

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	Total Marks
A	Minimum 3 question with internal choices among CILOs	3*10	30
B	Compulsory Case Study	20	20
			50

### Section A

#### 1. (A) CILO 1 (Remember)

How would you expect the buying decision process to differ when shopping on internet compared with shopping in a store?

OR

#### 1. (B) CILO 1 (Remember)

If you were considering the ownership of Taco bell franchise, what would you want to know about the location in terms of traffic, population, income, employment, and competition? What else would need to be researched about a5r5 potential location?

**2.(A) CILO 2 (Application)**

Compare and contrast the retail mixes of convenience stores, traditional supermarkets, superstores, and warehouse stores. Can all of these food retail institutions survive over the long run? Why?

**OR**

**2(B) CILO 2 (Application)**

Assume Siemens Limited (a foreign company) is planning to enter the Indian electronics market.

Answer the following questions:

- State who among the players in India are better placed to face the competition from this new entrant and maintain their growth.
- Discuss the theories that you would keep in mind that would ensure effective and efficient handling of new retail entry.

**3 (A) CILO 3 (Understand)**

In general, what are the factors that contribute to the success of discount stores despite increasing competition from other formats?

**OR**

**3 (B) CILO 3 (Understand)**

How can a retail supermarket develop competitive strategic advantage? Explain with special reference to location of store

**CILO 2 (Application)****Section C:**

DONALD FISHER AND WIFE launched the The Gap in 1969. Initially, The Gap stores were unique in offering every size and style of Levi's, arranged by size for convenience. When the teen-jean craze slowed in the mid-1970s, stores were repositioned for people interested in a fashionable, causal lifestyle. Donald Fisher, then CEO, and Mickey Drexler, then president, added other chains to the The Gap portfolio of specialty apparel stores: Banana Republic and Old Navy. Banana Republic is positioned at the high end of the quality/price spectrum that includes the moderately priced Gap and the company's newest chain, Old Navy, featuring the least expensive clothing.

For years, the flagship Gap stores, with \$11.6 billion in sales and an estimated \$1.1 billion in profits, made up more than a third of the entire company's profits. But in May 1999, Gap began to lose the edge it had enjoyed for several years. Other competitors such as Abercrombie & Fitch and American Eagle Outfitter were beginning their assault on the fashion market with trendier clothes and better, more aggressive advertising campaigns.

For six consecutive months, sales at Gap stores fell to all-time lows, taking the stock price down with them. The apparel market was in a transitional phase that favored either high-priced designer-name fashions or the low-end wear that has consistently sold well. This trend was reflected in large sales increases in the high- and low-end Gap chains—Banana Republic and Old Navy were selling very well. The challenge for Gap was that it needed a new marketing plan without disrupting the strong sales of its other stores. Drexler was well aware of this fact and brought with him new and innovative ideas that the company desperately needed. Drexler, the Gap's president since 1983, became the CEO in October 1999 when Robert Fisher, the president and son of the Gap founders, retired. The company's stock immediately rose 10 percent on the news of Drexler taking over.

Mickey Drexler developed the concept for the Old Navy chain to cater to the new lifestyle of teens and young adults who want fashion but do not have much to spend on clothing. He selected the name for the chain after seeing it on a building during a walk around Paris. Old Navy is consistent with the growing strength of discount stores in apparel retailing.

Consumers were predicted to spend \$40 billion—nearly a third of their apparel dollars—at discount department stores, off-pricers, and factory outlets in 1999. It is not only price that drives consumers into discount stores for apparel. The industry has made great efforts in assortment, quality, and fashion. Discount stores have also come a long way in improving display, borrowing ideas from regular stores. In 1999, the Old Navy, with 16 percent of the stores, accounted for 35 percent of the sales of Gap Inc.

The Old Navy Clothing Stores have the same kind of merchandise as The Gap stores, but will be able to keep prices low by using lighter-weight, less expensive fabrics in addition to scaled-down store decor and lower-priced locations in strip shopping malls. Old Navy stores have unique design elements featuring 1950 Chevies and merchandise piled on old freezers. Although half of all Old Navy stores are within a mile of a Gap, they take only 5 to 10 percent of Gap's business, with all of the rest coming from elsewhere. As COO of Gap, Inc., John Wilson said, "It's a temporary hit, but the volume comes back; we'd rather cannibalize our own business than have the competition do it."

In April 1999, Jenny Ming was appointed president of Old Navy. Ming started her career at The Gap in 1986 as a buyer. Ming has a knack for predicting what hip-looking clothing will appeal to the masses and making big bets on producing large quantities to ensure that these items will be in stock. One of her early successes was dramatically increasing the sales of T-shirts by increasing the color assortment from six to a couple dozen and marketing them all year, instead of just in the summer. More recently she was the key force behind the explosive growth of fleece merchandise.

Old Navy's new, four-story, 100,000-square-foot flagship store in San Francisco is its largest ever built. This store is similar to its 80,000-square-foot showplace in New York, with a deejay booth where shoppers can create their own CDs and a lower-level, fashion-forward, off-price department.

### ***Discussion Questions***

1. How do you think the growth of Old Navy will affect the sales in The Gap chain? (4)
2. In the next five years, where should Gap, Inc., place the greatest resources: Old Navy, Gap, or Banana Republic? Why? (7)
3. In what ways could the Gap chain enhance customer appeal and loyalty? (4)