has 82 stores with the level of sales over €2 billion per year in this country (Trading Statement Metro AG, [Ref.29 September 2015]).

After the foundation of Metro AG in 1996, the fourth largest trading company significantly expended the scope of penetration into foreign markets: stores appeared in Czech Republic (1997), Bulgaria (1999), Slovakia (2000), Japan and Vietnam

(2002) as well as in Serbia (2005), Pakistan (2007), Kazakhstan (2009), Egypt (2010); however, crises of 2010 and 2012 forced Metro AG and, in particular, Metro Cash & Carry to suspend the further expansion. Thus, the company postponed a considerable part of restructuring activities in Portugal and in Germany, cancelled the entrance into the Indonesian market, abandoned all stores in Italy and closed stores in Greece; additionally, Metro sold subsidiaries in United Kingdom, Egypt, and Denmark where the last deal contributed to the increase of EBIT and the reduction of special costs by €149 million, the large share of which amounts to the difference between the purchase price and book value. However, described changes were not the last ones as all business units stopped operating in Ukraine due to the conflict situation in this country in 2014 (Metro press release 2013).

After all changes Metro Cash & Carry is presented in 25 countries, has 750 stores with 110 00 employees and serves 21 million professional clients in all countries of presence. The company has a broad range of assortment consisting of 20 000 food and 30 000 non-food articles and strong own brands such as ARO, Fine Food, H-line, Horeca, Sigma, Rioba, Torrington House that are differentiated by needs of such professional clients as HoReCa, Traders and SCO.

ARO is the trademark represented by food and non-food goods at competitive low prices that are perfect for resale to customers from the low-price segment. ARO is a good choice contributes Metro's clients to save money as well as make substantial profit. Picture 1 shows all types of goods related to this brand: from canned food, confectionery and dairy products to detergents and hygiene products.



Picture 1. ARO - Metro Cash & Carry own brand consisting of food and non-food items at a low price. «Always a good deal» (Metro Cash & Carry Russia 2015).

Fine Life is the brand designed for owners of small and medium businesses and including goods with high quality, interesting retail package and attractive price that is 10%–15% lower than the similar trademarks provided by famous produces; therefore, the main slogan is “Value for money.” Fine Life combines two brands such as Fine Food and Fine Dreaming and encompasses such product categories as grocery and bakery, water and beverages, diary products, canned fruits and vegetables, tea and coffee as well as hygiene products and domestic chemistry, which are represented in Picture 2.



Picture 2. “Value for money”. Metro’s own brand with best price-quality ratio (Metro Cash & Carry Russia 2015).

H-Line is the brand with a broad assortment of such products’ categories as textile, cosmetics, cutlery, and furniture that are designed for clients engaged in the hospitality industry. Moreover, under this brand special articles are published that both describe all advantages of H-Line goods and contain practical advices concerning the organization of professional events such as “Breakfast at hotel or on the summer patio.”



Picture 3. “Make your guests feel comfortable” – H-Line (Metro Cash & Carry Russia 2015).

Brand under the name HoReCa Select comprises general and specific food items in large economical packages as well as professional equipment and aims at meeting needs of restaurants, catering companies, and coffees. The main goal of the observed trademark is to reduce costs and shorten the time on preparing; therefore, Metro designs ready-made decisions such as frozen desserts, cooked and chopped vegetables and fruits or a comprehensive solution for pizzerias. Moreover, to meet customers’ needs, Metro attracts professional chefs for testing goods that are going to be sold under HoReCa Select brand, invited specialists check goods for quality and compliance with accepted standards, give recommendations and only after that goods occurs on shelves under the brand’s name.



Picture 4. Special brand Horeca selected for hotels, restaurants, and cafes (Metro Cash & Carry 2015).

SIGMA is a comprehensive solution for business that includes stationery, office interior, electronics, and business gifts at prices that are 10%–15% less than competitors'. Additionally, among brand's characteristics are stylish design, functionality, and high quality of goods that are sold under the slogan: "Buy more and pay less".



Picture 5. Sigma for office essentials – "Buy more and pay less" (Metro Cash & Carry Russia 2015).

Rioba is Metro's brand which main characteristics are high quality, broad assortment, elegant design, and attractive prices that contribute saving 10%–15%. The diverse assortment includes such products categories as dairy and confectionary products, canned food, or, in particular, canned fruits and vegetables, beverages, bakery products, and kitchen disposable utensils that are shown in Picture 6.



Picture 6. Professional mix for bars and cafeterias (Metro Cash & Carry Russia, 2015).

Finally, Tarrington House is the brand of medium price segment which assortment encompasses non-food products' categories such as small household appliances, heating, ventilating, and air conditioning equipment or HVAC equipment, home textile, kitchenware, and even furniture for outdoor recreation shown in Picture 7.



Picture 7. “The World at home”. Tarrington House - brand for the comfort (Metro Cash & Carry Russia 2015).

One of the main indicators of the strategy's and own brands' effectiveness is the financial position of the company that, in turn, is characterized by the amount of its sales. Thus, Metro's sales have amounted to €30.5 billion in 2013–2014 financial year that is €2.1 billion less than was in 2012–2013. In Figure 1, the distribution of sales by region is represented where Russian figures are included in the Eastern Europe share; moreover, financial results of Metro Cash & Carry Russia amount more than half of 34.4% share.

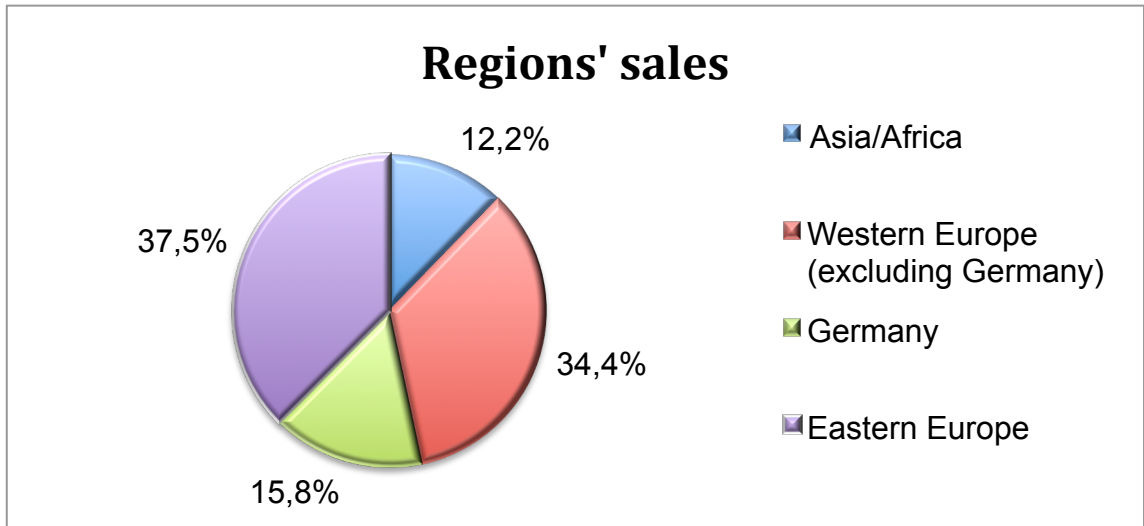


Figure 1 Sales' distribution of Metro Cash & Carry in the 2013-2014 financial year

In Russian Federation, Metro Cash & Carry has been represented since 2000 when the head office was opened in Moscow and has been actively using the growth strategy in the penetration of the target market that can be seen in Figure 2 where all data is represented as of the end of each year.

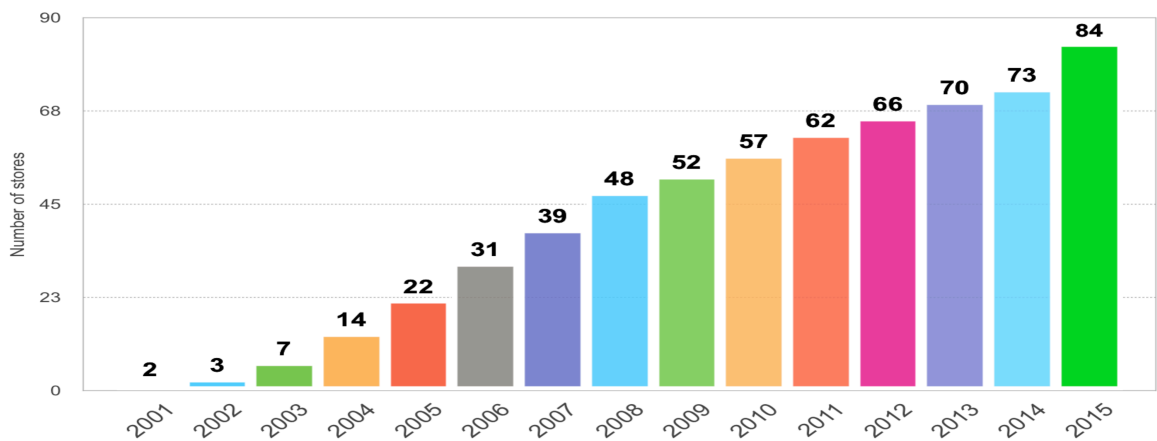


Figure 2. Development of Metro Cash & Carry in the Russian market, units.

In conjunction with the increasing number of store centers, the company is actively engaged in the implementation of new programs and offers for customers: the first logistics platform in Noginsk was opened in 2008 that allowed the organization to supply goods in the right place, in time and in the right quantity, the business school for aspiring entrepreneurs was implemented, and the delivery program was

launched in 2009. The year 2012 was marked by the start of franchising project called “Fasol” while 2013 is characterized by the launch of the Internet Commerce and opening of the new logistics platform in Aksai that, now, provides the supply of fresh fruits and vegetables at stores in the south region and allows Metro to cut costs on goods’ delivery and storage, improve relationships with local suppliers, lower prices, and increase company’s significance in the region, respectively (Metro Cash & Carry Russia, [Ref. 30 September 2015]).

The most difficult period for Metro was 2014 as the company had to search for new suppliers who could provide regular delivery of substitute products; however, the situation was eased by the fact that Metro Cash & Carry Russia had adhered to procurement policy of the German head office and purchased 80%–90% of all goods from local or federal suppliers. Nevertheless, Metro faced with serious problems concerning such products and product groups as cheeses, luxury sparkling wines, fish and meat products and to minimize losses from termination of their supply, Metro has increased the share of Russian wines by 26% and the share of Russian meat products by 94%, where other 6% is supplied from Brazil and Argentina. Additionally, the company replaced such products as trout and salmon by exported from Chili and Faroe islands (Metro Cash & Carry will remain in Russia [Ref. 25 September 2015]). As the result, at the end of 2014, Metro Cash & Carry Russia had €3,5 billion from sales that is €470.6 million or 15.4% more than in 2013, the gross margin increased by €45,7 million or by 9.8% and customers’ average bill accounted for €68,8 (Metro press release 2014).

3.2 Mission, strategies, principles and success factors of corporation

Metro Cash & Carry is the transnational trading company, which sales amounted 50.4% of total Metro AG holding sales and which operation in all countries of presence is built on mission that is the embodiment of goals and values, a landmark of the organization as well as one of the keys to company's success. Mission of Metro Cash & Carry is in "Building long-term, trustful relationships with customers, employees, business partners and suppliers"

Metro Cash & Carry embodies its mission in the «YOU & METRO» slogan that means:

1. YOU are individual entrepreneurs, restaurants, hotels, offices, cafes or HoReCA, SCO and traders who make purchases and use services of sales consultant.
2. METRO is around 110 000 employees who develop Metro's business every day and help clients to make the right choice in all countries of corporation's presence.

Following the stated mission, the main goal of Metro Cash & Carry is to be the best partner for independent entrepreneurs, restaurants, offices, public institutions, suppliers, and other business partner; therefore, to achieve highlighted goal, the company regularly conducts customers' satisfaction surveys trying to gain the constructive criticism of everyday operations. Thus, it allows managers to identify the level of customers' satisfaction with assortment or, in particular, its availability, diversity, and quality; level of prices, quality of service in every store center; moreover, customers' willingness to recommend Metro to friends, college, and business partners is determined.

The company must have thoughtful and competently embodied strategy that allows the organization to achieve all goals and be competitive in the target market. The first international strategy implemented by Metro was internationalization

strategy when the company entered Denmark, Poland, and Great Britain markets. Nowadays, due to the unstable and challenging political and economic conditions, the company suspended entering new foreign markets giving preference to Russia, Turkey, and China where company employs the direct investment strategy with the help of which it controls all operations from the head office situated in Dusseldorf.

