



JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA
PGDM (M)

4th TRIMESTER (Batch 2016-18)
End Term Examinations, October 2018

Course Name	Merchandising & Category Management	Course Code	MKT –M 418
Max. Time	2 Hrs	Max. Marks	40

Instructions: Attempt all Questions.

Q 1. You have been appointed by a big Retail Chain as category Head in a departmental store. The evolution of concept of category management is closely linked to technology. Category Management (CM) is considered the New Science of Retailing for various reasons. Quite simply category management involves organizing and managing Promotions, Merchandising and Distribution around the way consumers view and buy a product. The two core components of CM are Strategy and Business Process. The entire process of CM revolves around the partnership between Vendor/supplier and the Retailer. Many retailers follow the method of appointing “Category Captains” to develop a category and further the partnership. How will you handle the following?

- a. How will you differentiate between buying and Category Management? (3)
- b. Explain the role of Category Captain? (3)
- c. How will you manage the business process and components of process involved in Category Management. (3)

Q2. Family Dollar and Nordstrom both have a high ROA but they achieve high level of financial performance with different sales strategies. Family Dollar is an extreme value general merchandise retail chain with over 6700 stores in 44 states. They operate their business in small areas of 7500 sq ft to 9000 sq ft area only. They keep products required by middle class, no frills, no overheads, limited assortment. Family Dollar has 3 point strategy 1. Open more stores 2. Expand in food categories and fresh products. 3. More emphasis on Apparel category.

On the other hand Nordstrom is an upscale department store in US. It has over 120 stores and 70 factory outlets. Emphasis is on Shoes, Apparel, Accessories, handbags, Jewellery, cosmetics etc. Nordstrom carries heavy and deep inventory levels and keep huge SKUs Its customer service is excellent. Now analyse and compare the following for both stores?

- a) Compare the Profit Margin path of both retailers and what components are required to calculate this? (5)

- b) Also compare the Asset management of both these retailers giving what components are used? (5)

Q3. Setting prices is a critical decision in implementing a retail strategy as price is critical component in customers mind. Retailers use two basic pricing strategies, Everyday low pricing and High/low pricing. Each strategy has its advantages and disadvantages. EDLP approach assures customers of low prices, reduces advertisement expenses, reduces stockouts and improves supply chain management while High /low pricing increases profits through price discrimination, create excitement and gives opportunity to sell slow moving products too. Big bazar uses “Hafte ka sabse Sasta Din” on Wednesday. Following their success other groups also have started like Spencer’s Hara Bhara Wednesday. Now answer the following questions and situations?

- a. If you join a new company in retail segment what Pricing strategy will you advise? (3)
- b. Do you believe Turnover of a retail chain is more important than Profits? (3)
- c. What is Bottom Line and What is Top Line? (3)

Q4. Inventory plays an important role in Retail stores. Retailers generally think of their inventory at MRP i.e retail price. They take their initial mark-ups, mark-downs as percentage of retail. When retailers compare their prices with competitors they compare retail prices. The problem is that when retailers design their financial plan, evaluate performance, and prepare financial statements they also need to know the Cost Value of their inventory.

Retailers must insist on taking physical inventories regularly. Retailers use POS terminals that easily keeps track of every item sold, its original cost and its final selling prices. The rest of the Unorganised retail faces the problem of not knowing the cost value of its inventory at any time. Therefore RIM (Retail Inventory Method) can be used by retailers to know the actual inventory at both the cost price and selling price. Please answer the following the above problems?

- a. What are the advantages of RIM? (3)
- b. What are the disadvantages of RIM? (3)
- c. How will you calculate the Inventory cost when you are offering Discount in off Season? (3)
- d. What is OTB? When can you use OTB? (3)