PGDM 2013-15

Retail Marketing

DM 535

Trimester – V, End-Term Examination: December 2014

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

Q1. How is Indian retailing different from international retailing in terms of cost? How would you manage in such a situation?

Q2. What myths plague e-tailing? How does an e-tailer guard against such myths?

Q3. Should mineral water be categorized with soft drinks? What factors would you consider while taking a decision on this categorisation?

Q4. How does a retailer decide on the signage to be used in the store?

Q5.How should one go about planning a good social marketing campaign for a chain of stores?

Section B

Q1. How can a customer be loyal and still not patronize a store? How would you increase purchases by such customers?

Q2. A buyer for a book and music store bought 200 CDs and priced them at Rs. 159.50 each. The shop sold 50 CDs at this price. The reaming CDs were marked down to Rs. 119.50 for a special sales event. During the sale, 85 CDs were sold. After the sale, the store re priced the remaining CDs at Rs. 149.50 and sold all of them. Determine the following:

a) Total mark down
b) Net Rupee mark down

Q3. Why is it that two retailers selling the same merchandise follow different layouts? What factors impact their decisions?

Section C

Study the case and answer the three questions at the end. Each question carries 5 marks.

In 1977, Bill Moran was the vice president of sales for a food wholesaler in St. Louis. His customers, independent grocers, were facing a weak economy and stiff competition from the growth of regional supermarket chains. He developed an extreme-value, limited-assortment concept to give small grocery stores a way to compete. He then tested the concept in several stores. Even though the concept worked in the test stores, the wholesaler believed the concept would not work when the economy improved.

Today, Save-A-Lot has 1,200 stores across the United States. Seventy-five percent of the stores are operated by licensees, and the remainder are operated by the company.

Save-A-Lot targets a value- and convenience-oriented psychographic segment. The consumers in this segment are looking for a good value, namely, quality merchandise at low prices. Its stores average about 14,000 to 18,000 square feet, less than half the size of a conventional supermarket. These smaller stores appeal to shoppers who don't want to search for merchandise in a 30,000-square-foot grocery store.

Stores stock approximately 2,100 SKUs of the most popular items, compared with over

30,000 SKUs in a traditional supermarket. Save-A-Lot's large customer base and edited-assortment format equate to high sales volume and lower costs. For example, a traditional supermarket may carry 35 SKUs of ketchup—different brands, sizes, and flavors. Save-A-Lot carries just one, made to the same specifications as the leading national brand. Eighty-five percent of its 2,100 SKUs are exclusive to Save-A-Lot. The chain has buying power with its vendors by purchasing one size and variety of an item for more than 4 million weekly shoppers. In addition, vendors give Save-A-Lot low prices because Save-A-Lot doesn't ask for an advertising allowance, fees for stocking items, merchandise return privileges, or charge-backs.

To offer quality merchandise at low prices and remain profitable, Save-A-Lot tightly controls its operating costs. Stores are located on inexpensive real estate, and staff in the stores is limited. Merchandise is displayed on shelves in cut-off shipping boxes to reduce the labor costs incurred by taking cans and bottles out of the boxes and placing them on the shelves. Save-A-Lot customers typically bag their own groceries. Some stores charge extra for bags, such as 3 cents for plastic bags, 5 cents for paper grocery bags, and 10 cents for reusable polyurethane bags. Due to these cost-cutting approaches, Save-A-Lot can offer quality merchandise to its customers at prices 20 to 40 percent lower than those of traditional supermarkets.

When Save-A-Lot started, it focused simply on providing value to customers by selling the basics: bread, eggs, milk, flour, sugar, and canned goods. It charged low prices in a bare-bones atmosphere. Over time, as its market research revealed that customers' concept of value was changing, Save-A-Lot began adding more unique items to its assortment. The stores' customers, regardless of their income levels, sometimes want to treat themselves to something special, so Save-A-Lot included frozen shrimp, now one of its best-selling items. By buying at half the price charged by traditional supermarkets, its customers can still have a special meal at a reasonable price.

Save-A-Lot's success has attracted competitors, such as the extreme-value general merchandise chains (e.g., Dollar General, Family Dollar) that are now offering more food items. But Save-A-Lot's efficient food distribution system might be difficult to duplicate. At the same time, Save-A-Lot faces more competition in the United States from ALDI, the German company that originated the extreme-value business model in food retailing. ALDI now operates more than 8,000 stores worldwide, including approximately 1,000 in the United States.

QUESTIONS

1. What is Save-A-Lot's retail strategy—its target market, format, and bases of competitive advantage?
2. How do the elements in the strategic profit model for Save-A-Lot differ from those of a traditional supermarket?
3. What are the pluses and minuses of offering a limited assortment from the perspective of the consumer and the perspective of the retailer?
4. [illegible]

Sources: www.save-a-lot.com (accessed July 12, 2010); "Aldi, Save-A-Lot Make the Most Out of Private Label," *Refrigerated & Frozen Foods Retailer*, May 2010.

This case was written by Barton Weitz, University of Florida.