In further extension on the foreign market, Metro Cash & Carry continues using market penetration strategy and opens stores of the existing format in strategically important markets; moreover, in some countries business unites operates around the clock. For instance, in Russian Federation and China Metro opened 84 and 82 stores, respectively; moreover, in such big Russian cities as Moscow and Saint-Petersburg stores open 24 hours a day.

Business often to achieve better results and be more successful than competitors employs the combination of strategies; Metro is not an exception as, in addition to the market penetration strategy, the observed company uses retail format's development strategy developed the store's formats such as:

- Classical format with 9 000 square meters of retail space;
- Junior format with 7 000–9 000 square meters of retail space;
- ECO format with 2 500–4 000 square meters of retail space (Metro Intranet, [Ref. 15 October 2015]).

The integrated strategy is the main strategy of Metro Cash & Carry as the observed company is flexible and always quickly adapt to the modern technologies and rapid changes in the external environment; moreover, it is competent in many primary and supported activities, has strong networks with external and internal parties.

The strategy is always associated with the business principles that reflect the company's mission and goals and among Metro's business principles following:

- Client orientation – “Everything is for customersn”;

- The spirit of enterprise – “Think globally, act locally”;
- Perfection in everyday operations – “Fresh look at familiar things”;
- Faith in people – “Employees growth is the company’s growth”;
- True leadership – “Honesty, openness, reliability”;
- Stable developments due to the combination of long-term goals and short-term needs (Metro Cash & Carry Russia, [Ref. 2 November 2015]).

Main success factors, not only Metro, but also, the whole Metro Group are presented in Picture 8.



Picture 8. Metro Group success factors (adopted from Metro AG Web-site [Ref. 2 November 2015]).

3.3 Strategic initiatives of Metro Cash & Carry – basis for its competitiveness

Metro Cash & Carry has been developing its business for more than 50 years by always introducing new technologies, launching new programs, expanding the service package and assortment range. In Metro professional clients can find around 20 000 food and 30 000 non-food items with excellent quality; moreover, in every country, the company uses the unique system of local supply and has several types of formats the size and location of which are tailored to the needs of valuable customers. All these facts are focused on creating and sustaining a trustful and long-term relationship with target clients; however, strategic initiatives that distinguish the company from its rivals are allocated as well. One of them is the special training program for customers that called “School of trade”, according to which, Metro does not invest to its clients business instead the company provides own experience accumulated during more than 54 years. Small companies and individual entrepreneurs are trained how to do business and have significant success; furthermore, Metro’s specialists analyze direct competitors for program’s participants, choose the optimum assortment range, consult about the purchase and replacement of equipment. Moreover, personal manager helps customer to decorate the sales area as well as choose effective advertising program and price policy (Metro School of trade, [ref. 10 November 2015]).

Second strategic initiative of Metro Cash & Carry Russia is the delivery program that is designed for HoReCa customers and, according to which professional clients purchasing a certain amount of goods can get free delivery, the cost of purchase increases by 3%; however, customer saves time. The second reason, why this program may attract, is that most clients do not have own transport and have to contract the external organization that, in turn, leads to much more than 3%.

The third Metro’s competitive initiative is the franchising project under the name “Fasol”, analogues of which can be found in Poland – “Odido”, in Bulgaria – “Mi

magazine”, in Romania – “La doi pass”. The main idea of this strategic initiative is to assist entrepreneurs who take part in the “School Trade” program to conduct the business rebranding. “Owners of small shops with retail space less than 150 sq.m get €5 000 from Metro and if this is not enough, Metro searches for additional financing. Small shops owners do not have to pay royalty for using the knowledge of the corporation, the only thing that small entrepreneurs must do is to purchase around 600 articles in Metro, including Metro’s brands” (Levinskaya 2014). According to the statement of Peter Boone (2014), this project helps Metro’s customers to increase average receipt by 30%–40%.

Revolutionary “Metro-Partner” is an advertising program launched in 2012 and which gives an opportunity to represent all promotional offers in the Metro Cash & Carry Web-site completely free; the only requirement is that the customer should have loyalty card. Furthermore, the appeal of this program is that the client receives such opportunities as:

- Free advertising of goods or services,
- No expenses for management and distribution of advertising,
- Detailed statistics of other customers who have already browsed the published offer,
- The ability to track competitor’ offers (Metro-Partner Web-site, [Ref. 11 November 2015]).

In addition, Metro provides joint promotions, gives an opportunity to place posters minimum for one month in sales area where 75 000 client will see this advertising, conduct degustation that guarantees average three-fold increase of sales, publish leaflets in the Metro’s magazine or send these leaflets to clients by mail as well. Additionally, Stella Pilon that can be seen in Picture 9, advertising in carts and realization of competitions supplement all advertising offers of the target corporation.



Picture 9. Huge advertising poster–Pylon situated in the parking of a store (adopted from metro-cc.ru 2015).

Metro Cash & Carry creating the value chain for professional clients provides an opportunity to take part in master classes where Russian and foreign chefs teach cooking and explain all features of the culinary world; moreover, the master class is made completely free, the only requirement is to have Metro's membership card.

The strategic initiative and even competitive advantage for Metro Russia is the startup of Internet Commerce in 2013 with the help of which customers can monitor all offers and purchase all necessary products as well. Customers receive an opportunity to have a home delivery as well; however, this program is available in Moscow and Saint–Petersburg and its further spread in all regions is only planned; furthermore, in stores where this program has already appeared, it requires some improvement and enhancement.

As it was mentioned in previous subheadings, the target organization has a strong logistics system that helped the company to minimize consequences of sanctions' introduction. Metro has four distribution centers located in Noginsk, Saint-Petersburg, Novosibirsk and Aksai. The supplies' geography of Noginsk distribution center covers all Metro's stores in Russia while the distribution center located in

Saint-Petersburg is designed to supply goods to stores of Northwest district. The center in Novosibirsk provides merchandise to stores situated in cities of Siberia, whereas Aksai supply center provides goods to stores of the Southern region. All these distribution centers have own scheme of delivery as well and PAXD, BBXD, and CS schemes of delivery are used: in Saint-Petersburg it is RAXD, in Novosibirsk – PAXD and CS, in Aksai – BBXD, CS and PAXD. In Table 2, all types of supply, their destination and meaning are shown in more detail.

Table 2. The Supply chain of Distribution centers (adopted from Metro Logistics Web-site, [ref. 11 November 2015]).

Types of supplies	Purpose of supplies	Content
PAXD or cross docking	Transportation of non-food and food goods without any requirement to its transportation and storage.	The supplier receives orders from each store center and supply goods at the same address of Distribution center.
BBXD or cross docking with transshipment through Distribution center	Transportation fruits and vegetables, chilled fish as well as food items without any special storage mode.	The supplier receives the overall order from all stores and delivers at a specific Distribution Center's address where goods are delivered to stores.
CS or formation of commodity stock in the Distribution center	Delivery of import products and deep frozen products	The commodity stock is formed in the Distribution center and, then, distribute to all stores.
The direct supply to the store	The supply of all goods from the local suppliers (exclude import) when the store needs them	The supplier receives individual orders from store and supplies these goods according to the specific address of the store.

Metro Cash & Carry uses information portal – Metro-Link for the effective collaboration with all its suppliers. The portal contains special application – MDW, which supplier can use to know data about:

- Sales in the ordinary period: overall dynamics of sales for the concrete period, analysis of sales in an individual store or even analysis of a specific commodity code and category of goods sales
- Sales during promotions: overall dynamics of past and current promotions and future promotions planning as well

- Balance of inventories: balance of inventories in all stores and in the concrete one, balance of the separate commodity code and so on
- Commodities codes: block, unloading price for a certain period, its binding to the concrete merchandise category and data about barcodes as well as packaging.

Moreover, it is possible for all suppliers to utilize the electronic catalog where they can create special programs for collaborative project management and more effective data exchange. Suppliers enter data about commodity codes and transmit this data to the Metro's information system (Metro-Link, ref. [11 November 2015]). The similar application is called Collaboration where every manager, who is responsible for the special category of goods, publishes all information about it for suppliers. At the same time, both sides have a possibility to edit this information and receive notifications about all changes.

During entire period of collaboration with its suppliers, Metro utilizes Electronic Data Interchange (EDI) on basis of international EANCOM-2002 standard. There are four types of transactions used by the company:

- ORDERS (Purchase Order) – order for delivery,
- DESADV (Dispatch Advice) – a shipment notification,
- RECADV (Receiving Advice) – receiving notification,
- INVOICE – invoice.

Finally, for all suppliers Metro holds conferences, the main idea of which is to familiarize local suppliers with the strategic development directions, quality standards, and assortment policy of Metro Cash & Carry. For Metro, it is a good opportunity to find new suppliers and expand assortment. For suppliers, it is a great chance to deliver their merchandise to the famous company.

There are strategic initiatives of Metro Cash & Carry that concern external competitiveness; however, the target company pays a close attention to the development of internal competitiveness as well. There is a special program – Metro Potentials, aimed at providing an opportunity for new and young managers to raise

the level of their professionalism and become leaders in the future. Metro Potentials is the internship program, which continues two years. The manager is given an opportunity to work on probation in five departments from three to six months in each. During first year, future leader observes company's business processes in stores and in the head office while the second year is the period of international internship when future manager has a possibility to work six months in one of twenty-six countries of Metro's presence as well as six months in the head office located in Dusseldorf. Additionally, among benefits, that the manager gets, are broad business vision, rapid career growth, high salary, and professional experience gaining from the best experts supporting young managers during internship.



Picture 10. Slogan of Metro Cash & Carry professional development program for future leaders (Metro Cash & Carry Russia 2015).

Criteria for joining this program are that candidates should have a master's degree from a local university or business school and such properties as strong leadership, mobility, excellent written and spoken English; however, candidates who do not have this degree but have three-year experience and the same required characteristics can apply as well.

3.4 Metro Cash & Carry SWOT-analysis

According to Ferrell and Hartline (2013, 111), SWOT-analysis is one of the most common tools in analyzing marketing data that assists manager to move from ongoing situation analysis to the development of marketing plan, SWOT-analysis aims at splitting received during situation analysis data into the four categories such as strenghts and weaknesses, opportunitirs and threats; moreover, the tool contributes uncovering company's competitive agavantages and the selection of accurate strategic focus for the marketing strategy the main goal of which is "to creat a capabilities that are key to meeting customers needs". Table 3 and Table 4 are parts of SWOT-analysis matrix where the researcher combines of received data about company's core features and splits it into four categories: strenghts, weaknesses,opportunities, and threats. The main aim of the represented SWOT-matrix is to analyze already existing strategy employed by Metro Cash & Carry rather than to develop new marketing plan; moreover, the main assignment of analysis is to be the basis for another stages of the study that the research conducts.

Table 3. Metro Cash & Carry strengths and weaknesses.

Strenghts	Weaknesses
<ol style="list-style-type: none"> 1. Strong reputation and position of one of the leaders in the market 2. Broad market coverage with different types of the store format 3. Large base of reliable suppliers 4. Large and strong base of loyal customers; 5. High quality of goods 6. Diverse assortment 7. Skillful and advanced use of e-commerce in relations with suppliers 8. An elaborate supply system (presence of special distribution centers which allow realizing just-in-time concept) 9. The presence of strong own brands differentiated due to the needs of all types of clients 10. Diverse package of services – from primary to related 11. Diverse advertising campaigns and methods customers' attraction (different discounts – 5%, 7% or 9% (depending on purchases volume), special Metro bonuses and etc.); 12. Succesful use of 1:1 marketing (personilized marketing) – personnal sales manager who provides help and give valuable recommendations 12. A good system of motivation and professional development of administrative staff and specialists 	<ol style="list-style-type: none"> 1. Relatively high prices for most goods 2. Too high costs and large amount of collected inventories 3. Excessive amount of borrowed funds (heavy reliance on them) in aggregation with the decrease of own equity 4. The presence of large amount of uncollected account receivables 5. Gaps in new staff training 6. Gaps in the goods display and constant goods rearrangement 7. Frequent lack of necessary information about merchandise in the store 8. Excessive centralization of management and many managerial levels as well 9. Low wages of line employees (operating personnel), their low motivation to do the job better

Table 4. Opportunities and Threats of Metro Cash & Carry.

