

PGDM (RM), 2020-22
Buying & Merchandising Management
RM- 401
Trimester – IV, End-Term Examination: September 2021

Time allowed: 2 Hrs 30 Min
Max Marks: 50

Roll No: _____

Instruction: Students are required to write Roll No on every page of the Answer Sheet. All other instructions on the question paper / notifications should be followed meticulously.

Section – A (30 marks)

(CILO 1)

A1a.

- (i) A retailer's success is directly dependent on consumer satisfaction; therefore, as a buyer you must be responsive to the wants and needs of consumers. Discuss. (5)
- (ii) Differentiate between a Merchandise Manager and a Buyer (5)

OR

A1b.

- (i) Discuss the use of profit calculations in a buying situation. (5)
- (ii) What is a buying office? What role do they play in the buying process? (5)

(CILO-2)

A2a

- (i) Describe Centralised Buying process with an example. (5)
- (ii) What are the various fashion adoption theories? (5)

OR

A2b

- (i) Map out a skeletal profit and loss statement (5)
- (ii) What is visual merchandising? (5)

(CILO-3)

A3a

- (i) What are fads, fashion and staple. Explain with the help of the product life cycle. (5)
- (ii) Describe the key elements of the six-month merchandise plan. (5)

OR

A3b

- (i) List the steps needed to develop a sales forecast. (5)
- (ii) What are the benefits and uses of Open-to-Buy? (5)

Section -B (20 marks)
CASE STUDY

Shein challenging Zara and H&M

Shein, a Chinese retail website and app focused almost entirely on the export market, has proved a smash hit among young women and teenage girls in Western countries thanks to its huge selection of cheap, trendy clothing. The firm targets young women and teenage girls through its website and mobile app, selling a far wider range of trendy clothes than its competitors at a fraction of the price.

Shein's success has centered on responding more quickly to emerging trends than its competitors, offering a greater variety of new lines and selling at bargain-basement prices — effectively turbocharging existing fast fashion business models. Shein shuns traditional marketing in favor of online advertising, social media promotion and tie-ups with celebrities and influencers. Whereas Inditex, the world's largest fashion group and the owner of Zara, claims to bring new clothing lines from the drawing board to store shelves within three weeks, Shein can make new products available online five-to-seven days from conception. And while the Spanish conglomerate says it creates 50,000 new fashion designs every year, its Chinese rival added more than 30,000 in the last week alone, according to calculations based on figures given in the Shein app. The key to selecting them is analyzing huge amounts of real-time data, maintaining close ties with manufacturers, and aggressively acquiring new users.

Having evolved from a wedding dress wholesaler, the company maintains long-term relationships with apparel-makers, whom it requires to use a highly automated supply chain management system that utilizes real-time trend data to commission new designs and monitor orders. To maintain quality, Shein severs ties with the lowest-performing 10% of suppliers at the end of each quarter, said a staffer at a maker of women's exercise gear who is familiar with the platform's business model. When it comes to international distribution, Shein's huge order volumes make it eligible for lower shipping costs and other perks from Chinese postal services, further driving down costs. As it's woven deeply into southern China's rapid production chains, Shein is able to outcompete fast fashion giants on many of the metrics that drove their rise to the top

Shein is also winning the price war. A recent search of Zara's U.S. website found newly added women's T-shirts on sale for about \$10, jeans for \$40 and swimwear for \$45. Shein sells similar products for about \$7, \$20 and \$13, respectively. Customers said Shein's low prices, wider product range and user-friendly app kept them coming back despite concerns about the quality of some of their garments. Compared to other online stores, Shein is more affordable and have a lot more variety (in terms) of what the consumer's like to wear. Additionally, the company also offered generous discounts and shipping deals in return for ordering in bulk or writing feedback on its app or website

Shein is filling the space vacated by fast-fashion brands that have bowed to pressure to abandon some of the business model's worst excesses. Such marques include Zara, Pull & Bear, and Bershka, all of which are owned by Inditex, the world's largest fashion group. The Spanish conglomerate has pledged that all its labels will only sell sustainable clothes by 2025. H&M, which like Zara recently faced a backlash in China for its response to alleged labor abuses in its Chinese supply chains, has also announced a series of targets for the coming decade. While other companies gradually invest in new materials, experiment with more sustainable business models and back initiatives that empower disenfranchised communities, Shein is doing none of these, at least not visibly. The planet cannot currently sustain a lifestyle whereby the majority purchase non-recyclable products currently priced and seen as single-use

Questions:

1. What are the drivers of success of 'Shein'? (5)
2. What are challenges to Shein's business? (5)
3. How can Zara and H&M respond to Shien's business model? (10)