PGDM – RM 2015-17

Merchandising Management

RM - 105

Trimester – I, End-Term Examination: September 2015

me allowed: 2 hrs 30 min Max Marks: 50

Roll No: ____________

struction: 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.** In case of rough work please use answer sheet.

ections	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**

c – A

1. What are the difference among a fashion, a fad, and a staple Merchandise? Give examples from non- apparel industry. How should a merchandise planner manage these types of merchandise differently?

2. How and why would you expect variety and assortment to differ between a traditional brick-and-mortor store and its internet counterpart?

3. Calculate GMROI and inventory turnover, given annual sales of Rs. 2,00,00,000 average inventory (at cost) of Rs. 40,00,000 and gross margin of 45%

4. How does Fab India change its merchandise inventory on a seasonal basis? How has this retailer used its merchandise offering to attract more female customer?

5. What are the advantage and disadvantage of national brands versus private label brands? Does that retail store you last purchased have a strong private Labels brand strategy? Should it?

c – B

6. Maintained markup is 39 % net sales are Rs. 52000 and reduction is Rs.2500. What gross margin (in terms of revenue) and initial markup percentage? Explain why initial markup is greater than maintained mark up?

st implication the compare

7. What are the implications of width and depth considerations for a specialist outlet like of Vero Moda at GIP and compare these to a leading DIY home improvement store like of Home Town

8. What are the tradeoffs in a retailers deciding how much to emphasize private brands rather than manufacturer brands? How should a major appliance retailer like Tata Croma should use the product life cycle concept?

Sec - C

MACY'S GOES LOCAL

With the acquisition of May Department Stores in 2005 for $11.5 billion, Federated Department Stores became the world's largest department store chain. In 2007, Federated Department Stores dropped 11 of the store names (such as Marshall Field's, Robinsons-May, and Kaufmann's) that were used to brand its stores in local markets and renamed those stores as Macy's and the parent chain Macy's, Inc. The Bloomingdale's name and concept remained intact.

Macy's, Inc. hoped that using a standard merchandising strategy throughout the United States would lower merchandise costs because of greater bargaining power, enable the chain to utilize national advertising more effectively, and forge a national identity. The unified image and national clout enabled Macy's to attract Martha Stewart and other designers to create a line of products especially for the chain. The Macy's name was used on all of its stores with the exception of Bloomingdale's, which strives to differentiate itself from Macy's stores through a greater emphasis on fashion and the sale of merchandise at higher price points. In its 2007 fiscal year, same-store sales at Macy's, Inc. dropped 1.3 percent from the 2006 level. This sales decline caused Macy's, Inc. chief executive officer, Terry Lundgren, to scrap the chain's standardized cookie-cutter merchandising strategy in favor of specifically tailoring merchandise selection. According to Lundgren, "What the consumer wants in the Galleria of St. Louis is different from what the consumer wants in State Street Chicago or what the consumer wants in Portland, Oregon." As part of the chain's revamped tailoring strategy, Lundgren wants 15 percent of the merchandise in each store to reflect local tastes and preferences. As part of its initial 2008 localization strategy, inventory was customized at about one-third of Macy's stores, including all of the former Marshall Field's and many other former May Company stores. Locations in Seattle, Minneapolis, Chicago, Portland, and Salt Lake City were the first stores to be localized. Macy's strategy in going local is similar to that employed by Best Buy the electronics retail chain.

Best Buy began to use local strategies in 2004 after identifying four specific types of customers: such as upscale suburban mom or urban trendsetter. Then Best Buy computed, on a store-by-store basis, which customer groups were the most important. Ross Stores a national discount-apparel chain, decided to tailor 15 percent of the merchandise in each of its 900 stores as of fall 2008.

Planning and implementing its localized strategy will be especially difficult for Macy's, Inc. Although Lundgren acknowledges that Bloomingdale's executives at Macy's, Inc. headquarters "have clear understandings of what is going on in each store," the Macy's store division is so large that central management needs "to make sure we are in tune to what it is that the consumer is expecting of us-the product category, the size, or color."

A single Macy's store typically stocks between 1.5 and 4 million stock-keeping units. This means that hundreds of thousands of items can be affected by localization. To accomplish localization, 13 executives are now in charge of overseeing the merchandise assortment at a group of 10 department stores. In the past, under the standardized strategy, seven executives were in charge of merchandise assortments in as many as 23 stores.

Questions:

1. List and explain the pros and cons of centralized buying for Macy's.
2. Is Micro-Merchandising is a good approach for Macy's? Why and Why not?
3. Explain the role of centralized buying with staple merchandise versus the role of decentralized buying for Macy's with fashion and seasonal merchandise.
4. List three factors you think Macy's, Inc. should consider in localizing merchandise by store location.
5. How should Macy's and Bloomingdale's merchandising decisions be coordinated?