Opportunities	Threats
<ol style="list-style-type: none"> 1. Weakness of competitors 2. The spread of e-commerce (on-line shop) in all regions of company's presence 3. Development of B2C direction in addition to the existing B2B 	<ol style="list-style-type: none"> 1. Exchange rate fluctuations 2. Increase of inflation 3. Increase of interest rate 4. Increase in purchase prices of goods; 5. A further decline in the purchasing power and, in turn, the demand decrease 5. The possibility of new economical sanctions introduction due to the aggravation of political situation 6. The risk of non-repayment of account receivables 7. High illiquidity risk or inability to fully meet own obligations 8. Overall strong insolvency risk

4 FINANCIAL ANALYSIS

4.1 Liquidity analysis

Liquidity ratios assist financial manager to get an answer whether the company is able to meet short-term obligations by effectively employing available assets and thus remain to be viable (Bringham & Houston 2015, 104). These financial indicators are subdivided into the current ratio, quick ratio, cash ratio, and net working capital, which calculated values as well as changes of these values are represented in Table 5.

Table 5. Metro Cash & Carry liquidity indicators 2012–2014.

Indicator	Value of ratio			Increment	
	2012	2013	2014	2013	2014
	time	time	time	time	time
Current ratio	0.74	0.72	0.68	(-0.02)	(-0.04)
Quick ratio	0.41	0.36	0.31	(-0.05)	(-0.05)
Cash Ratio	0.26	0.21	0.16	(-0.05)	(-0.05)
Net working capital (billion rubles)	-16.21	-16.78	-24.14	(-0.57)	(-7.36)

Metro is the company, operating in the trading sector of the economy, which average established norms are usually, less than industrial and amount to 0.92–1.05;

however, its current ratio is too small even with account of this assumption. From Table 4, it follows that Metro's current ratio amounts to 0.68 in 2014, it has changed by 0.04 time since 2013 and, compared to 2012, this reduction is by 0.06 that, in turn, demonstrates company's possible difficulties in meeting current liabilities or, in other words, the high risk of liquidity. The reason for such outcome lies in the significant increase of borrowed funds and in the "heavy" structure of available current assets: quite large amount of least liquid inventories, accumulated accounts receivable and low, in comparison with inventories, amount of the most liquid assets such as cash and short-term investments.

From company's balance sheet, it follows that the volume of current liabilities amounts to 76 billion rubles in 2014, compared to 2013, its increase accounted for 15.7 billion rubles or 26.2%, the largest share of which are borrowed funds amounting to 24 billion or 31.5%, and accounts payable – 50.5 billion or 66.4%. The growth of short-term loans has been 8.8 billion rubles and accounts payable 7.1 billion rubles since 2013 when the increase of its indicators was much lower that, in turn, partly explains higher current ratio and lower current insolvency risk in those financial period. Additionally, the significant inventories' increment can be revealed in 2014: since 2013, inventories' volume has increased by 5.7 billion rubles and amounts to 24.5 billion where inventories of food products account for 17.6 billion rubles.

Apart from large amount of accumulated inventories, the reason for the low current ratio lies in the accumulation of accounts receivable exceeding 11.5 billion in 2014 that is 3.02 billion rubles more than was in 2013 when there was the decline of ratio's value by 382 million. The receivables on premiums and services that Metro provides to suppliers as well as receivables of Metro Group companies constitute the most share of total accumulated account receivables and amount to 9.3 billion and 1.2 billion rubles, respectively; moreover, settlements with other debtors amount to 523 million rubles that is 224 million more than was in 2013. Thus, on the above grounds, it can be concluded that observed company has gaps in inventory as well as customer relationship management.

Additionally, the basis for the liquidity risk is the significant difference between the amount of the liquid current assets such as cash and short-term investments and accumulated inventories with receivables. Thus, according to the company's balance sheet, the amount of cash and cash equivalents accounted for 11.72 billion rubles in 2014 that is 12.8 billion less than accumulated inventories and 259 million less than the value of account receivables. Moreover, the increment of cash amount has been two billion rubles since 2013, whereas increments of inventories and account receivables have amounted to 3.02 billion and 5.73 billion rubles, respectively; at the same time, the value of short-term investments totals 74 million rubles in 2014 that is three billion less than was in 2013 and five billion rubles less than was in 2012; therefore, the total negative increment accounted for eight billion. Accomplished calculations confirm the statement about disproportion between assets; however, the problem is more explicit if to analyze share of each of assets in total amount of available current assets. Thus, the cumulative share of cash and short-term investments is 22.6%, whereas the cumulative share of inventories and account receivables amounts to 70.4%; compared to 2013, the share of first two types of current assets decreased by 6.4% while the share of last two assets' items increased by 6.5%.

Quick and cash ratios are more accurate characteristics of company's liquidity as take into account current assets that can be easily converted into cash in the case of urgent necessity. The decline of these indicators more clearly demonstrates company's weaknesses and highlights current solvency risk; however, every banks, credit institution, supplier, and other interested party can use the current ratio as well. In the case of Metro Cash & Carry, liquidity ratios show the negative dynamics which reasons have been already discussed; therefore, the researcher just provides the obtained numerical data. As it follows from Table 4, the quick ratio amounts to 0.36 in 2014 that is 0.14 less than established industry average value; moreover, ratio's value has decreased by 0,05 points since 2013. Cash ratio amounts to 0.16 in 2014 that is 0.05 time less than was in the previous year; additionally, if to compare company's outcome with the outcome of the similar corporation such as Costco, the value is 0.07 time less. However, Costco is the company, which operates on other market where conditions are much better; therefore, the represented comparison is not the main indicator of the

deterioration, it is a statement of fact that organization with the same format of business can have better value cash ratio.

Finally, the indicator of net working capital should be evaluated as it reinforces data about creditworthiness of the target organization. Its negative value, on the one hand, demonstrates company's inability to cover current liabilities by available current assets and, in turn, defines in what degree the company depends on borrowed funds, on the other hand, negative value identifies the decrease of own equity that in the case of Metro Cash & Carry amounted to 3.2 billion rubles. Thus, the decline of own equity, the increase of non-current assets by 4.4 billion, the increase of borrowed funds by 16.2 billion and, as a result, the negative net working capital reinforce the statement about company's possible financial difficulties.

4.2 Profitability analysis

Table 6. Metro's profitability indicators related to sales, 2012-2014.

	2012	2013	2014	Increment	
				2013	2014
	%	%	%	%	%
Gross profit margin	16	15.2	14.5	(-0.8)	(-0.7)
Operating profit margin	2,6	2.2	1.9	(-0.4)	(-0.3)
Pre-tax margin	9.2	8.2	8.0	(-1.0)	(-0.2)
Net profit margin	7.1	6.2	6.1	(-0.9)	(-0.1)

According to Table 5, the target company has good gross profit margin that amounts to 14.47% in 2014 that is 0.71% less than was in the previous year as well as 1.6% less compared to 2012. The reason for the value's deterioration is in amount of cost of sales that, according to the company's financial statement, is more than 29 billion rubles; moreover, its increment reached 20.1 billion rubles that 8.9 billion more than had been in 2013. The large share of costs relates to cost of purchased goods and cost of services provided by Metro's distribution center which increments amount to 28.2 million and 576 million rubles, respectively. Additionally, the new item of expenditure such as inventory losses within established norms or norms of natural losses caused by shrinkage or expiration date amounting 134 million rubles contributed to the cost of sales' growth.

The reason for the decline of the gross profit margin lies in the excess of the cost of sales' increment over the sales' growth as well. Thus, in the first case, the growth amounts to 16.4%, whereas in the second case, it accounts for 15.4%; therefore, the total excess amounts to 1.0% that, first, indicates the change in sales mix when goods with lower margins are sold better, second, reveals that the company increased sales by increasing prices rather than the amount of goods sold.

Operating profit is another important figure that managers use in the evaluation of operations' effectiveness; moreover, the indicator assists managers to understand how much revenue will get the company after subtraction of operational costs without taking into consideration collected taxes and interests' payments. According to Table 5, Metro has unsatisfactory value of operating profit margin accounting for 1.9% in 2014 that is 0.3% worse than was in 2013; compared to 2012, the value of operating profit margin decreased by 0.7%. The reason for the deterioration lies in the growth of labor, advertisement, and promotion costs, license and rent fees as well as pecuniary outlay increase by 1.7 billion, 442.5 million, 372.8 million, 317.2 million and 361 million rubles, respectively that, in turn, can be mostly explained by the company's market penetration strategy. Thus, the company opened nine new stores in 2014 that, in turn, implied additional expenses on new employees, ground rent, additional license for selling some types of products,

promotion and other material expenses in conjunction with the necessity to maintain competitiveness and recognition of already functioning.

The penultimate step in the evaluation of company's profitability in regards to sales is the calculation of pretax profit margin showing in what degree the company depends on the external financing, how much other income as well as other costs the company possesses; in other words, the pretax margin or EBT mostly predetermines the net profit margin's figure. Thus, the value of other income accounts for 23,2 billion rubles in 2014 that is 3,3 billion more than in the previous year. Bonuses from Russian and international suppliers, surplus of property revealed during stocktaking, income from accounts payable with expired limitation period made the large contribution to the growth as its increments amount to 3 billion and 66 millions rubles, 270 million and 111 million rubles, respectively. While other income increased by 3,3 billion, figure of other costs decreased by 273,5 million rubles that, in turn, occurred on account of the decline of such items as provision for losses revealed during stocktaking by 55.3 million rubles, provision for reduction in cost of goods by 143,5 million, and foreign exchange losses by 993.9 million rubles. Nevertheless, value of EBT margin has decreased by 0.2% since 2013 or 1.2%, compared to 2012, that was caused by both the increase of operating costs and the growth of financial leverage expressed by high figure of interest payments. In 2014, the sum of interest payables accounts for 2,27 billion rubles that is 1,29 billion more than was in the previous year and 1,85 billion more, compared to 2012; at the same time, account receivables on interest payments reached 148,6 million rubles in 2014 that is 15 times less than interest payables amount to. As a result, observed changes decelerated the growth of EBT and, in turn, affected the amount of net profit.

Net profit margin is the final step in the evaluation of company's financial efficiency in regards to sales; thus, it shows how much profit business entity will gain after subcontracting all operating and non-operating expenses as well as interest and income tax expenses. Metro Cash & Carry has good figure of net profit margin even with account of its value's decline by 1% since 2012. The reason for the deterioration lies in the high amount of operating costs, high figure of borrowed funds

accounts for 1,29 billion rubles, and in amount of income tax that has increased by 315,2 million rubles since 2013 and accounts for 4,4 billion rubles in 2014.

Table 7. Metro's profitability in regards to investment 2012–2014.

	2012	2013	2014	Increment	
				2013	2014
	%	%	%	%	%
ROA	16.7	15.4	17.7	(-1.3)	+2.3
ROE	51.8	50.9	55.6	(-0.9)	+4.7
ROCE	53.8	57.9	68.7	+4.1	+10.8
DuPont (ROA)	16.2	14.3	15.3	(-1.9)	+1
Net profit margin	7.1	6.2	6.1	(-0.9)	(-0.1)
Asset turnover	2.29	2.3	2.5	+0.01	+0.2
DuPont (ROE)	65.0	45.6	62.5	(-19.4)	+16.9
Equity multiplier	4.0	3.2	4.1	(-0.8)	+0.9

Metro Cash & Carry is the profitable organization that can generate decent profit that good value of ROA confirmed. Thus, it amounts to 17.7% in 2014 that is 13.3% more than established industry average value; moreover, compared to the previous year, ROA has grown by 2.3% that, according to the DuPont model, was caused by increased asset turnover. Since 2013, asset turnover has grown by 0.2 times; furthermore, it smoothed the net profit reduction that, following Table 7, amounts to 0,1% in 2014, whereas in 2013, the negative increment accounted for 0.9%. The observed improvement positively influenced the profitability; nevertheless, the reduction of the net profit margin's growth indicates company's problems such as increased operating and non-operating costs.

Russian economy is unstable and inflationary; therefore, the return on equity ratio should be more than 12–15% (Readyratios [Ref. 15 December 2015]). From Ta-

ble 7, it follows that Metro Cash & Carry has excellent return on equity that amounts to 55.6% in 2014 that is 4.7% more than in 2013 and, compared to 2012, the figure is 3.8% better. The DuPont model contributes finding factors that were the reason for the high figure; therefore, according to the model, both the increase of asset turnover and the borrowed funds' growth encouraged the ROE figure's significant increment. The equity multiplier ratio confirms the increase of external finances as it has risen by 0.9 since 2013 and its value is almost equal to the value that was revealed in 2012. Finally, Metro Cash & Carry is still attractive for investment as the ROCE indicator is more than average interest rate amounts to 12.5% in 2014; however, it was achieved mostly by the significant growth of financial leverage, the decline of the own capital with long-term liabilities.

