

Name _____

Number _____

RETAILING EXAM

Example only

Duration: 1h 00m (tbc)

Write your answer in the space provided.

Good Luck!

SHORT ANSWER (4X1,5 = 6 points)

- 1) "The largest the supply chain width, the better". Name two factors that may reverse this statement.

- 2) Thomas, the buyer of "Pencil&Cases" - office equipment stores - is negotiating with a supplier the listing of a new line of notebooks. The cost proposed by the supplier is 7€. However, Thomas wants to sell the notebooks at 10€ maximum with a markup of 60%. What is the discount (€) the supplier should provide to meet Thomas expectations?

- 3) Meg, the category manager of a supermarket chain, argues with a supplier that he should invest in price discounts as it is the best way to recover the sales lost over the past few months (since a competitor's product was included in the assortment of the retailer). List two reasons why she might be wrong.

- 4) List two consumer-related factors that can affect the selection of the most attractive site location for a florist. Consider stores up to 50sqm, where you may choose between ready bouquets or asking for a customized one.



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BRIEF DISCUSSION (6*2 = 12 points)

Zara is a Spanish clothing and accessories retailer. The brand needs no presentation. *Zara* was described by *Louis Vuitton* Fashion Director as "possibly the most innovative and devastating retailer in the world." *Zara* has also been described as a "Spanish success story" by CNN.

1) *Zara* stores layout are characterized by having wide open spaces where people can circulate freely. However, a grid layout could improve productivity as more merchandise could be exposed in the same area. Point out two of the main reasons why grid layout is not being used by *Zara*.

2) *Zara* is a vertically integrated retailer. Name two main benefits that might have guided the choice for such a marketing channel system.

3) *Zara* offer considerably more products than similar companies. It produces about 11,000 distinct items annually compared with 2,000 to 4,000 items for its key competitors. How is *Zara* able to handle such a variety of merchandise while being profitable? Focus your answer in the two most relevant issues.



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Zara only spends about 0.3% of their revenue on advertising versus 3-4% of its competitors. Zara uses the stores to build its brand image.

4) Refer one of the sales promotion tools Zara is using and explain how it helps in brand image building.

5) Explain two techniques Zara is using to have a nice store image.

6) Zara's internationalization started in the 80's. Only in 2010 they went to e-commerce. Why do you think they took so long? Name two factors – one market-related, one business-related – that might explain that delay.



ESSAY (2 points)

“One of the top retail trends is the shrinkage of store sizes.” Comment this sentence by very briefly explaining your vision about the topic, while considering the discussions held during the course.

Example exam solutions
(these are not official solutions)

Short answer

1) If we want to give our products a sense of exclusivity or if we want to only have our own stores (for example, to better control staff training, assortment, sales tracking, etc.) we may want to choose a selective or even an exclusive distribution, instead of an intensive one, which is when we have the widest supply chain.

2) Cost proposed by supplier = 7€

Selling price = 10€

Markup = $60\% \times 10€ = 6€$ (Desired cost = $10€ - 6€ = 4€$)

Discount = $7€ - 4€ = 3€$

3) Dropping the price will be answered by the competitor dropping his price to the same level, starting a price war. In the end, sales will stay the same (regarding the number of units) and prices will have decreased.

Furthermore, dropping the price is the last resort since it doesn't provide the company with a sustainable advantage. After the promotion the problems will come back.

Finally, this tactic will harm the image of the retailer and may also harm the image of the brand.

4) Proximity of places where people tend to offer flowers, like hospitals and churches.
Income of the population nearby, since many flowers and bouquets tend to be a bit expensive.

Age of the population

Accessibility

Brief discussion

1) Grid layout decreases impulse buying, which is really important regarding fashion, where people many times don't go to the store already with what they're going to buy in their minds.

Also, there is no need to separate the merchandise by categories, at least more than what they already do (Women, Men, TRF and Kids). They benefit from having clothes mixed up so people can do their own combinations instead of having the store separated by coats, trousers, shirts, etc.

With a grid layout the shopping experience wouldn't be the same, with the current free flow layout allowing people to circulate in a non-defined path and looking at clothes disposed in different manners (e.g. face out, spine out, etc.).

- 2) Firstly, Zara is able to apply a tight quality control to their clothes, as well as to control logistics more efficiently and make sure they maintain their image as fast fashion retailer, which also allows them to have lower costs (due to economies of scale and quality control systems).
- 3) Firstly, Zara with its high international presence is able to have such scale that the cost of producing this high number of clothes is not as high as one may initially think. Furthermore, by being a fast fashion retailer, they don't launch only two collections each year. By having a higher rotation and, consequently, a higher number of visits to the store per customer, they have to manufacture a higher number of clothes, which passes an image of modernity and innovation. Also, each store had a different assortment, which obliges the brand to produce different pieces of clothing.
- 4) Zara does events like the Vogue's Fashion Night Out, where the store increases its opening hours and offers special prices. This way, the brand advertises itself as an accessible brand but, at the same time, associated with high end fashion (Vogue). Summarizing, the brand increases its awareness of a value for money brand. Zara also has in-store displays, more specifically manikins showing the latest collections. This way, they can show their innovative and up to date image while, at the same time, helping the consumer choose what should go best (Zara is not only about new collections, is about getting letting those collections be appropriately used).
- 5) Sensory marketing increases the clean but also somewhat irreverent and not still image of Zara, with clear lighting and upbeat music. Items are well presented and always in the right order (regarding colors, models, sizes, etc.) to help people look for the clothes they find more interesting and encouraging themselves to try them on. Moreover, some sets of items are already presented (e.g. specific shirt and skirt) instead of having these items in separate parts of the store, providing a complete and updated fashion look.
- 6) Wide assortment has made them think about what they should sell through the web (should it be adapted to each country's assortment? should it be the same assortment for the entire world?). Other business related factors may include difficulties in cross-channel alignment (store to web and web to store) and also costs and logistic problems regarding the manufacturing and distribution of clothes outside physical stores. Regarding a market related factor, people usually want to try their clothes before buying these, which is not possible in online shopping, for obvious reasons. Consequently, the acceptance of online shopping in the fashion business has been slower.

Essay

The following items should be mentioned:

- Trying to decrease costs, such as rent and employees
- Adapting to demographic trends, like older people or people with less time to shop. This way, stores are smaller and closer to consumers, that now don't have to spend so much time to get to the store and also in store looking for what they want.
- Lower number of SKUs → Reduction of logistic costs and possible increase in negotiation power (smaller number of brands, so there's the possibility of each brand selling more), which may decrease costs for the retailer and, consequently, decrease prices for the final consumer (similarly to what happens with Costco in the US)
- Adaptation to current economic crisis. Less money, less consumption and, consequently, less need to have such a wide assortment.