

**PARUL UNIVERSITY**  
**FACULTY OF MANAGEMENT**  
**MBA Winter 2019 – 20 Examination**

**Semester: 4**  
**Subject Code: 06203253**  
**Subject Name: Retail Management**

**Date: 13/12/2019**  
**Time: 2:00 pm to 4:30 pm**  
**Total Marks: 60**

**Instructions**

1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Make suitable assumptions wherever necessary.
4. Start new question on new page.

**Q.1 Answer in Brief –Short Direct Questions (Attempt any Five out of Seven) (Each Question 3Marks) (15)**

1. What is retailing?
2. What are different retail formats?
3. What is e-tailing or e-retail?
4. What is the “Wheel of Retailing” theory in Retail evolution?
5. Explain “Franchising” as a method of Retail expansion strategy.
6. Write a short note on “Retail Location and its significance”.
7. Why is merchandising important in retail management?

**Q.2 Answer the following questions. (10 marks each)**

**A). Case-let: (10)**

“FOOD-BASKET (FOB) has developed an original concept, quite different from its competitors, providing a decisive competitive advantage. For example, FOB excels with its fruit and vegetable know-how and choice. It offers a small range of good quality produce at the lowest possible price. The overall product range is defined precisely to maintain a balance of store brands / private labels and manufacturer brands at low prices. It is also adjusted according to country and concept maturity. The proportion of manufacturer brands can thus vary between 40% and 80%. The strength of FOB is also based on continuing communication about quality and food safety. The accent is on the strengthening of quality controls and increasing frequency of supplier audits carried out by independent laboratories. Special attention is paid to the performance of the online traceability system. The loyalty cards are deployed in all those countries in which the retail brand has a presence and is sufficiently successful.”

1. What retail strategy has helped FOOD-BASKET succeed in the world markets?
2. What can you infer about the online traceability system as mentioned in the case?
3. How will loyalty cards help FOOD-BASKET?
4. Why is fruit and vegetable know-how – as mentioned in the case, a competitive advantage for FOOD BASKET?
5. What is concept maturity as mentioned in the case?

**B). Case-let: “Location decisions are very complex, due to the large number of factors that (10)**

have to be considered, and costs associated with, for example, the opening of new stores, can be very high. Prominent retailers have given importance to aspects of visual display, parking facilities, sales personnel services, returns policies, store layouts, lighting, music, movement within stores, shelf arrangement, product assortment – categories, billing queues management, and so on. However – Site selection is a long term decision that implies long term capital commitment. It is said that – once a retail site has been chosen, there is only little flexibility”.

1. Why location decisions are complex? Elaborate the factors which make such decision complex to take.
2. In the last sentence it says “Once a retail site has been chosen, there is only little flexibility” – what is the possible reason for this inflexibility in retail site location selection? Which other factors mentioned in this case-let you find limited in flexibility and which of them you find quite flexible?

- C). Case-let “With a HiLo (High – Low) pricing strategy, retailers have relatively high regular prices, but use substantial temporary price reductions to advertise their products and draw customers into the stores. Many supermarkets use this strategy. Price promotions can be regarded as a method of price differentiation through customer self-selection. The promotion is offered to all customers, who then decide whether or not to use it. Less price sensitive customers buy at regular prices, while more price sensitive customers wait for a sale and buy then. Price promotions can influence the retailer’s price image. Proponents of a HiLo strategy also argue that price promotions create excitement in the store. However, price reductions pose the danger that they change the customers’ reference price. While a short, one time reduction is considered a bargain, frequent or longer time reductions of a product price reduce the reference price, making it difficult to sell the product at normal price in the future. Heavy price promotion activity can erode consumer confidence in regular prices. Over time, the customer can buy larger quantities of a product at reduced prices and stock them, thus reducing the amount purchased at normal prices. HiLo pricing is often criticised for encouraging customer disloyalty and appeal to smart shoppers who only buy items on special prices. Especially for intensive HiLo strategies, this can lead to reduced profits of the retailer”.
1. Discuss the working of this HiLo strategy of pricing?
  2. Why is HiLo strategy criticized for encouraging customer disloyalty?

### Q.3 Case Study

(15)

“ Super-markets, Hyper-markets, Mega-marts have developed often at the cost of conventional super stores. These large retail formats usually follow an aggressive, promotion oriented low price strategy. The stores are generally located at isolated sites or integrated in or close to shopping centers. The architecture is usually cost oriented with a very simple store design and a functional oriented store atmosphere. As these large retail formats offer a broad assortment of food and general merchandise and thus provide one-stop shopping opportunities, customers usually shop bigger shopping baskets. These store formats have a greater market area than the smaller store formats (e.g. Super stores), i.e. customers are willing to drive longer distances to visit these types of retail Outlets. These stores therefore offer substantial parking facilities.” On the other hand:

“Convenience stores (“cstores”) are usually situated in locations that are easy to access, such as in heavily frequented areas or in urban neighborhood Locations. They open long hours (up to 24 hours, depending on local or national legislation). The stores are small and facilities are limited, with an average atmosphere and average service level. Convenience stores can be operated as standalone units (e.g. Tesco Express, Seven-Eleven, Auchan, Coop Pronto), but they are often associated with petrol stations (e.g. Shell Shops, British Petroleum (BP) or Aral Stores, Esso Shops). The very limited assortment of these stores is food oriented. A high proportion of sales consist of impulse purchases, with most in areas such as snack foods, soft drinks, beer and wine, tobacco products or newspapers and magazines. The average transaction in convenience stores is small and the prices are usually above average. Convenience stores focus on ease of shopping.”

1. Analyze the above case by comparing and contrasting the Retail formats given in the case.
2. Generally in any country it is observed that retailing formats evolve from convenience stores to a modern retail format – as presently seen in India and China. However it has been observed that in the last 15-20 years, the organized super-market formats (modern retail formats) as mentioned above has been declining and convenience stores (super-stores, mom and pop – kirana type stores) have been gaining in Japan. What can be the possible reasons for this reversal in trend in Japan as compared to that of India or China?