4.3 Financial leverage analysis

Table 8. Financial sustainability analysis of Metro Cash & Carry Ltd. 2012–2014.

Indicator	Value of ratio			Absolute continuous increment	
	2012	2013	2014	2013	2014
Debt ratio	0.75	0.69	0.76	(-0.06)	+0.07
Equity ratio	0.25	0.31	0.24	+0.06	(-0.07)
Equity multiplier	4.0	3.2	4.1	(-0.8)	+0.9
Debt-to-equity	3.0	2.2	3.1	(-0.8)	+0.9
Interest coverage ratio	12.9	17.4	8.4	+4.5	(-9.0)

The financial leverages plays a vital role in the explanation of the company's profitability and short-term liquidity; thus, on the one hand, external financing supports the development of everyday operations and the increase of revenue, on the other hand, negatively affects liquidity in view of the need to return all borrowed funds in time, regardless of whether the company has an opportunity to repay or not. Additionally, financial leverage predetermines the organization's solvency or long-term ability to meet obligations being the significant part in the company's financial structure that, in turn, A. Cortesi, P. Tettamanzi, U. Scaccabarozzi, I. Spertini and S. Castoldi confirms (2015, 38): "Solvency indicates on one side the balance of the financial structure of the company in terms of investment deadlines and the adequacy of funding sources needed to meet them; on the other side, the composition of funding sources, in terms of adequacy of the proportion between debt capital and equity". The target company – Metro Cash & Carry is the trading company and this, in turn, means that it mostly depends on borrowed funds that is absolutely confirmed by the data represented in Table 8, according to which, Metro has 76% of external finances and 24% of own equity in 2014, whereas in 2013, this ratio amounted to 69% and 31%, respectively. Therefore, even to take into consideration that the possible borrowed funds–own equity ratio can be 60%–40% or even 70%–30% as in the retail sector, the figure of 76%–24% is dangerous for the target organization's solvency. The value of debt-to-equity indicator confirms this statement: thus, since 2013, it has increased by 0.9 points that reflects the company's dependence on borrowed funds and, accordingly, its unstable financial position in the future.

Another important indicator is the interest coverage ratio that should be more than 1.5. Following Table 8, Metro Cash & Carry has good value of this coefficient that amounts to 8.4 points in 2014 that, in turn, means that its EBIT is 8.4 times more than its interest costs; however, for the target organization it is importantly to pay close attention to the dynamics of the indicator. Since 2013, it has significantly decreased by nine times, whereas in 2013, the change was positive and amounted to four and half time; therefore, if the tendency continuous deteriorating, Metro Cash & Carry cannot meet its obligations and become insolvent. To predict this possibility, the company should either to reduce the volume of its loans or to re-

duce other operating expenses; however, it will be better to accomplish both measures.

4.4 Activity ratio analysis

Table 9. Activity ratios analysis of Metro Cash & Carry Ltd.

	2012	2013	2014	Increment		2012	2013	2014	Increment	
	time	time	time	2013	2014	days	days	days	2013	2014
Inventory turnover	9.85	9.81	9.48	(-0.04)	(-0.3)	37	38	39	+1	+1
Account receivable turnover	21.19	22.77	22.96	+1.58	+0.19	18	16	16	(-2)	0
Accounts payable turnover	3.87	4.02	5.12	+0.15	1.1	95	91	72	(-4)	(-19)
Current Assets turnover	5.03	4.67	5.04	(-0.36)	+0.37	73	79	73	+6	(-6)
Fixed as- sets turn- over	4.19	4.53	4.95	+0.34	+0.42	87	81	74	(-6)	(-7)
Operating cycle						55	54	55	(-1)	+1
Financial or cash cycle						(-40)	(-37)	(-17)	+3	+20

Activity ratios are calculated to estimate how effectively organization utilizes its as-
sets' moreover, activity ratios indicate in what sphere the company has problems

or gaps that should be eliminated in the near future to predict or cope with liquidity, profitability, or even insolvency risks. In this subchapter, the researcher only repeats already made explanations by providing some statistical confirmation represented in Table 9, in accordance with which, the inventory turnover is decreasing in the target organization. Thus, it amounts to 9.48 times in 2014 that is 0.3 time less than was in the previous year and, compared to 2012, the observed figure is 0.34 times less. Inventory turnover ratio expressed in days more obvious identifies the stated problem: Metro Cash & Carry needs around 39 days to convert its stock-in-trade into the cash, whereas in 2013 the time for it was less and amounted to 38 days; furthermore, in 2012, the situation was better as the company returned its money within 37 days. Such turnover decrease highlights the problem of surplus stocks and even indirectly reflects some sales features as the good figure of sales can be caused by prices' increase rather than the increase of the amount of goods' sold.

Additionally, it is more preferable for every organization or enterprise to have longer period of accounts payable presence thus it can use longer borrowed funds while for creditors the situation is opposite: it is better to return money as quickly as possible. As follows from Table 9, Metro Cash & Carry accounts payable turnover became faster and accounts to five times in 2014 while in the previous year it was a little more than four; moreover, it has changed by 1.25 times since 2012. In conjunction with high volume of inventories and quite insignificant increase in accounts receivable collection, this deterioration for the target organization jeopardized financial condition of Metro Cash & Carry that the financial or cash cycle prove. Thus, according to Table 8, financial cycle is negative in 2014; however, its figure is 20 times better than was in 2013. The growth of this value was slower and amounted to three times in 2013 that in turn high figure of inventory turnover and longer period of indebtedness repayment explain.

5 RESEARCH METHODOLOGY

5.1 Research design

“Research is a systematic process of collecting, analyzing, and interpreting information in order to increase understanding of a phenomenon about which we are interested or concerned” (Leedy & Ormrod 2010, 2). There are three types of research purposes, which include exploratory, descriptive, and explanatory. Exploratory research aims at explaining, “what has happened, seeking new insights, asking questions and assessing phenomena in a new light,” in other words, the exploratory research focuses on the problem formulation, already existing concepts’ clarification, and the formulation of new hypotheses. Exploratory study does not assume testing assumption, however, being flexible, it contributes determining directions for the further research. There are three common ways to conduct the exploratory study, among which are literature search, interviews with experts about the studied phenomenon and focus group discussions or interviews (M. Saunders et al. 2016, 175). Obtained data tends to be qualitative and the attention is not paid to the whole population; therefore, researcher focuses on competent individuals “who are knowledgeable about a topic or process” (Valerie M. Sue & Lois A. Ritter 2012, 2).

Descriptive study is aimed to “portray an accurate profile of persons, events, or situations” (M. Saunders et al. 2016, 175) and provides answers to such questions as who, what, where, when and how rather than gives a conclusive explanation why it is so and not otherwise (Organizing your social sciences research paper [ref. 15 January 2016]). In addition, descriptive study does not assume clarification of already existing concepts, formation of new hypothesis as well as its testing; moreover, compared to the previous type of the study, in the descriptive study the researcher concentrates on the large amount of randomly selected people rather

than on individuals generally employing surveys, case studies, and observation as the main strategies for data collection. Gathered data can be either qualitative or quantitative; however, obtained quantitative results normally cannot be replicated (Organizing your social sciences research paper [ref. 15 January 2016]).

Explanatory research is the “type of the research that attempts to provide meaningful and accurate conclusions from the considerable amount of information already available” (Glicken 2003, 267, according to Herman Strydom 2014, 155). This type of the study explains why the phenomenon occurs, reveals the nature of relationships: how one phenomenon can affect another one, and conversely. Obtained data are usually quantitative and normally require a statistical test, which establishes the validity of gained results.

5.2 Research approaches, research strategies and data collection techniques

There are three common types of the research: quantitative, qualitative, and recently received more widespread multiple method. In subchapters 5.2.1–5.2.3 the researcher specifies advantages and disadvantages of three types of the study, notes the most common strategies and data collection techniques that are inherent for each of them.

5.2.1 Quantitative research approach, research strategies and data collection techniques

Based on deductive approach, quantitative research aims at testing already made hypothesis about relationships among special variables, seeking explanations as well as making predictions. Quantitative research implies precise and strictly controlled research design where a researcher identifies in advance what kind of data should be gained and what technique should be utilized to obtain necessary information (McGill [ref. 15 January 2016]). To gather required data, the researcher can employ such collection techniques as mail, phone, face to face and web surveys or statistical observation; furthermore, in the data collection process a large group of randomly selected respondents is polled, received numerical information is analyzed with identifying statistical relationships and gained results of the interview can be generalized and applied to other populations (Johnson [ref. 15 January 2016]). Additionally, it is worth noting, that questions, asked by a researcher by mail or phone surveys are close-ended, received data is always numerical and can be often represented by charts, bars and tables.

Johnson (2016) highlights that strengths of quantitative research are in the ability to test and validate theories and hypothesis, find explanations about reasons for phenomena's emergence and make predictions about its further development. Additionally, strengths lie in the ability to provide precise descriptive numerical data and generalize findings that can be repeated or applied to other populations; moreover, in the quantitative study, a large number of people can be studied excluding the influence of other variables and making results more credible as participants do not have a direct contact with the researcher and their characteristics are hidden from him; in other words, the researcher has minimum opportunity to influence on respondents' answers and show own bias. Finally, strengths of quantitative research are that the necessary data can be collected relatively quickly and its analysis is less time consuming.

The quantitative research approach has disadvantages as well; thus, according to Johnson (ref. 15 January 2016), formed categories of respondents may not meet requirements and goal of the research; moreover, likelihood that respondents may not understand asked questions or may show excessive bias answering these questions is high. Additionally, the researcher may not take into consideration the possibility of new phenomena occurrence because the main accent is made on testing the target theory or hypothesis rather than generating the new theory. Finally, obtained knowledge might be too general or even abstract; therefore, it will not be correctly to apply this data to the specific situations and individuals.

5.2.2 Qualitative research approach, research strategies and data collection techniques

The quantitative study is based on the deductive, the qualitative research is characterized by the inductive approach, the main purpose of which lies in examining the essence of the phenomenon, new hypothesis creation and formation of new assumptions from collected data; in other words, while the quantitative method reveals statistical relationships between variables, the qualitative approach identifies patterns and special features of the phenomenon, describes individual experiences as well as groups' norms answering such questions as “how” and “why” (Mack & Woodsong, MacQueen, Guest & Namey 2005,3–4). The quantitative research orientates on the large sample, whereas the qualitative study focuses on “theoretical sampling, implying that the researcher selects respondents who can contribute an in-depth, information-rich understanding of the phenomenon under the investigation” (Klenke 2016, 9) . The most common strategies for the qualitative approach are case study, grounded theory, ethnography and phenomenology where in-depth interviews, document

and content analysis, visual and audiovisual documents analysis, participant observation and project methods can be used as a data collection techniques. Finally, the distinctive feature of qualitative research is that data collected by discussed strategies and techniques is always textual and represented by words, images and objects.

Qualitative method allows the researcher to receive the holistic view concerning studied phenomenon; make cross-case comparisons and analysis in the limited number of considered cases. Additionally, the qualitative research is flexible: the researcher can formulate questions differently based on the information obtained from respondents who, in turn, can share own experience or opinion regarding observed phenomenon. Thus, the close cooperation of the researcher and respondents provides for the first an opportunity to supplement knowledge about the studied phenomena and determine new directions for the further research; nevertheless, the qualitative method has disadvantages that include the following:

- High possibility of deviation from the original objectives or initially incorrect objectives statement;
- The manifestation of bias by the researcher during data collection and its interpretation;
- Difficulties in replication of the study;
- Data collection and analysis processes are often time consuming and expensive;
- “Qualitative research requires a high level of experience from the researcher to obtain the necessary information from respondents”;
- “Generation of significant amount of data that cannot be randomized into manageable parts for analysis” (RV Labaree 2009).

