

Name _____

Number _____

RETAILING EXAM

12/06/2012

Duration: 1h 00m

Write your answer in the space provided.

Good Luck!

SHORT ANSWER (4x1,5 = 6 points)

1) Private Labels have been increasing the tension between manufacturers and retailers. Describe two of the main factors responsible for that tension.

Students may point 2 out of the 4 factors:

- Shelfspace allocation between brands and private labels (PL)
- Pricing strategy – use of brands to compensate margin loss in PL
- No possibility of entry in some categories where only PL exists
- Fees charged to manufacturers for innovations to enter retailer's stores

There is no need for extra explanation.

2) The buyer for mens shirts at *Fashion's here* retail chain has a price point of 20€ and requires a markup of 30 percent. What would be the highest price he should pay for a shirt to sell at this price point? (Show your calculation)

Mark-up=(Selling price-cost)/Selling price

$$0,30=(20-\text{cost})/20 \Rightarrow \text{cost} = 14\text{€}$$

3) Anna, the store manager of an electronics retailer, has decided to stimulate the sales “printers & scanners” category since it is underperforming the market. Help her by advising about the sales promotions technique that would better fit her objective.

In-store displays (Point of purchase promotion) are the most adequate, as Anna is a store manager and her range of possible actions are mostly related to store actions. (Students don't have to justify, it is enough naming the technique with one-two examples)

Examples: such as end caps and special displays

4) List two factors related to demographic changes that will impact the face of retailing during the next decade.

Students may point 2 out of several factors:

- Ageing of population
- Urbanization (going to cities)
- Ethnicity (emigration)
- People living alone, smaller families



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BRIEF DISCUSSION (6x2 = 12 points)

Padaria Portuguesa – Exhibit 1 - is a recent neighborhood bakery chain. His founder was at Católica presenting what is already known as a case-study in the Portuguese retailing: innovative concept, break-even after 1,5 years and huge publicity and word-of-mouth. He claimed “we want to be the Starbucks of bread”. Currently the chain has 7 stores and a bread factory, with a total of 110 employees.

- 1) What do you think are the main techniques *Padaria Portuguesa* uses to improve its store image? Base your answer on Exhibit 1.

Students should mentioned

- Storefront design (1st photo)
- Ambience such as lighting, smell (2nd, 3rd, 4th photos)
- Visual communication: POS signage (2nd, 3rd, 4th photos)
- Merchandise presentation (3rd photo)

- 2) Which kind of marketing channel system does *Padaria Portuguesa* use in its supply chain? Point-out the most probable main reason for that choice.

Vertical marketing channel.

The main reason should be the control (quality of raw materials and production; recipes).

A second reason (70% of the grade) could be productivity/efficiency/costs.

- 3) Despite the quality of the products offered, *Padaria Portuguesa* has adopted a penetration pricing strategy. What do you think is the objective driving this strategy? Explain briefly.

Getting sales very quickly (i.e. getting as many customers as possible).

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Hussel – Exhibit 2 - is a chain with 55 years of experience in confectionary, 250 stores in Europe and plenty of expertise and flair to develop trends by creating always new recipes and produce classic confectionary ideas. *Hussel* offers a wide variety of chocolates and sweets, in particular truffles, pralines, confectionery, biscuits, hard candies, chocolate bars and figures, chewy sweets and lollipops, among other things. 300 of those products are permanent and 200 are seasonal.

4) Identify the type of layout *Hussel* is using. Base your answer on Exhibit 2. Explain why that layout is appropriate to *Hussel* stores.

Free-flow layout.

Appropriate because

- Stores are small
- Merchandise is of the same type
- It allows free circulation of customers

5) In Portugal, *Hussel* has 25 stores, mainly in shopping centers. Name the main advantage of this location type. What is the major disadvantage?

The main advantage is the heavy traffic (wide range of offerings). The main disadvantage is the high rents.

Other advantages – such as access to parking and main roads, clean environment, cost sharing – and disadvantages – such as restriction to operations, too much competition – will grade only at 50%-70%.

6) What are the pros and cons of *Hussel* carrying 500 products in its assortment?

Pros: variety; being a specialist, it is important to have variety

Cons: stock level, more complex operation



ESSAY (2 points)

“To be successful companies need to pursue “omnichannel” retailing: an integration of digital and physical experiences.” Comment this sentence by very briefly explaining your vision about the topic, while considering the discussions had during the course.

Students should mention the benefits of omnichannel retailing:

- 1 access to new markets and new segments (geographically; multi-channel customers)
- 2 more loyalty (channels complement each other; tacit knowledge maybe used to increase loyalty)

Students should also consider some challenges such as

- 3 The fact that consumers may not be prepared to buy from another channel
- 4 Companies operations maybe too complex to integrate other channels under the same promise