IV Semester M.B.A. Degree Examination, June/July 2012
(2007-08 Scheme)
MANAGEMENT
M – 5 : Retailing Management

Time : 3 Hours Max. Marks : 75

SECTION – A

1. Answer **any six**, **each** question carries **two** marks. **(2×6=12)**

   a) List the functions performed by Retailers.

   b) Define Retailing.

   c) What is Extended Problem Solving ?

   d) Define Atmospherics.

   e) What is E-Tailing ?

   f) What is super market ?

   g) What is the Index of retail saturation ?

   h) What do you mean by stock keeping unit ?

SECTION – B

Answer **any three** of the following questions. **(8×3=24)**

2. What are the factors which affect the buying behaviour of a retail shopper ?

3. Explain the following terms with examples :
   a) Width of Assortment
   b) Depth of Assortment
   c) Model stock plan
   d) Fad Merchandise.

4. Explain briefly the positive and negative aspects of FDI in retail sector.
5. What are the methods that can be used to evaluate the performance of vendors / suppliers by a buyer ?
6. Write short notes (with Indian examples) :
   a) Hyper Market
   b) Cash and carry.

SECTION – C

Answer **any two** of the following : **(2×12=24)**

7. What is merchandising ? Explain the process of merchandise planning with example.
8. Explain briefly the elements of store design. Discuss the layout that would be suitable for a supermarket and a department store.
9. What is consumer buying process ? Does this process vary for convenience products and for high priced, high involvement products ?

SECTION – D

Case Study : **(1×15=15)**

10. Ruth Diamond, President of Diamond Furriers, was concerned that sales in her store appeared to have flattened out and was considering establishing a different method of compensating her salespeople.

    Diamond was located in an affluent suburb of Nashville, Tennessee. Ruth's father had founded the company 40 years earlier, and she had grown up working in the business. After his retirement in 1980, she moved the store into an upscale shopping mall not far from its previous location, and sales had boomed almost immediately, rising to just over $1 million in five years. However, once it had reached that sales volume, it remained there for the next three years, making Ruth wonder whether her salespeople had sufficient incentive to sell more aggressively.

Diamond's staff was all women, ranging in age from 27 to 58. There were four full-timers and four part-timers (20 hours a week), all of whom had at least three years of experience in the store. All of them were paid at the same hourly rate, which was $10 ; there was also a liberal health benefit plan. Employee morale was excellent, and the entire staff displayed strong personal loyalty to Mrs. Diamond.

The store was open 78 hours a week, which meant that there was nearly always a minimum staff of three on the floor, rising to six at peak periods. Diamond's merchandise consisted exclusively of fur coats and jackets, ranging in price from $750 to more than $5,000. The average unit sale was about $2,000. Full-timers' annual sales averaged about $160,000, and the part-timers' were a little over half of that.

Mrs. Diamond's concern about sales transcended her appreciation for her people's loyalty. She had asked them, for example, to maintain customer files and call their customers when the new styles came in. While some of them had been more diligent about this than others, none of them appeared to want to be especially aggressive about promoting sales.

So she began to investigate commission systems and discussed them with some of her contacts in the trade. All suggested lowering the salespeople's base pay and installing either a fixed or a variable commission rate system.

One idea was to lower the base hourly rate from $10 to $7and let them make up the difference through a 4 percent commission on all sales, to be paid monthly. Such an arrangement would allow them all to earn the same as they currently did.

However, she realized that such a system would provide no incentive to sell the higher-priced furs, which she recognized might be a way to improve overall sales. So she considered offering to pay 3 percent on items priced below $2,000 and 5 percent on all those above.

Either of these systems would require considerable extra bookkeeping. Returns would have to be deducted from commissions. And she was also concerned that disputes might arise among her people from time to time over who had actually made the sale. So she conceived of a third alternative, which was to leave the hourly rates the same but pay a flat bonus of 4 percent of all sales over $1 million, and divide it among the people on the basis of the proportion of hours each had actually worked. This "commission" would be paid annually, in the form of a Christmas bonus.

Discussion questions :

1) What are the advantages and disadvantages of the various alternatives Ruth Diamond is considering ?

2) Do you have any other suggestions for improving the store's sales ?

3) What would you recommend ? Why ?