5.2.3 Multi-method and Mixed-methods research approaches

Mixed methods research is a research design with philosophical assumptions as well as methods of inquiry. As a methodology, it involves philosophical assumptions that guide the direction of the collection and analysis and the mixture of qualitative and quantitative approaches in many phases of the research process. As a method, it focuses on collecting, analyzing, and mixing both quantitative and qualitative data in a single study or series of studies. Its central promise is that the use of quantitative and qualitative approaches, in combination, provides a better understanding of research problems than either approach alone. (Creswell & Plano Clark 2011, 5)

Based on the definition given by Creswell and Plano, it is possible to distinguish two types of Mixed methods: Mixed-method and Mixed-model method (Saunders & Lewis & Thronhill 2009, 151). Mixed-method research is the study where the researcher follows the quantitative research approach, data collection technique, and analysis in one stage of a study and the qualitative research approach, data collection technique and data analysis for another step; however, it is incorrect to combine them. Therefore, Mixed-model method is the study, “which allows combining both qualitative and quantitative approaches and data collection techniques within a stage of the study or across two of stages of the research process” (Johnson ([ref. 16 January 2016], 8). Examples of Mixed-model method include the following:

- A researcher conducting a customer satisfaction survey uses questionnaire consisting of both closed-ended and open-ended questions;
- A researcher gathers qualitative data and converts it into numerical form or gathers quantitative data and represents it in the narrative form.

Another type of Multiple research design is Multi-method that implies employing more than one quantitative or qualitative data collection techniques with appropriate quantitative, if both data collection approaches are quantitative, or qualitative, if research methods are qualitative, analysis procedures in the single study. These data collection techniques are held separately from each other, however, after

completion, their results are combined to form essential components of a single study. Thus, the researcher can conduct both survey and structured observation and analyze obtained data using quantitative statistical procedures or conduct both in-depth interviews and participant observation and analyze received information using qualitative procedures (Saunders et al. 2016, 168). On the above grounds, Multiple-method allows the researcher to combine all advantages of quantitative and qualitative research methods and minimize their disadvantages; nevertheless, this type of the research design still has disadvantages. Firstly, it is difficult to conduct concurrently two data collection techniques in the single study as the researcher should exactly know about compatibility of these techniques; secondly, Multi-method is expensive and time consuming; finally, obtained results can contradict each other and researcher may interpret data incorrectly (Johnson [ref. 17 January 2016]).

5.3 Utilized research approaches, data collection and analysis techniques

Towards the intended goal, several research designs, data collection techniques, and analysis procedures were employed. The researcher began with descripto-exploratory research and used sequential multi-method approach to gather more detail information about strengths and weaknesses, opportunities and threats of the company. The first stage included study of printed media, online articles, and official Web-site of Metro, the second stage focused on data collected through observation and regular consultation with the supervisor provided by the company, obtained during both stages information was qualitatively analyzed and presented in the SWOT-analysis matrix. Those studies were conducted in compliance with appropriate rules and requirements; however, their results may be perceived as unreliable and invalid due to the high probability of subjectivity. Therefore, the research was continued to confirm or refute findings represented in the SWOT-

analysis matrix and special attention was on finances and the level of customer' satisfaction.

The purpose of the financial ratio study was the descripto-explanatory as the researcher used structured observation technique to obtain necessary data and analyzed gathered information using quantitative statistical analysis procedure whereby numerical changes of ratios were identified; factors, which caused the deterioration or improvement of ratios' values were revealed, and the outcomes were compared with the industry's average value.

Customer' satisfaction research was the final stage of the conducted study where the researcher applied the mix-model research approach to receive necessary information about the level of customers' satisfaction with assortment price, quality, employees competence, purchasing convenience as well as customers' willingness to recommend Metro Cash & Carry to friends, colleges, and business partners. The email survey was chosen as the data collection technique; however, both quantitative and qualitative data was gathered using both close-ended and open-ended questions. Data obtained with the help of close-ended questions was analyzed using quantitative procedures and represented in the numerical form, while the information received using the open-ended question was analyzed qualitatively and presented in the narrative form. The data collection process was made in compliance with established rules and, in view of this, received information can be perceived as valid; nevertheless, obtained data incompletely describe the studied phenomenon and cannot be generalized as it reflects only one store of eighty-four. Therefore, the researcher referred to the total quantitative data, that specialists in Moscow processed, to eliminate this limitation. Rules for interpreting survey's results as well as analysis of obtained data are represented in Chapter 6; furthermore, the questionnaire and cover letter can be found in the Appendix 1 and the Appendix 2.

6 CUSTOMER SATISFACTION RESEARCH









6.1 The study description and rules for results interpretation

In Table 10, the description of the whole survey is represented. The information, showing in brackets concerns the research, which was conducted by the researcher. In Table 11, it is shown how to interpret obtained survey results.

Table 10. The description of customers' satisfaction survey (Metro Cash & Carry 2016).

























Methodology	CAWI (Computer Assisted Web Interviewing), the link is sent to registered clients by email
Field of study	Metro's clients: 1. HoReCa, Trader, SCO and others 2. Professionals and Households 3. Delivery Clients and Portfolio clients 4. ABC-clients
Sampling	8 345 (100) interviews were conducted in total
Questionnaire	one questionnaire that consists of: two general questions about sphere of activity and goal of making purchases, 12 evaluation close-ended questions (scale from 0/1 to 10 or from 1 to 5) and one open-ended question (See Appendix 2).
Selection criteria for the study	At least one visit to Metro's store for the last six weeks
Re-sampling	The level of detail «Shopping Center»: at the level of target customers groups (HoReCa, Traders, SCO and others) values are re-scaled in accordance to the current number of clients in each group at the moment of the survey. (In total, n=123 resampled=100: HoReCa n=21 resampled=10, Traders n=17 resampled=17, SCO and others n=85 resampled=73). The level of detail «Region/Country»: results of shopping center are rescaled in accordance with the type of the store (Usual, ECO)

Table 11. General rules for interpreting obtained survey results (Metro Cash & Carry 2016).

<p>The definition of «satisfied», «neutral» and «dissatisfied» clients</p>	<p>“Satisfied” clients: the rating is from 8 to 10 (for 10/11 rating scales) or from 4 to 5 (for 5 rating scales)</p> <p>“Neutral” clients: the rating is from 6 to 7 (10/11 rating scales) and 3 for 5 rating scales</p> <p>“Dissatisfied” clients: rating scale from 0/1 to 5 (10/11 rating scales) and 1-2 for 5 rating scales</p>
<p>Traffic light coding based on the share of satisfied clients</p>	<p>“red” – 0-59% </p> <p>“yellow” – 60-69% </p> <p>“green” – 70-100% </p>
<p>Trend or changes from the previous survey</p>	<p>0-4,9% – without any changes </p> <p>5-9,9% – improvement/ deterioration (significant)  </p> <p>10% and more – improvement/ deterioration (highly significant) in relation to the previous wave of the survey  </p>
<p>What survey results are not taken into account?</p>	<p>1. Stores with 10 interviews in total.</p> <p>2. Stores having less than 20 interviews (ECO) and less than 30 (Usual) are not included into the overall country report and are not included into the Shopping Centers ranking (due to the insufficiency of database). However, these data are represented in the reporting of the concrete store where it was obtained.</p>

6.2 Research findings – Store 15 in Saint-Petersburg and overall data of the customer satisfaction survey

Table 12. Total distribution of satisfied/dissatisfied clients, % (Metro Cash & Carry 2016).

	Distribution of «Satisfied»/ «Dissatisfied», %			Average value	Traffic light	Trend
	Satisfied	Neutral	Dissatisfied			
Overall level of satisfaction	54	28	18	7,4		
Assortment in total	51	30	19	7,3		
Goods availability	67	17	16	7,7		
Quality of goods	72	21	7	8,3		
Prices	29	41	30	6,3		
Cleanliness	76	18	6	8,4		
The purchase convenience	65	23	12	7,8		
Service at the check desk	44	25	31	6,6		
Employees	53	23	24	7,0		
Recommendations	64	15	20	7,9		
A significant client	64	30	7	3,9		
Preferred supplier	40	43	17	3,3		

From Table 12, it can be allocated that the figure of overall customers' satisfaction is relatively low in the Store 15 as only 54% of respondents or 54 people out of 100 are overall satisfied, 28% or 28 out of 100 takes a neutral position and the last 18% or 18 people expresses their full dissatisfaction; therefore, according to the traffic light system of satisfaction evaluation, it can be attributed to the red interval.

The overall satisfaction largely depends on such factors as diversity, availability, and quality of the assortment and services, prices, the convenience of shopping and availability of competence staff; cleanliness is the factor, in some extent, affecting customer satisfaction as well. From Table 12 it follows that 51% of respondents note satisfaction with provided assortment in Metro, 30% or 30 people out of 100 remains neutral in their opinion while 19 people or 19% expresses complete disappointment; moreover, the figure has significantly changed since the previous survey wave, which was in 2014 and the deterioration amounted to more than 10%, which was caused by deducing from the assortment of more than 10 000 products articles.

While the figure of customers' satisfaction with assortment in toll is low, the assortment availability is positively evaluated by 67% of respondents while only 16% remains dissatisfied; moreover, the share of satisfied respondents is almost the same, compared to overall results throughout Russia (See Table 13). Since the previous wave of the research, this figure has improved and the enhancement amounted to approximately 8.6% that, according to the traffic lights method of evaluation, can be put into the yellow interval.

The quality of company's goods is always at summit level and obtained survey results are the confirmation to this statement: more than 70% of respondents note fully satisfaction while 7% express dissatisfaction; moreover, the share of satisfied clients is the same as the overall share of satisfied throughout Russia: it amounts to 72% while overall outcome is only 4% more and accounts for 76% (See Table 13).

Cleanliness is another factor that has high share of satisfied respondents amounting to 76%, whereas 6% of respondents give a low score amounted three points;

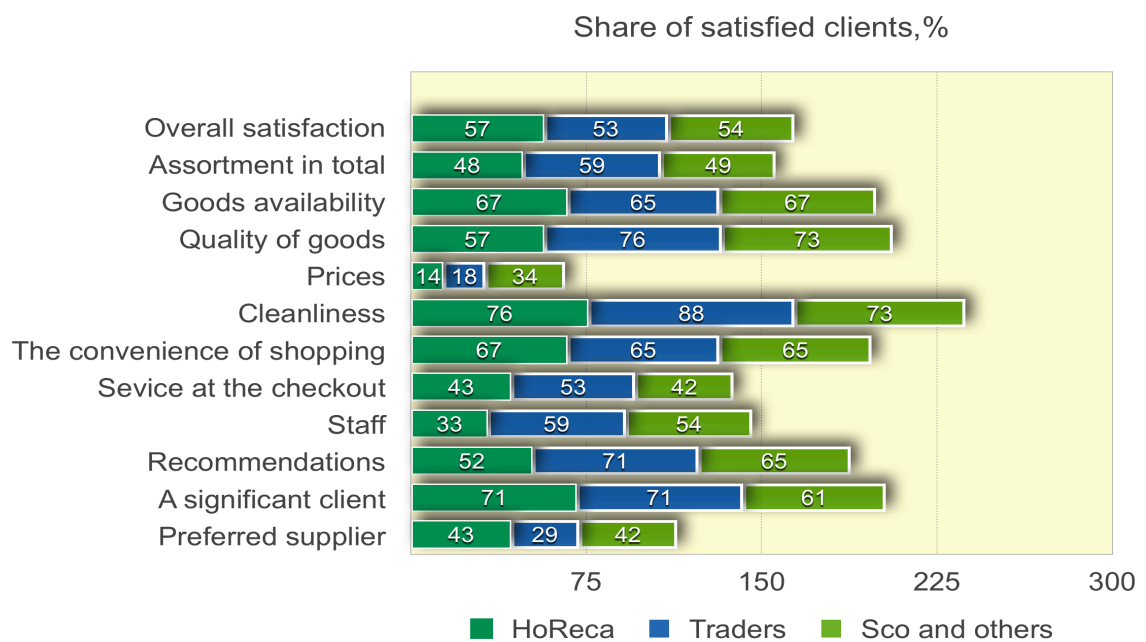
additionally, it was revealed that 64% of respondents express willingness to recommend Metro to friends, colleges, and business partners, the same share of customers is confident that the company perceives them as significant clients.

Table 13. Comparison between results of the Store 15 and overall Metro's results (Adopted from Metro's internal network 2016).

	Satisfied customers, % Store 15	Satisfied customers, % In total throughout Russia
Overall satisfaction	54	58
Assortment in total	51	61
Goods availability	67	64
Quality of goods	72	76
Prices	29	35
Cleanliness	76	82
The purchase convenience	65	68
Service at the check desk	44	51
Employees	53	54
Recommendations	64	67
A significant client	64	70
Preferred supplier	40	42

While cleanliness and assortment diversity in total high rating, such spheres as service at the checkout, employees' competence, and price level require more close attention as the share of dissatisfied clients, in the first case, is 31%, in the second case, it amounts to 24% and, in the third – 30%. However, it is worth noting, that Metro's figures regarding service at the checkout have improved since the previous research wave and the enhancement accounted for 6.8%, whereas the figure of clients satisfies with prices has changed for the worse and the deterioration amounted to 9%, the share of respondents dissatisfied with employees remains to be unchanged. Metro's figures throughout Russia are similar to results of

the studied store and indicate that 51% of respondents are satisfied with the service at the checkout, 35% contend that provided prices are suitable for them and 54% confirm own satisfaction with competence of employees. All these relatively low figures largely affect willingness of customers to prefer Metro to other suppliers: the share of satisfied customers amounts to 40%, the overall value is similar and accounts for 42%. The share of neutral customers amounting to 43% causes the greatest concern as implies that 43 respondents cannot definitely express their satisfaction or dissatisfaction; however, at any time can join either the share of satisfied clients or share of dissatisfied.



