

**PGDM (RM), 2018-20**  
**Retail Concepts & Environment**  
**Subject Code RM - 101**  
**Trimester -I, End Term Examination: September 2018**

Time allowed: 2 Hrs 30 Min

Roll No: \_\_\_\_\_

Max Marks: 50

**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 (Long Questions)	10 Marks each	3*10 = 30
B	Compulsory Case Study	20 Marks	20
		<b>Total Marks</b>	<b>50</b>

**Section A:**

1. Write different types of products you would like to see offered through convenient vending machines. Explore the current limitations (regulatory or technological) due to which such products are not currently offered through vending machines. Elucidate three major shopping behavior for male, female and youth segments with example.
2. Compare any three elements of the retail mix - the type of merchandise sold, the variety and assortment of merchandise sold, and the level of service provided to customers -- of two women's specialty stores in a local mall.
3. Discuss the theories that you would keep in mind that would ensure effective and efficient handling of new retail entry
4. How the competition between the two specialty stores is stronger than the competition between the specialty store and the discount store. Elucidate with examples
5. Why present day retailing has become important concepts for marketers with importance of music and its interaction with other sensory elements of consumer .Comment on this statement.

## Section B:

### Mustafa Center: Singapore's All-in-One Retailer

Mustafa Center is a well-known retailer in Singapore that provides one-stop shopping. The breadth of product variety is truly amazing, covering a wide range including jewelry, watches, electronics, home appliances, apparel, cloth, personal computers, grocery and food items, hardware, gift items, and luggage.

The store combines a department store, grocery store, pharmacy, hotel, and services retailers including currency exchange and travel agency. Mustafa Center was established in 1971 in a part of Singapore known as Little India. From its original site of 500 square feet, it has now grown to cover 150,000 square feet in two adjacent locations, with over 90,000 SKUs. The company's sales revenue in 1999 was S\$240 million. In addition to its retail outlets, it has a warehouse not far from Little India. The founder, Mr. Mustaq Ahmad, can often be seen serving customers, unrecognized by those whom he serves. Under his leadership, the company has achieved national recognition and was a winner of the Enterprise 50 awards in 1998.

On a normal weekday, 10,000 customers visit the store with the number increasing to between 15,000 and 20,000 on weekends. Prior to the Asian economic crisis that started in 1997, approximately 80 percent of its customers were tourists, and the rest were locals. The tourists were mainly from India, Pakistan, Bangladesh, and Sri Lanka, although those from Middle Eastern countries, North Asia, and Europe have also been increasing. This is a unique feature given that the majority (about 75 percent) of Singapore's population is of Chinese descent. In terms of competition, Mustafa Center's unique positioning grants it much monopolistic power. Its closest competitors are the large department stores on Orchard Rd. (the major shopping stretch in Singapore), including CK Tang, Isetan, Robinson's, and Takashimaya. It also competes to some extent with the small sundry and provision stores in Little India. The large department stores on Orchard Rd. cannot compete with Mustafa on prices due to higher overheads, while the small stores in Little India cannot offer the same assortment and convenience provided by Mustafa. Mustafa practices EDLP, providing fair value on its product assortment. Although it does not necessarily have the lowest prices in town, it is often perceived to be competitive by its customers. The gross margin on products is 15 percent on average, with the range at 10 to 30 percent, much lower than the department stores. For example, the markups in the supermarket do not exceed 15 percent, thus being very competitive with other grocery stores in Singapore.

In order to achieve EDLP, Mustafa is very scrupulous in its sourcing practices. Where it previously used only a few suppliers, it has now widened its purchasing network and buys goods from countries in the region including Malaysia, Thailand, Indonesia, and Hong Kong as well as further afield in India, China, Japan, and Europe. The store buyers are responsible for sourcing from the cheapest suppliers, bypassing all intermediaries. Parallel imports make up about 20 percent of all products.

Given its large product variety and limited space, the store layout at Mustafa is extremely cramped. Mr. Ahmad believes this actually works to his benefit, as most of his customers from the Indian subcontinent are familiar with cramped shopping conditions. He also believes that since only serious buyers frequent both stores, there is little need for a glamorous layout.

Mustafa mainly employs Muslim and Indian workers. However, as the store layout is quite cramped, most customers have to find the items they want by themselves, except for items such as jewelry and home appliances, where shop assistance is available.

Mustafa's communication efforts are limited. Although it does buy airtime on local TV and radio stations (mainly English-speaking and Tamil-speaking) and advertises in the local newspapers, it believes positive word-of-mouth communication is a more effective means of promotion. According to Mr. Ahmad, "We're not promoting any products, we are selling promoted products. So let someone else promote them and we'll do the selling." A major concern is shoplifting. In order to reduce inventory shrinkage, security guards at all entrances of the stores use security tags to seal all bags that customers carry into the stores. Upon payment of purchases, the plastic bags are also sealed with tags, which cannot be opened unless they are cut. Bulky items are stuck with "item-paid" stickers.

In 1995, Mustafa Center set up its own website, [www.mustafa.com.sg](http://www.mustafa.com.sg). The website is meant to replace its catalogs. The time taken to update, print, and bind new editions meant that by the time the catalogs were ready, many product listings were already outdated. From a static information site, the website has since grown to become fully functional, where customers can browse approximately 5,000 products online and also purchase them. The website received \$50,000 worth of orders in April 1999, with the orders coming mainly from Indonesia, Pakistan, the United States, India, Brunei, Canada, and Israel. The Mustafa Online store uses the industry standard Secure Sockets Layer (SSL) technology to allow for the encryption of the user's name and address as well as critically sensitive information such as the credit card number. Credit card payments on the Mustafa site are handled using the SSL solution from the National Computer Systems Consumer Connect Service. This authenticates the security of the site.

In mid-1997, the Asian economic crisis struck. As with virtually all other retailers in town, Mustafa's business was adversely affected, although it was not as badly hit as some other retailers who suffered major losses. Its major customers – tourists -- declined to only about 60 percent of its customers. Local customers who are trying to stretch their dollar increased slightly. Founder Ahmad is now faced with the problems of how to expand his store operations and how to increase both online and physical store patronage. He is debating whether to open a new local outlet or one in India, where Mr. Ahmad believes much potential exists.

#### Discussion Questions

1. What do you think Mr. Ahmad should do in order to increase local store patronage?
2. Should Mustafa expand its operations by opening a new local store or one in India?
3. Visit Mustafa's website. Evaluate its potential for further growth.
4. Would a store offering the variety of Mustafa Center flourish in the United States? Why or why not?