

PGDM (Retail Management)
Retail Concepts & Environment-II
Subject Code - RM-206

Trimester – II, 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

1. Why is location such an important decision for a Jewellery store like Tanishq? Explain how Tanishq will forecast sales for its new store location in Sec B vis-à-vis Sec A category cities?
2. In many malls, fast food retailers are located together in an area known as food court. What are this arrangement's advantage and disadvantage to fast food retailers?
3. How are the various type of fixtures, merchandise-presentation methods and techniques, and the psychology of merchandise presentation used to increase the productivity of the sales floor?
4. How customer service is so important for a Super Market like Star Bazaar, What are the various customer service that Star Bazaar can offer to its customer?
5. Discuss how 'Brand Factory' can reduce shrinkage from shoplifting and employee theft?

Section -B

1. What retail locations are best for departments store, consumer electronics category killers, speciality apparel stores, and warehouse stores? What are the different types of store layouts and designing in retailing? Also explain the factors influencing retail store layout and design?
2. Assume you have been hired as a consultant to assess a local discount store's space productivity? What analytical tools would you use to assess the situations? What suggestions would you make to improve the store' productivity?
3. What is the difference in the pricing strategies of different e-retailing sites? Which firm do you think will have the strongest position in market in next 10 years? Why?

Section - C

Customer- Service and Relationship Management at Nordstrom

Nordstrom's unwavering customer-focused philosophy traces its roots to founder Johan Nordstrom's values. Johan Nordstrom believed in people and realized that consistently exceeding their expectations led to success and a good conscience. He built his organization around a customer-oriented philosophy. The organization focuses on people, and its policies and selections are designed to satisfy people. As simple as this philosophy sounds, few of Nordstrom's competitors have truly been able to grasp it.

A Focus on People

Nordstrom employees treat customers like royalty. Employees are instructed to do whatever is in the customer's best interest. Customer delight drives the values of the company. Customers are taken seriously and are at the heart of the business. Customers are even at the top of the Nordstrom's so-called organization chart, which is an inverted pyramid. Following customers from the top of the inverted pyramid are the salespeople, department managers, and general managers. Finally, at the bottom is the board of directors. All lower levels work toward supporting the sales people, who in turn work to serve the customer.

Employee incentives are tied to customer service. Salespeople are given personalized business cards to help them build relationships with customers. Uniquely, salespeople are not tied to their respective departments but to the customer. Salespeople can travel from department to department within the store to assist their customer, if that is needed. For example, a Nordstrom salesperson assisting a woman shopping for business apparel helps her shop for suits, blouses, shoes, hosiery, and accessories. The salesperson becomes the "personal shopper" of the customer to show her merchandise and provide fashion expertise. This is also conducive to the building of a long-term relationship with the customer, as over time, the salesperson understands the customer's fashion sense and personality.

The opportunity to sell across departments enables salespeople to maximize sales and commissions while providing superior customer service. As noted on a 60 Minutes segment, "[Nordstrom's service is] not service like it used to be, but service that never was."

Despite the obsession with customer service at Nordstrom, ironically, the "customer comes second." Nordstrom understands that customers will be treated well by its employees only if the employees themselves are treated well by the company. Nordstrom employees are treated almost like the extended Nordstrom family, and employee satisfaction is a closely watched business variable.

Nordstrom is known for promoting employees from within its ranks: The fundamental traits of a successful Nordstrom salesperson (such as a commitment to excellence and customer service) are the same traits emphasized in successful Nordstrom executives.

Nordstrom hires people with a positive attitude, a sense of ownership, initiative, heroism, and the ability to handle high expectations. This sense of ownership is reflected in Nordstrom's low rate of shrinkage. Shrinkage, or loss due to theft and record-keeping errors, at Nordstrom is under 1.5 percent of sales, roughly half the industry average. The low shrinkage can be attributed in large part to the diligence of salespeople caring for the merchandise as if it were their own.

Employees at all levels are treated like businesspeople and empowered to make independent decisions. They are given the latitude to do whatever they believe is the right thing, with the customers' best interests at heart. All employees are given the tools and authority to do whatever is necessary to satisfy customers, and management almost always backs subordinates' decisions.

In summary, Nordstrom's product is its people. The loyal Nordstrom shopper goes to Nordstrom for the service received-not necessarily the products. Of course, Nordstrom does offer quality merchandise, but that is secondary for many customers.

Customer-Focused Policies

One of the most famous examples of Nordstrom's customer service occurred in 1975 when a Nordstrom salesperson gladly took back a set of used automobile tires and gave the customer a refund, even though Nordstrom had never sold tires! The customer had purchased the tires from a

Northern Commercial Company store, whose retail space Nordstrom had since acquired. Not wanting the customer to leave the Nordstrom store unhappy, the salesperson refunded the price of the tires. Nordstrom's policies focus on the concept of the "Lifetime Value of the Customer." Although little money is made on the first sale, when the lifetime value of a customer is calculated, the positive dollar amount of a loyal customer is staggering. The lifetime value of a customer is the sum of all sales generated from that customer, directly or indirectly. To keep its customers for a "lifetime," Nordstrom employees go to incredible lengths. In a Nordstrom store in Seattle, a customer wanted to buy a pair of brand-name slacks that had gone on sale. The store was out of her size, and the salesperson was unable to locate a pair at other Nordstrom stores. Knowing that the same slacks were available at a competitor nearby, the sales clerk went to the rival, purchased the slacks at full price using petty cash from her department, and sold the slacks to the customer at Nordstrom's sale price. Although this sale resulted in an immediate loss for the store, the investment in promoting the loyalty of the happy customer went a long way.

Nordstrom's employees try to "Never Say No" to the customer. Nordstrom has an unconditional return policy. If a customer is not completely satisfied, he or she can return the new and generally even heavily used merchandise at any time for a full refund. Ironically, this is not a company policy; rather, it is implemented at the discretion of the salesperson to maximize customer satisfaction. Nordstrom's advice to its employees is simply, "Use good judgment in all situations." Employees are given the freedom, support, and resources to make the best decisions to enhance customer satisfaction. The cost of Nordstrom's high service, such as its return policy, coupled with its competitive pricing would, on the surface, seem to cut into profit margins. This cost, however, is recouped through increased sales from repeat customers, rare markdowns, and, if necessary, the "squeezing" of suppliers.

Nordstrom's up-channel policies also focus on maximizing customer satisfaction. According to former CEO Bruce Nordstrom, "[Vendors] know that we are Liberal with our customers. And if you're going to do business with us, then there should be a liberal influence on their return policies. If somebody has worn a shoe and it doesn't wear satisfactorily for them, and we think that person is being honest about it, then we will send it back." Nordstrom realizes some customers will abuse the unconditional return policy, but Nordstrom refuses to impose that abuse back onto their vendors. Here again, the rule of "doing what is right" comes into play.

Nordstrom's merchandising and purchasing policy is also extremely customer focused. A full selection of merchandise in a wide variety of sizes is seen as a measure of customer service. An average Nordstrom store carries roughly 150,000 pairs of shoes with a variety of sizes, widths, colors, and models. Typical shoe sizes women range from 2 1/2 to 14, in widths of A to EEE. Nordstrom is fanatical about stocking only high-quality merchandise. Once when the upper parts of some women's shoes were separating from the soles, every shoe from that delivery was shipped back to the manufacturer.

QUESTIONS:

1. What steps does Nordstrom take to implement its strategy of providing outstanding customer service?
2. How do these activities enable Nordstrom to reduce the gaps between perceived service and customer expectations?
3. What are the pros and cons of Nordstrom's approach to developing a competitive advantage through custom service?