Picture 11. Share of satisfied customers by target groups (Metro Cash & Carry 2016).

According to Picture 11, the largest proportion of satisfied clients with diversity of assortment and its quality, cleanliness, service at the checkout, staff belongs to traders' segment; therefore, its figures amounts to 59%, 76%, 88%, 53% and 59%, respectively. The share of traders who are willing to recommend Metro to friends, colleges, and business partners accounts for 71%, 71% of clients from the observed segment note that Metro perceives them as significant customers, however, only 42% consider Metro as a preferred supplier. Following Picture 11, the

largest share of respondents satisfied with availability of goods and convenience of shopping belongs to HoReCa segment; therefore, at first case, the share amounts to 67% while, in the second, it accounts for 65%. HoReCa clients who are willing to recommend Metro constitute 52% of all respondents, 71% or seven out of ten participants are sure that Metro perceives them as significant customers, however, 43% or four out of ten confirm willingness to choose Metro as the preferred supplier. Finally, SCO is the last interviewed segment of clients showing acceptable, however, low figures: the level of overall satisfaction accounts for 54%, the percentage of clients highly rated the assortment's availability is 67%, whereas the figure of satisfaction with assortment in total amounts to 47%. Additionally, customers positively evaluating employees amount to 54% while the percentage of satisfied with service at the checkout is 42%; moreover, respondents confirming that Metro is their preferred supplier account for 42%. Meanwhile, 73% of respondents from SCO segment highly estimate such items as quality of goods and cleanliness; 65% acknowledge that purchase convenience is at the appropriate level in the company, therefore, the same percent of clients are willing to recommend Metro to partners and friends.

The second part of the questionnaire consists of one open-ended question, which assists the company to understand what customers would like to change in the store that, in turn, will contribute understanding answers that were obtained by close-ended questions. Thus, the poor rating of work of employees is explained by customers' disappointment with the frequent employees' absence in the trading floor as well as the lack of awareness about sold goods among them.

Please, ensure the employees' availability in departments as when I would like to ask questions or receive necessary consultation, it is impossible to find responsible person; however, such departments as bakery, meat and fruits/vegetables as well as dairy department are an exception (Trader, 2016).

Please, pay more attention to the employees' availability as it is very difficult to find them; moreover, if client still found responsible person, he is either busy or incompetent (Professional 2016).

Poor rating of rating of prices is the consequence of customers' irritation caused by the system of pricing in the company; in particular, respondents cannot understand why the price after granting the discount called Metro-mail is much higher than ordinary price in another retail outlet that, in turn, the following commentary confirms: "Don't raise prices! Some of them are much higher than in nearby shops! That is why, I do not usually want to buy goods in Metro" (Trader, 2016).

The figure of satisfied clients with availability of goods would be higher than 67% if so much respondents did not complain about the shortage of goods on shelves and its often rearrangement without notification. Moreover, goods' layout and availability of price tags in the right place significantly affect the level of satisfaction, as clients do not want to spend valuable time for searching:

Having a tight schedule, I visit store ALWAYS for a specific purpose; however, quite often, especially in the evening, I have to spend a lot of time searching for necessary products and price tags that always irritates and discourages to buy something! (SCO customer, 2016)

Stop replacing goods! After arrangements, procurement takes a lot of time; moreover, employees do not know where the customer can find the necessary replaced product that irritates. Please, pay more attention to the problem if you do not like to loose your clients! (Professional client, 2016).

The lack of assortment diversity and freshness of food products in some departments explain the low figure of satisfied respondents with assortment in total; for the most part, it concerns such categories of clients as HoReCa and SCO; moreover, in the case of Traders, specified problems inhibit the growth of the satisfied clients' share. Thus, the lack of diversity was allocated in such products categories as textile, footwear, stationary, and children goods while shortcoming such as lack of freshness were fixed in meat and fruits/vegetables departments:

The company should diversify its assortment, especially, it concerns such products' categories as goods for children, clothes, footwear. We usually have to visit other shops where required goods are available! (SCO client, 2016)

Meat/sausage department should be more regularly updated in order to customers can purchase fresh goods, it concerns fruits/vegetables departments as well. For me, specified aspect is very important as I lose any desire to buy something finding at least one rotten or spoiled article that, in turn, spoils the impression from the entire department! (Trader client 2016)

Finally, respondents complain about the system of payment in the company as well the work of delivery department, clients concede that accounting department finds too late transferred money in the bank account and for this reason the delivery is not confirmed on the next day, therefore, customers lose time and have to buy necessary goods from other suppliers. In addition, respondents note that accounting-delivery chain does not work promptly as while accounting department see money in the account of the company, the delivery department cannot that, in turn, leads to cancelled delivery. The researcher can argue with the first complain as bank's as well as company's requirements were agreed with customers, moreover, conditions were fixed in the signed contract. According to requirements, the order for the next day delivery can be formed until three o'clock in the afternoon and to confirm the order, Metro's accountant should see transferred money on the company's settlement account until three, otherwise, the permission for the delivery will not be given; therefore, if the client wants to avoid described situation, money should be transferred before one o'clock.

Open-ended question was asked to receive both complains and valuable suggests; thus, as a proposal for operations' improvement, some clients advice to think about elimination of break after midnights as the break questions the meaning of operations 24 hours a day. The researcher consulted with specialists on this occasion and they stated that the MCC-system must process obtained information from all checkouts to form important for the accounting financial report that, in turn, cannot be formed if, at least, one checkout is working, the only solution is to shorten the time of break. Moreover, clients complaining about long queues offer to organize separate checkouts for wholesalers and for retailers, who buy less than ten items per visit, given advice, on the one hand, is not entirely relevant, as Metro has already had such division, on the other hand, it specifies another shortcoming such as the use of allocated for each type of clients checkouts: cashiers

at the wholesalers' checkouts serves retailer while cashier at the checkouts for retailers serves wholesalers. In addition, long queues can be explained by the lack of required number of personnel that, in turn, is the shortcoming of the store's management who trying to resolve the problem attracts the personnel from departments rather than defines the time when most clients prefer to make purchases and assigns the working shift for most cashiers exactly at that time.

Obtained survey's data is credible and valid, however, not generalizable as covers only one single store; therefore, to make data more comprehensive, the researcher used overall survey's results obtained by specialists in Moscow. According to data gathered throughout Russia, company's weak spots are in the goods' availability, quality of such categories of products as vegetables and fruits, meat and fish' moreover, low rating has such aspects as assortment diversity and prices, queues at the checkout, employees availability in the store department and personnel competence. Represented in Tables 14–22 data is more complete and detail as covers much more weaknesses expressed by customers, moreover, its distinctive feature is that Moscow's specialists allocates only two types of customers – Professionals and Household, as mentioned segments provide higher revenue for the company.

Table 14. Main factors for poor rating of assortment. TOP three dissatisfying categories (Metro Cash & Carry 2016).

Professional customers		Household customers	
Main factors for poor rating of assortment			
9% state poor rating for assortment		7% state poor rating for assortment	
51% Assortment of the most important professional items 43% Assortment choice 15% Packs 13% Exclusive products 9% Local producers' products 8% Latest products presence 6% Assortment of well-known brands 6% Availability of products 4% Assortment of METRO brands		56% Assortment choice 29% Packs 16% Availability of products 13% Exclusive products 11% Assortment of well-known brands 11% Assortment of METRO brands 10% Local producers' products 8% Latest products presence	
Focusing TOP 3 dissatisfying categories in total			
FOOD	NONFOOD	FOOD	NONFOOD
31%:Fruits/veget. 29%: Tea & coffee 24%: Meat & fish delicatessen	36%: Household chemicals/detergents 34%:Technical / electronic household goods 34%: Wash- and cleaning products	41%: Fruit/vegetab. 34%: Meat & fish delicatessen 26%: Chilled meat; Tea & coffee	37%: Tech-nic/electronic. goods 35%: Clothes and shoes 35%: Household chemicals/detergents

From Table 14, it follows that 13% of both Professional and Household customers are not satisfied with the assortment of exclusive goods represented in Metro, household clients dissatisfied with assortment of Metro's own brand account for 11%, whereas only 4% of Professional respondents allocate observed aspect as significant. Professionals pay more close attention to the professional assortment: the share of dissatisfied respondents with highlighted aspect amounts to 51%,

whereas for Household's clients professional assortment is not necessary as this type of customers mainly purchases goods from another product and price segments. Additionally, the ability to purchase goods by pieces rather than by wholesale is important for Households clients that, in turn, explains 29% of disappointed respondents, whereas for Professionals purchase of goods by wholesale is comfortable and profitable that, in turn, clarifies low share of dissatisfied respondents. According to Table 14, both Professionals and Households customers specify poor assortment choice in Metro; therefore, shares of respondents who express such opinion are 43% and 56%, respectively. All claims are mostly concern such product groups as fruits/vegetables, chemicals, and detergents, technic and electronic goods; thus, among Professionals 31% of respondents, express dissatisfaction with fruits/vegetables products while among customers from Household segment the share of dissatisfied with mentioned category is 10% less and amounts to 41%. Professionals are mostly displeased with chemical assortment while respondents from Household segment are mainly dissatisfied with diversity and novelty of technic and electronic assortment: shares of clients amount to 36% and 37%, respectively. Finally, meat and fish are products groups that both have high value of dissatisfied customers that, in turn, amounts to 24% among Professional and 34% among Households clients.

Table 15. Main factors for poor rating of goods' quality. TOP three dissatisfying categories, % (Metro Cash & Carry 2016).

Professional customers		Household customers	
Main factors for poor rating of goods quality			
36% Quality throughout the assortment 32% Quality of the most important professional items 32% Quality of own METRO brands 20% Other 16% Quality of Exclusive products 4% Quality of Local producers' products		47% Quality throughout the assortment 31% Other 15% Quality of well-known brands 15% Quality of own METRO brands 13% Quality of Exclusive products	
Focusing TOP 3 dissatisfying categories in total			
FOOD	NONFOOD	FOOD	NONFOOD
56% - Fruit/vegetables 32% Canned food 24% Meat & fish delicatessen and confectionery/snacks	32% Technic/electr. household goods 27% Car accessories 27% Household chemicals/detergents	39% Fruit/vegetab. 32% Meat & fish delicatessen 27% Chilled fish	40% Clothes and shoes 36% Tech-nic/electronic. household goods 28% Electronics

According Table 15, clients from both segments are dissatisfied with quality of assortment; thus, 36% of Professional respondents and 47% of Households express their dissatisfaction. Based on the Store 15 survey results, obtained figures can be explained by the fact that customers having bought low quality product from one or two categories, spread negative opinion about company's assortment in total. Moreover, analyzing received data, the researcher revealed that categories, which have the highest percentage of dissatisfied clients, are fruits/vegetables with 56% of dissatisfied Professional and 39% of Households, technical and electronic goods with 32% and 36% disappointed respondents, respectively. Household segment of clients is dissatisfied with cloths and shoes categories of goods, their share amounts to 40% from all dissatisfied with products' quality respondents.

Table 16. Main factors for poor rating of prices. TOP three dissatisfying categories, % (Metro Cash & Carry 2016).

