

PGDM (RM)
Buying & Merchandising Management
RM-107

Trimester – I / IV, End-Term Examination: September 2017

Time allowed: 2 Hrs 30 Min
Max Marks: 50

Roll No: _____

Instruction: Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. All other instructions on the reverse of Admit Card should be followed meticulously.

Sections	No. of Questions to attempt	Marks	Marks
A	3 out of 5 (Short Questions)	5 Marks each	3*5 = 15
B	2 out of 3 (Long Questions)	10 Marks each	2*10 = 20
C	Compulsory Case Study	15 Marks	15
		Total Marks	50

Section A

1. 'Depth' and 'Breadth' are two views on assortment management. Use examples to highlight and discuss the importance of both.
2. What is Merchandising Philosophy? Explain your answer using an example.
3. Discuss internal sources of data. Defend the one you believe is the most important.
4. The misses sportswear department achieved a 38.1% gross margin and had a 69.5% markup, with a stock turn of 2.5. What was the resultant GMROI for this department? What is its importance to the retailer?
5. What is an 'Assortment Plan'? Describe a classification for an assortment plan for 'shoes'.

Section B

1. Fashion merchandise follows three broad types of fashion adoption. Use examples of apparel brands to expand on the theories practical applications.
2. Discuss the concept, role and importance of a 'Buying Office'. Describe the services that can be provided by a buying office located in Delhi NCR.
3. What is the 'Six-Month Buying Plan'? List and discuss the various components of the plan.

Section C

Merchandise management at NWRS

Nine West Retail Stores (NWRS) was the largest retail division of the of Nine West Group Inc. It operated in the footwear category and sold their brands through their own retail outlets and also through department stores.

Merchandising Organization Structure

NWRS, like most other retail organizations, had separate merchandising and stores organizations within the division. The merchandising organization was responsible for assortment, pricing, purchasing, and store display decisions at each store. The stores organization was responsible for staffing the stores with appropriate people, controlling various selling expenses, and customer service. Both organizations reported to the president of NWRS.

NWRS "retail directors," centrally located at the company's headquarters, performed functions similar to those performed by other retail companies' "buyers" or "merchandisers." But unlike traditional buyers, who usually were responsible for a product category, "retail directors" were responsible for managing the process of individual style selections, including merchandise purchasing, pricing, and display, for all product categories at a group of stores. A typical retail director was responsible for 50 to 60 stores and total annual sales volumes of approximately \$40 million. A team of associate and assistant directors performed extensive quantitative analyses of their respective markets to assist the decision-making processes of the retail director to whom they reported.

Retail directors reported to a merchandise manager who reported, in turn, to the president of NWRS. The latter was responsible for capital allocation decisions and for establishing a consistent strategic direction or "point of view" across the organization. Thus, in a particular year, the president might decide—based on macro-economic and fashion results, competitive pressures, and company strategy and goals—to allocate resources to a particular class of product (e.g., dress shoes), a certain look (e.g., stiletto heels), or a specific geographic region (e.g., the Northeast). The president was expected to identify and communicate to the retail directors, and ensure their compliance with, specific company goals; for example, the company might decide to emphasize sales over profit in its midwest stores. The merchandise manager, in addition to supporting the president in the goal-setting and budget-setting processes, played a crucial role in coordinating among geographical locations to ensure that each conformed to the organization's merchandise standards and in analyzing and reporting the financial performance of the division overall.

NWRS's merchandising structure differed in two ways from those encountered in traditional department and specialty stores. Whereas the merchandising hierarchies of most department and specialty store retailers divided responsibilities on the basis of product classifications, NWRS was organized by region. The women's dress shoe buyer in a department store, for example, would have responsibility for merchandising the entire country's assortment of dress shoes. NWRS managers believed that a regional focus not only enabled them to more effectively customize and tailor product selections to specific market trends and regional customer preferences, but also eliminated competition between retail directors for floor space within a given store. This was a major benefit during high traffic promotion periods (as regional buyers would have a more holistic view of stores). They acknowledged, however, that some product-specific knowledge was lost as a consequence of the merchandising organization's regional focus.

The Merchant Decision Process

Merchandise planning began roughly ten months prior to the arrival of merchandise in stores. NWRS retail directors first forecasted demand in the aggregate, then broke this forecast down by store and SKU. Because forecasting trends and, hence, demand for specific styles and colors involved extensive use of judgment and knowledge of similar events in the past, retail directors employed a blend of historical data analysis, consideration of exogenous variables (such as the opening of new stores and state of the economy), and intuition. To estimate regular price sales performance, for example, they viewed historical data from a variety of perspectives, including: prior selling by size; color categories; fabric; heel height; and general classification (e.g., sandals). They relied to a greater extent on

historical data and knowledge of historical variables to forecast aggregate demand and estimate demand for particular sizes.

The seasonal budgeting process allocated capital for inventory decisions to various product categories and identified sales and gross margin "plans" (i.e., targets) for each retail director. According to some senior executives, decisions regarding the allocation of capital for inventory/merchandise receipt purposes were among the most important for the organization. At NWRS, these decisions were made during a three month seasonal budget planning process that originated in August, ten months prior to the physical delivery of merchandise to stores. The plans served as guidelines by which retail directors managed their business.

With the formal budget finalized and purchase orders placed, the retail directors continued to acquire additional information and applied this knowledge to the formulation of updated financial forecasts.

Merchandising display recommendations developed by retail directors and visual marketing manager dictated in-store visual presentation across the company and were communicated to individual stores via "planagrams."

1. Discuss the role of the "retail director" at NWRS and describe how it differs from functions similar to those performed by other retail companies' "buyers" or "merchandisers." (4 marks)
2. Discuss merchandising process, in sequential manner, at Nine West for the fall collection? (8 marks)
3. Draw an organisational structure based on the information provided in the case. (3 marks)