

PGDM-(RM), 2013-15
BUYING AND MERCHANDISING
RM-504

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

Answer any three out of the following :

[3*5]

- Q1. Explain how Rack Jobbers are different from Manufacturers as Vendors.
- Q2. How can local currency influence the sourcing decision of a Global Company?
- Q3. "In business the term sourcing refers to a number of procurement practices". Explain.
- Q4. What do you understand by the Buying Environment? Explain with example.
- Q5. Explain how Buying for different types of Retail Stores are done?

SECTION B

Answer any two out of the following :

[2*10]

- Q1. Explain the difference between Pricing Strategies and Pricing Issues.
- Q2. What points should be considered while negotiating with vendors. Give suitable examples.
- Q3. You have been appointed as a buyer of shoes in a retail organization with presence all over India. How will you source for the merchandise for stores present all over India?

P.T.O.

SECTION C

Study the case and answer the question given at the end of the case :

[15]

In the 1990's, manufacturers' outlet stores were rapidly expanding. To-day, however, that growth has slowed. Most manufacturers have slowed their store openings, focusing more on managing existing stores and ensuring profitable growth.

Factory outlet stores are owned and operated by manufacturers who market and distribute their products at discounted prices. They are typically located in remote areas or near tourist areas. By opening their own stores in outlet centers, manufacturers can control their sales and the way their goods are presented. In the early 1990s, as consumers became more demanding, the appearance of factory outlet stores changed. More sophisticated store designs, better ambiance, and more amenities contributed to the growth of outlet centers. Outlet center stores were no longer garishly lit spaces, filled with boxes heaped with clothing. In fact upscale became the new buzzword for developers, as outlet centers took the form of upscale "villages" with a strong emphasis on brand names.

Most outlet stores have become well-arranged retail shops that provide attention to customer service and stock merchandise similar to that found in traditional retail stores. In fact, many outlet stores are barely distinguishable from stores in regional malls.

Today, manufacturers' outlet stores are facing strong competition from other retailers, particularly department stores in regional malls that have learned to compete by offering sales that feature frequent and deep discounts. No longer do consumers have to travel long distances to outlet stores in search of low prices- they may do as well at a sale in their local mall. This narrowing price gap has become one of the primary challenges facing factory outlet retailers.

Changing merchandise mixes at outlet stores have also had an impact on pricing and marketing strategies. In the past, much of the merchandise found at factory outlets was out-of-date or defective merchandise. That changed dramatically in 1990s. Outlets today include designer and brand names such as Eddie Bauer, Geoffrey Beene, Liz Caliborne, J. Crew, Calvin Klein, Nike, Oshkosh B'Gosh, and Polo/ Ralph Lauren.

Research reported in Value Retail News found that 37% of the merchandise shipments to outlet centers could be found in traditional retail stores at the same time, but at tail end of their retail life span. This merchandise often includes fashion duds or overproduced apparel, but some manufacturers even include parts of their current lines at full retail price. Converse for example, use outlets to showcase its current lines at full price. Thirty-two percent of the merchandise found in the outlets were closeouts that included merchandise past the retail store season but still appropriate for many consumers. Seconds and irregulars accounted for only 18 percent of the merchandise carried. These merchandise defects may be minuscule or even nonexistent. In some situations, first-quality merchandise may have been labeled as defective out of desire to maintain good relations with full-price retailers carrying the line.

About half the apparel manufacturers now manufacturers now make goods specifically for outlet stores. For example, the Geoffrey Beene line of men's and women's sportswear manufactured by Phillips-Van Heusen, exists only in factory outlet stores. Some manufacturers, however, still rely on outlet stores to only sell irregulars and closeouts. The focus of Croscill Factory Stores is selling cancelled orders, overruns, and irregulars. For this firm, sales at outlets continue to be a way to help mitigate losses from overproduction or irregulars without alienating their wholesale clients.

For a number of reasons, profits of manufacturers' outlet stores are being squeezed. Expenses for outlet centers have increased as "regular retail" amenities have been added in an attempt to meet the higher expectations of shoppers. In today's price competitive marketplace, apparel retailers have been able to raise prices, further cutting their margins. Explosive growth of outlets has also led to market saturation and attractive, untapped markets have become scarce for new outlet stores.

Q1. What according to your knowledge of Buying and Merchandising would be the best merchandise assortment for factory outlet as per the situation mentioned in the case?