Professional customers		Household customers	
Main factors for poor rating of prices			
18% state poor rating for prices		16% state poor rating for prices	
85% Price level 37% Discount scheme 9% Promo offers prices 5% Price level for own METRO brands 4% Price consistency		90% Price level 20% Promo offers prices 9% Price level for own METRO brands 6% Price consistency	
Focusing TOP 3 dissatisfying categories in total			
FOOD	NONFOOD	FOOD	NONFOOD
40% Tea & coffee 38% Meat & fish delicatessen 37%:Fruits/vegetables.	47% Household chemicals/detergents 34% Home care 32% Wash- and cleaning products	49%: Fruit/vegetables 48% Meat & fish delicatessen 31% Chilled meat/fish	37% Household chemicals/detergents 35%Technic/electronic goods 34% Personal hygiene and hair care

Price is the aspect that 18% of Professionals and 16% of Households highlight as one of the company's weaknesses; moreover, in more detail survey it was revealed that exactly the price level is the reason for poor rating as 85% of Professionals and 90% of Households allocated it. According to the data represented in Table 16, the second factor for poor rating among Professionals is the discount scheme accounting for 37% while for Households the second essential factor for the dissatisfaction is prices during promo offers which figure, in turn, amounts to 20%. Categories of goods, which price level does not satisfy respondents, include tea and coffee, household chemicals and detergents, fruits and vegetables; moreover, Professionals pay more close attention to tea and coffee, chemicals and detergents categories, which figures account for 40% and 47% of all dissatisfied clients, while Households allocates such categories as fruits and vegetables as well as chemicals and detergents, which figures, in turn, amount to 49% and 37%, respectively.

Table 17. Main factors for poor rating of services' quality. TOP three dissatisfying factors (Metro Cash & Carry 2016).

Professional customers	Household customers	
Main factors for poor rating of service quality		
63% Service at the checkout 20% Delivery 20% Other 18% Guarantee and goods return performance 17% Pre-ordering system 9% Loyalty program 6% Payment terms 4% Ordering over the internet 2% Additional in-store services	78% Service at the checkout 24% Other 13% Guarantee and goods return performance 9% Loyalty program 5% Additional in-store services 5% Delivery 4% Ordering over the internet 1% Payment terms	
Focusing TOP 3 dissatisfying factors		
Service at the checkout 64% Long queues 57% Not enough open checkouts 34% Long check out procedure	Service at the checkout 79% Long queues 62% Not enough open checkouts 56% Long check out procedure	Loyalty program 53% Staff cannot explain terms 53% Goods are not always in stock 42% Terms are not comprehensive

According to Table 17, the main factor for poor rating of services' quality is gaps in service at the checkout that is allocated by 63% of dissatisfied Professional and 78% of disappointed Household clients. Both Professional and Household respondents specify that the main gaps at the checkout are the presence of long queues, the lack of necessary amount of open checkouts and long check out procedure that, in turn, are allocated by 64%, 57% and 34% of Professionals and 79%, 62% and 56% of Households. Moreover, 20% of Professional customers indicate low quality of delivery, whereas 5% of Household respondents complain about quality of the strategic initiative's realization; nevertheless, both segments have the same percentage of respondents dissatisfied with the loyalty program that amounts to 9%. To consider in more detail the share of dissatisfied with loyalty program Household customers, such aspects as employees incompetence, frequent lack of necessary goods and insignificant discounts offers are the reasons for the complaints' occurrence.

Table 18. Main factors for poor rating of purchase convenience. TOP three dissatisfying factors (Metro Cash & Carry, 2016).

Professional customers		Household customers	
Main factors for poor rating of purchase convenience			
41% Finding products 26% Shopping atmosphere 23% Location of goods on the shelves 14% Convenient parking 13% Visiting with the family 13% Store location 3% Parking 3% Entrance area		32% Finding products 27% Convenient parking 27% Shopping atmosphere 25% Location of goods on the shelves 22% Store location 10% Visiting with the family 9% Entrance area 7% Parking	
Focusing TOP 3 dissatisfying factors			
Shopping atmosphere 94% Shelves 61% Aisles are blocked 56% No corresponding price tags		Shopping atmosphere 58% Shelves 56% Aisles are blocked 55% Price scanner	Visiting with the family 85% No access with children 12% Other (no children corner.) 8% Short opening hours

As it follows from Table 18, the main factor caused negative opinion among 41% of Professionals and 32% of Households is the need to search products; moreover, 26% of Professionals and 27% of Households specify that the shopping atmosphere is not in a proper level as clients often face with the lack corresponding price tags in departments, inconvenient location of shelves, the lack of price scanners as well as with blocked aisles. Additionally, 23% of Professionals fix the low-quality goods' layout while Households indicated the same problem account for 25%; moreover, this category of customers highlight the inconvenience of parking as company's weaknesses, whereas 14% of Professionals pay attention to the observed problem.

Table 19. Main factors for poor rating of consultancy. TOP three dissatisfying factors (Metro Cash & Carry 2016).

Professional customers	Household customers
Main factors for poor rating of consultancy	
20% state poor rating for consultancy	19% state poor ratings for consultancy
87% In-store consultancy 14% Professional program consultancy	83% In-store consultancy
Focusing TOP 3 dissatisfying factors	
In-store consultancy 81% Not finding responsible store department person 40% Lack of in-store personnel help when asking for help 37% Quality of consultancy on goods	In-store consultancy 81% Not finding responsible store department person 43% Quality of consultancy on goods 37% Lack of in-store personnel help when asking for help

Table 19 covers all aspects caused poor rating of consultancy, moreover, revealed reason are completely the same as it was fixed in Store 15. Thus, 87% of Professional respondents complain about in-store consultancy while the share of Households noting the same is 83%; therefore, the large share of dissatisfied with in-store consultancy is explained by the frequent lack of responsible store department person, the lack of in-store personnel help when customers require it and low-quality of consultancy on goods.

Table 20. Main factors for the poor rating of personnel. TOP three dissatisfying factors in total (Metro Cash & Carry 2016).

Professional customers	Household customers
Main factors for poor rating of the personnel	
16 % state poor ratings for personnel	16% state poor ratings for personnel
72% Personnel availability 50% Competence 21% Friendliness	81% Personnel availability 45% Competence 21% Friendliness 5% Appearance
Focusing TOP 3 dissatisfying groups in total	
Personnel groups 89% In-store personnel 32% Cash-desk personnel 20% Customer managers	Personnel groups 94% In-store personnel 26% Cash-desk personnel 9% Entrance personnel

Table 21. Dissatisfaction with personnel groups in detail (Metro Cash & Carry 2016).

Professional customers, %				
	Availability	Competence	Friendliness	Appearance
In-store personnel	93	95	87	-
Cash-desk personnel	26	22	52	-
	18	23	6	-
Household customers, %				
	Availability	Competence	Friendliness	Appearance
In-store personnel	96	96	77	77
Cash-desk personnel	20	17	45	32
Customer managers	6	6	17	16

From Table 20 and Table 21, it follows that 89% of Professionals complains about such category of employees as “In-store personnel”, the share of dissatisfied Households is more and amounts to 94%. Professionals disappointed by the check-desk personnel account for 32% from all dissatisfied clients, the share of Households is four percent less and amounts to 26%. Meanwhile, both Professionals and Household clients are not satisfied with the competence of in-store personnel, their shares amount to 95% and 96%, respectively. Frequent lack of employees in the workplace is one of the reasons for poor rating of Metro’s in-store personnel: both Professionals’ and Households’ respondents notes this disadvantage and shares of observed categories of clients amount to 26% and 20%, respectively. The second reason for poor rating of such aspect as employees is the lack of friendliness: 87% of Professionals and 77% of Household clients are disappointed with the lack of friendliness among in-store personnel while the share of dissatisfied customers with the lack of friendliness among the checkout personnel accounts for 52% among Professionals and 45% among Household, respectively. Additionally, 20% of Professionals expresses dissatisfaction with customer managers, that is 69% less than in the case of In-store personnel, however, it should be improved by increase of sales managers competence.

Table 22. Reasons for promotion poor rating (Metro Cash & Carry 2016).

Professional customers	Household customers
Main factors for poor rating of the promotion	
15% state poor ratings for promotion	13% state poor ratings for promotion
47% low quality of assortment selection for promo-offers 35% Quantity of promo-offers 28% No difference in types of promo-offers 26% Finding promoted products	57% low quality assortment selection for promo-offers 40% Quantity of promo-offers 31% Finding promoted products 22% No difference in types of promo-offers

Finally, according to Table 22, Metro's weaknesses are in the low quality of assortment selection for promo offers, quantity of goods under the promo-offer and the lack of diversity in promo-offers. Thus, the low quality of assortment selection does not satisfy 47% of Professionals, whereas the figure of Household customers is 10% more and accounts for 57%; quantity of promo-offers does not satisfy 35% of Professional participants of the survey while the share of Households is five percent more and amounts to 40%; finally, Professionals who are dissatisfied with the lack of diversity in promo-offers constitute 28% of all disappointed with promotion in the company while the percentage of Households dissatisfied with the studied phenomena is 22%.

7 CONCLUSION

7.1 Summary and evaluation of findings

It is specified in the Introduction that the main purpose of the target thesis is to give the set of recommendations for improving Metro Cash & Carry Ltd. competitiveness on the Russian market. To achieve stated goal, it is necessary to identify company's characteristics that either require serious improvements or further development. SWOT-analysis is one of the ways that, on the one hand, represents the target company, on the other hand, identifies its strengths and weaknesses, opportunities and threats.

After literature review and direct observation, the researcher revealed that among Metro's strengths are strong reputation, broad market coverage, large base of suppliers and customers, high quality of goods, skillful use of e-commerce, an elaborate supply system, diverse own brands and services as well as elaborate advertising programs. Metro uses successfully 1:1 Marketing; the company has a good motivation system and professional development programs for administrative staff and specialists. Metro's weaknesses consist of the presence of large amount of inventories, high prices, and excessive amount of borrowed funds, moreover, the company has uncollected account receivables and the problem with the frequent lack of necessary information about merchandise in stores and constant goods rearrangements. In addition, there are gaps in new staff training and high employees' turnover, their low motivation and too centralized system of management. Among Metro's opportunities are weakness of competitors, spread of e-commerce in all Russian regions and possibility of the B2C direction development whereas the main threats are exchange rate fluctuations, increasing of inflation, and the decline of the consumers' purchasing power. As a result, there is high risk

of non-repayment of account receivables, quite strong liquidity and overall insolvency risks.

After listing all Metro's characteristics, involuntary question arises: "Can these characteristics be the basis for formulating recommendations?" The answer is not positive as in any stage of data collection and analysis, the probability of manifestation of subjectivity is relatively high: gathered information can be interpreted incorrectly and results can be distorted. Therefore, the SWOT-analysis is not the basis for the final recommendations, it is the basis for the further study, which allows the researcher either to confirm represented in the matrix information, supplement it or even refute.

Financial ratio analysis was the stage of the study, in the course of which it was identified that Metro has large amount of inventories consisting of 24,5 billion rubles and accumulated account receivable in amount of 11,9 billion rubles, which have increased by 5,7 billion and three billion rubles, respectively, since 2013. Metro has 11,7 billion of short-term assets such as cash and cash equivalents; however, its increment is 3,5 billion and 800 million less than inventories' and account receivable's, respectively, that in conjunction with increased figure of current liabilities, became reasons for the deterioration of current, quick, and cash ratios' values and, accordingly, reasons for the emergence of strong liquidity risk.

According to the financial ratio analysis, Metro has relatively high level of profitability amounting to 17.7% and it is attractive for investment as its ROE amounts to 55.9%; however, there are problems, which were identified: the presence of high operating costs such as labor costs, advertisement and promotion expenses, license costs and rent fees that, in total, amount to 16,3 billion rubles as well as high non-operating costs that caused the significant increase of interest rate by 17%. Additionally, the growth of income taxes payments should be noted that in conjunction with earlier mentioned operating and non-operating costs affects the company's net profit margin, the value of which became one percent less in 2014 than it was in 2012. ROA and ROE values are much more than industry's average value and amount to 17.7 and 55.6, respectively; however, the company's financial position cannot be perceived as stable as its value of own equity has decreased

by 3,5 billion rubles since 2013 while its financial leverage has increased by more than 16 billion rubles, the ratio of borrowed funds and own equity amounted to 76% and 24% respectively, whereas the optimum and possible ratio for the business entity operating in the retail sector is 60% and 40 % (Readyratios [Ref. 15 December 2015]).

Obtained results about the company's financial position are more valuable for the researcher than assumption, which was made in the SWOT-analysis matrix, as data was calculated using required structured statistical procedures; its dynamics was shown over three-year period and carefully analyzed, moreover, received findings were compared with industry average indicators. Nevertheless, the following questions arise:

- Whether the conducted financial analysis contributes to achieving stated in the introduction goal or not?
- Whether received information helps to meet the stated goal and offer valuable recommendations?

Finances are important part of any organization as it is the basis for the company's growth predetermining its ability to compete and to be competitive; therefore, if there are financial difficulties in the company, main factors that led to these difficulties' emergence should be found and eliminated as soon as possible. The financial ratio analysis is one of the methods, which contributes identifying these factors that makes the answer to the first question, undoubtedly, positive. The answer for the second question is controversial as received findings describe the company's financial condition in 2014; however, it does not cover 2015 financial year as financial statements had not been prepared at the time of financial analysis. This circumstance is one of the study's limitations which questions the data significance for the whole study; therefore, this statement should be discussed.

