

PGDM (RM), 2013-15
Merchandising Management
Subject Code: 204

Trimester – II, End-Term Examination: December 2013

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

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. Why is a merchandise budget so important in retail planning, and how is a merchandise budget prepared?
2. What is the worst type of shrinkage-employee theft or customer theft? What is your reasoning?
3. What type of retailer is most likely to use leader pricing? If a retailer wants to use an above-market pricing policy, how should that retailer's retailing mix be different from the competition?
4. Define FIFO and LIFO and the reasons for using one or the other. With couple of examples
5. How do retailer's use dollar-merchandise control? Describe how open-to-buy is used in the retail buying process?

Section B

6. Dhoni Store is attempting to develop a merchandise budget for the next 12 months. To assist in this process, the following data have been developed. The target inventory turnover is 4.8, and forecast sales are

Month Forecast Sales

1	27,000
2	26,000
3	20,000
4	34,000
5	41,000
6	40,000
7	28,000
8	27,000
9	38,000
10	39,000
11	26,000
12	28,000

Develop a monthly merchandise budget using the basic stock and percentage variation methods.

7. Sachin Ltd has planned operation expenses of Rs. 170,000 a profit goal of Rs.11000 and planned reductions of Rs.35,000 and it expects sales of Rs. 650,000. Compute the initial markup percentage. At the end of the year Sachin Ltd determines that actual operation expenses is Rs. 160,000 actual profit is Rs.105,000 and actual sales are Rs.630,000. What is the maintained markup percentage? Explain the difference the initial markup percentage and maintained markup percentage.
8. A) The buyer for the women's sweater department has purchased wool sweaters for \$35.69. She uses an odd pricing policy and wants to sell them at a 49 percent markup on selling price. At what price should each sweater be sold?
B) The buyer for men's shirts has a price point of \$45 and requires a markup of 45 percent. What would be the highest price he should pay for a shirt to sell at this price point?

Section C

Shoppers Stop: Merchandise Systems

In the mid-1990s, Shoppers Stop decided to upgrade the technologies used by its stores to improve productivity in transportation and in inventory management and control. Shoppers Stop's director of strategic information applied the following information technologies:

- Bar codes on all Shoppers Stop paint cans at the point of manufacture
- Bar codes on shipping containers and pallet loads for distribution purposes
- Electronic data interchange (EDI) with all of the Company's partners and customers
- Integrated radio frequency data communications (RFDC), incorporated with other information strategies into the RIS for warehouses

Along with these changes, Shoppers Stop also instituted the use of quick-response (QR) inventory systems and utilized point-of-sale (PaS) terminal scanning for its retail outlets.

The changes appear to be helping Shoppers Stop with its merchandise buying and handling. The company enlarged its customer database and generated more accurate and timely flows of information and product to customers. Only time will tell if these changes will have an impact on Shoppers Stop's bottom line.

Questions

1. Why do you think Shoppers Stop spent the time, effort, and money to install the new systems?
2. How do you think the new tools can be integrated into Shoppers Stop's inventory control processes?
3. Give a few examples of how the new systems may help in the evaluation and execution of Shoppers Stop's inventory turnover.
4. Will the new systems help Shoppers Stop to better understand its open-to-buy? Why or why not?
5. What will be the overall impact of the new systems on Shoppers Stop's supply chain?
6. Will they facilitate logistics management? If so, how?
7. Will the new systems be effective for in-store ordering and reordering of merchandise? Explain your answer.
8. What will be the impact of the changes on Shoppers Stop's customers?
9. What do you think will happen to the prices for Shoppers Stop's products? Justify your answer.