During the analysis, it was revealed that problems such as excessive amount of inventories and uncollected account receivables led to the increase of liquidity and solvency risks in 2014 were always in the company; however, in 2014, these problems reached its maximum value. If to assume, that there was some improvement in 2015, it was hardly significant; however, such problems cannot be quickly elimi-

nated, especially, in the condition of economic instability in the country. Thus, taking into account mentioned argumentation, obtained findings can be the basis for formulating necessary recommendations for improving Metro's competitiveness.

Customer satisfaction survey is the last part of the research the main aim of which is to identify customers' satisfaction or dissatisfaction with assortment: its diversity, quality and availability; prices and purchasing convenience, cleanliness, quality of services and employees as well. In the course of the survey, it was revealed that Metro Cash & Carry has high satisfaction rate on such aspects as quality of the assortment and cleanliness that amounts to 76% and 82%, respectively, good rate on such aspects as assortment in total, goods availability, and purchasing convenience; however, high prices, substandard service at the check desk and low competence of in-store personnel are identified as Metro's disadvantages. Additionally, only 40% of respondents are willing to recognize that Metro is preferable supplier; however, 70% of respondents still acknowledge that the company perceives them as significant customers and 67% are willing to recommend the company to friends, colleges, and business partners.

Finally, it can be stated that the customer satisfaction survey confirms particular all strengths and weaknesses of the company that were mentioned in the SWOT-analysis matrix; however, it is necessary to make some clarifications. In the SWOT-analysis, the researcher shows that one of the strengths of Metro Cash & Carry is the presence of diverse advertising campaigns and methods of customer attraction; nevertheless, from the customer satisfaction survey it follows that large part of Professional clients dissatisfied with company's prices notes that the main reason for their disappointment lies in the confusing discount scheme and prices during promo offers. Moreover, dissatisfied Professional respondents state that the reason for their disappointment is that any difference in types of promo offers is not clear, 22% of Household dissatisfied clients highlight the same reason. Thus, diversity methods of customer attraction cannot be attributed to the company's strengths as there is a high percentage of those who are not satisfied with it. The same situation is with assortment diversity. These aspects should be improved and it is early to equate them to strengths of Metro Cash & Carry.

Customers' satisfaction survey helps the researcher to clarify his understanding of studied phenomena and identify main aspects that should be improved. Its results, undoubtedly, contributes to achieve the goal, nevertheless, it should be discussed in more detail. Why findings of the study are so important for the company? The answer is clear. The higher percent of satisfied customers, the better it is for the organization. High percent of satisfied clients is the indicator of properly selected strategy, which is also utilized skillfully; it is the confirmation of the strong and meaningful value chain that the company provides to its customers. Finally, it is one of the reasons of good figures of sales, which, in a sense, are the guarantee of the company's stability and competitiveness. Customer satisfaction survey is one of the methods, which helps to define this percentage as well as to identify factors interfering its growth and that is why, its findings are so important and valuable for the author and mostly for the studied company.

Defined the value of this study, it is impossible not to discuss reliability, validity and generalizability of the obtained data. It cannot be asserted with absolute certainty that the target study is reliable as all things are constantly changing and data collected in 2015 and at the beginning of 2016 can significantly be different from those findings that will be obtained at the end of 2016 and at the beginning of the next year. The customer satisfaction survey and its findings can be the good example; however, it can concern the financial outcomes as well. In the rest, the target study can be perceived as reliable. The possible incorrect interpretation of obtained results was on a maximum eliminated. Thus, the financial ratios were not only calculated, they were traced in the dynamics and compared with industry average results. Moreover, the researcher consulted with company's specialists about his conclusions and received confirmation of their correctness. In the case of customer satisfaction survey, there were special rules how to interpret obtained results. Analyzing obtained results, author not only follows them but also consulted with specialists to exclude any possibility of own bias. The most difficult task was to eliminate risks of customers' bias. However, based on own observation and commentaries of supervisors this risk was minimized. If another researcher is going to conduct the same study, similar results will be received.

Validity of the study can be questioned only in one part – financial analysis as taken financial statements show the company's financial situation in 2012–2014 rather than in 2015. However, during analysis it was revealed that problems that led to the emergence of high liquidity and solvency risks were the same during studied three years; moreover, issues became stronger from year to year. Even if to assume that there were any improvements in 2015 and these factors positively changed, it could not be significant as all improvements in this sphere occur slowly, especially, in crisis conditions. Metro's specialists confirmed this statement; therefore, financial analysis findings represented in the study can be perceived as valid. Data collected during customer satisfaction survey can be recognized as valid as it was gathered few months ago and all process of data collection and analysis was made under the supervision of company's specialists who have been working in the company for seven and more years and who knows all company's business processes.

Finally, findings from this study are not applicable to other organizations or, in other words, obtained data is not generalizable as the main purpose of it is to explain what is going on in the particular organization. Therefore, recommendations that will be given to this company cannot be accomplished in other companies as well; moreover, the researcher does not strive to do this as the main goal is the particular organization and its competitiveness.

7.2 Recommendations

After studying and analyzing collected data, the following weaknesses related to finances were identified:

- Large amount of inventories and uncollected account receivables;

- Significant dependence on borrowed funds and the reduction of own equity;
- The presence of large amount of operating and non-operating costs;

In addition, following weaknesses associated with company's operating performance were allocated:

- Low-quality layout of goods, frequent lack of merchandise on the shelves and frequent lack of necessary information about sold goods;
- Narrowing of assortment – lack of assortment diversity;
- Lack of diversity in promo offers;
- Low quality of such products/ goods categories as fruits/vegetables, technical and electronic household goods, clothes and shoes, car accessories, fish delicatessen;
- High prices and unsatisfactory promo offers;
- Problems with the service at the cash desk, in particular, long queues;
- Frequent lack of in-store personnel, its low competence;
- Uncoordinated work of the accounting and delivery departments.

To solve shortcomings, the researcher suggests following recommendations:

1. It is necessary to conduct regular and more detailed analysis of the assortment: track what product/ goods are purchased regularly and which are not, track what products/goods bring a large profit and which bring much less profit. Well-sold goods bringing high profit should be procured in larger volume than those products/goods that are sold worse. Products and goods that are sold worse and bring less profit to the company should be either removed from the assortment or partly replaced by products that will be in demand. In the last case, the company should conduct the customer survey, which help to identify what types of products and which brand they want to find in the store where they often purchase goods.
2. It is necessary to monitor regularly products/goods display. The best variant is to execute it every day in the late afternoon. The pallets with goods should be pulled down from top shelves at night when there are not so many clients in the store. These pallets should be removed from the aisle immediately.

3. To avoid long queues at the check desk's area, more check desks should be opened; moreover, store manager should determine at which time there are many clients in the store and open more check desks exactly at that time; however, if it is not crowded, less check desks should work that assist the company to save money on salary's payments for employees.
4. It is necessary to put wall scanners in every store departments where customers can see all information about price, quantity, and supplier; in addition, it will be good to download there and update the information about the necessary products or goods' location.
5. To make the assortment more diverse and reduce price on it, the procurement department should analyze the suppliers' market in more detail and allocate those local suppliers who are willing to offer goods for lower prices.
6. The company should track more often price level and if competitors have lower prices, Metro's managers should negotiate with suppliers about receiving more discounts.
7. To improve the interaction between delivery and accounting departments and to reduce time for the confirmation of the information about receipt funds, the delivery department should have an access to this information in the SAP CRM-system; however, delivery managers should have access without any permission to change data.
8. To cut costs, Metro should suspend new stores opening as it is required too much expenses on purchasing licenses, rent and salaries payments; additionally, the company should think about staff reduction: the number of working positions should be reduced.

These are the main recommendations that the researcher can give to Metro Cash & Carry; nevertheless, it is clear that the target study should be continued, as the researcher may not cover all things in view of lack of extra time and money. Among aspects that were not taken into consideration are: motivation of employees, relationships with suppliers, assortment formation policy and in the further research design exactly these aspects should be studied in more detail.

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APPENDICES

APPENDIX 1. The covering email

APPENDIX 2. The questionnaire for Customer satisfaction survey

APPENDIX 1. The covering email

METRO Customer satisfaction pulse



Metro Cash & Carry Ltd., Russia
Saint-Petersburg
Komendaskij Prospekt, 3-A
Tel.: 8-800-700-10-77

Dear Mr Ivanov,

This questionnaire is part of a research project that aims to understand customer's satisfaction with assortment, cleanliness, convenience of making purchases, provided services, price level and staff competence. Our company is constantly improving and we do all the best to make products and services truly appealing to our customers. Your responses are important and valuable for our further development! Please, help Metro to become better!

The questionnaire should take you about 5 minutes to complete. Please, rate specified aspects according to your level of satisfaction. In the last open-ended question, you are free to write all your suggestions about what should be changed in Metro. All obtained data are strictly confidential. Survey results will be used only in aggregate form and only inside the company.

The questionnaire is available from 19 to 23 January 2016. If you have questions or you need further information, please, contact with your manager or call the hotline – 8-800-700-10-77 or *1077 (free for MTC, Beeline, Megafon).

Thank you for your help in advance!

Sincerely yours,

METRO

APPENDIX 2. The questionnaire for Customer satisfaction survey



1. What is the main kind of your company's activity?

(Please, tick the appropriate box)

- ☐ HoReCa
- ☐ Traders
- ☐ Others

Other (please specify)

2. Which of the following more accurately describes the nature of your purchases in Metro?

(Please, tick the appropriate circle)

- ☐ I purchase goods mostly for business
- ☐ I purchase goods both for business and personal use but mostly for business
- ☐ I purchase goods both for business and personal use but mostly for personal use
- ☐ I purchase goods only for personal use

3. Generally, how satisfied are you with the company? (1 - absolutely unsatisfied, much worse than expected; 10 - fully satisfied, exceeded my expectations)

(Please, tick the appropriate circle)

[illegible]

4. How satisfied are you with the assortment offered in Metro? (1- completely unsatisfied; 10 - fully satisfied, exceeded my expectations)

[illegible]

5. How satisfied are you with the availability of products/goods which you constantly need? (1 - absolutely unsatisfied; 10 - fully satisfied)

[illegible]

6. How satisfied are you with the quality and freshness of products in Metro? (1 - absolutely unsatisfied; 10 - fully satisfied)

[illegible]

7. How satisfied are you with Metro's prices? (1- absolutely satisfied; 10 - fully satisfied)

[illegible]

8. How satisfied are you with the cleanliness (the cleanliness of WC, sales area and etc.) in Metro's stores? (1-absolutely unsatisfied; 10 - fully satisfied)

[illegible]

9. Using the scale from 1 (absolutely unsatisfied) to 10 (fully satisfied, exceeded all my expectations), please rate how satisfied are you with the comfort of making purchases in Metro?

By comfort, we mean the convenience in finding necessary products or goods, its good laying out, the convenience in moving and etc.

	1	2	3	4	5	6	7	8	9	10
Please, tick the appropriate circle	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

10. Using the scale from 1 (absolutely unsatisfied) to 10 (fully satisfied, exceeded all my expectations), please, rate how satisfied are you with the speed and convenience of service at the checkout?

	1	2	3	4	5	6	7	8	9	10
Please, tick the appropriate circle	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

11. Using the scale from 1 (absolutely unsatisfied) to 10 (fully satisfied), please, rate how satisfied are you with Metro's staff (its availability, competence, friendliness and etc.)

	1	2	3	4	5	6	7	8	9	10
Please, tick the appropriate answer	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

12. Using the scale from 1 to 5, please, rate how do you agree with the following statement: "Metro values me as a client".

	Strongly disagree	Disagree	Neither agree or disagree	Agree	Strongly agree
	1	2	3	4	5
Please, tick the appropriate circle	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

13. How likely is that you would prefer Metro to other supplier/ shop?

	Don't prefer	Unlikely prefer	May prefer, may not prefer	Probably prefer	Definitely prefer
Please, tick the appropriate answer	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

14. Please, scale from 0 to 10 your willingness to recommend Metro to friends and colleagues.
(0 - don't ready to recommend; 10- would definitely recommend Metro).

	0	1	2	3	4	5	6	7	8	9	10
Please, tick the appropriate circle	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

15. In your opinion, what should be improved in Metro's store, where you usually make purchases?