K. J. SOMAIYA INSTITUTE OF MANAGEMENT STUDIES AND RESEARCH, Vidyavihar, Mumbai- 400077

Program: PGDM Comm. *(Batch2017-19)*, Trimester IV
Subject: Retail Marketing i/c Shoppers Experience Management
(End Term Examination)

Maximum Marks: 50 **Date: 22/09/2018**
Duration: 3 hours

Instructions:
i) Question no. 1 & 2 are compulsory.
ii) Attempt Any Three from Q3 to Q7.
iii) Use of simple calculator is allowed.
iv) Cell phone calculator is not allowed.

QUESTION 1 Read the case and answer the questions given below:
(12 Marks)

Wal-Mart – Challenges in Global Operations

Wal-Mart Stores, Inc. (branded as Wal-Mart) is an American public corporation that runs a chain of large, discount department stores. It is the world's largest public corporation by revenue, according to the 2008 Fortune Global 500. The company was founded by Sam Walton in 1962, incorporated on 31 October 1969, and listed on the New York Stock Exchange in 1972. Wal-Mart is the largest private employer and the largest grocery retailer in the US. Over the last few decades, Wal-Mart has been steadily expanding its operations internationally outside the US. This case examines the challenges faced by Wal-Mart in its international operations.

Wal-Mart operates in Mexico as Walmex, in the UK as Asda, in Japan as Seiyu, and in India as Best Price. It has wholly-owned operations in Argentina, Brazil, Canada, and Puerto Rico. Wal-Mart's investments outside North America have had mixed results: its operations in the UK, South America, and China are highly successful, while it was forced to pull out of Germany and South Korea when ventures there were unsuccessful.

On 2 July 1962, Walton opened the first Wal-Mart Discount City store located at 719 Walnut Avenue, in Rogers, Arkansas. In 1988, the first Wal-Mart Super center opened in Washington, Missouri. Thanks to its superstores, it surpassed Toys 'R' Us in toy sales in the late 1990s. The company also opened overseas stores, entering South America in 1995 with stores in Argentina and Brazil; and Europe in 1999, buying Asda in the UK for US $10 billion.

Wal-Mart's operations are organized into three divisions: Wal-Mart Stores US, Sam's Club, and Wal-Mart International. The company does business in nine different retail formats: Super centers, food and drugs, general merchandise stores, bodegas (small markets), cash-and-carry stores, membership warehouse clubs, apparel stores, soft discount stores and restaurants.

To offer the best prices to its customers, Wal-Mart strives hard to reduce purchasing and logistics costs. Wal-Mart normally procures goods directly from the manufacturer and drives hard bargains with them. Wal-Mart is able to negotiate big discounts with its suppliers because of its huge volume purchases. It also requires its suppliers to gradually reduce their prices by improving efficiency. Wal-Mart also reduces its costs through its amazing distribution system. Logistics is truly at the heart of Wal-Mart operations. Wal-Mart has about fifty distribution centers located across different geographical locations in the US. Each of these regional U.S. Distribution Centers is over 1 million sq ft. These distribution centers are operational 24/7 and keep thousands of tractors and trailers rolling round the clock and across the country. An important feature of Wal-Mart's logistics infrastructure is its fast and responsive transportation system. Wal-Mart has one of the largest private distribution operations in the world. The company has also invested heavily in IT and communications systems to effectively track sales and merchandise inventories in stores across the country. It's the division that keeps millions of products moving to customers each day of the year.

A major challenge for Wal-Mart in its global operations is to replicate its logistics and distribution system across other countries where it has operations. Wal-Mart would be successful globally in its discount stores operations, as it is in the US, only when it develops similar logistics network in other countries where it operates. To support the huge investment in infrastructure required Wal-Mart would have to achieve sizable scale in each major market it enters.

Wal-Mart's international operations in 2009 comprised 3615 stores in seventeen countries including the United States. According to Wal-Mart's 2006 Annual report, the international division accounted for about 20.1 percent of sales. There are wholly-owned operations in Argentina, Brazil, Canada, Puerto Rico (company's operations in the US are managed through its international division), and the UK. With 1.8 million employees worldwide, the company is the largest private employer in the US and Mexico, and one of the largest in Canada.

Wal-Mart attempted to expand globally through a combination of Greenfield projects and acquisitions. The company was confident that its culture could be transported to other regions worldwide. As a global brand, Wal-Mart stood for low cost, best value, and the greatest selection of quality merchandise. International associates across the globe were instructed to maintain the highest standards of customer service. The division also adopted the other practices of its domestic operations that had made it the unchallenged leader in the US retailing industry.

Irrespective of the region in which they were operating, Wal-Mart stores had the most advanced computer technology, standard goals for sales inventory, and gross margin targets. Across the globe, Wal-Mart associates responded to the local needs, merchandise preferences and local vendor of the individual foreign towns. They also laid emphasis on adapting to local culture and being actively involved in community development.

Wal-Mart expanded into Mexico, through a joint venture agreement with Cifra. Two years later it started its operation in Canada following acquisition of 122 stores comprising the Woolco division of Woolworth. In 2006 Wal-Mart's acquired Asda (which retains the name it had before acquisition by Wal-Mart). Wal-Mart also has joint ventures in China and Mexico. In Mexico, Wal-Mart's majority owned subsidiary is called Walmex. In Japan, Wal-Mart owns about 53 percent of Seiyu. Additionally, Wal-Mart owns 51 percent of the Central American Retail Holding Company (CARHCO)), consisting of more than 360 supermarkets and other stores in Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica.

In late 2005, Wal-Mart took control of the Brazilian operations of Sonae Distribution Group through its new subsidiary: WMS Supermercados do Brazil, and acquired control of the National and Mercadorama supermarket chains.

Wal-Mart's move into the grocery business in the late 1990s also set it against major supermarket chains in both the US and Canada. Several smaller retailers, primarily dollar stores, such as Family Dollar and Dollar General, have been able to find a small niche market and compete successfully against Wal-Mart for home consumer sales. In 2004, Wal-Mart responded by testing its own dollar store concept a subsection of some stores called 'Pennies-n-Cents'.

Wal-Mart also had to face fierce competition in some foreign markets besides the US and Canadian markets. In Germany it had captured just 2 percent of German food market following its entry there in 1997 and remained 'a secondary player' behind Aldi with a 19 percent share. In May 2006, eight years after entering the South Korean market in 1998, Wal-Mart withdrew and sold all sixteen of its South Korean outlets to Shinsegae, a local retailer, for US $ 882 million. Shinsegae re-branded the Wal-Mart as E-mart stores. During the eight years in the market Wal-Mart could manage only fifth place amongst the country's discount operators. In July 2006, Wal-Mart announced its withdrawal from Germany. Its stores were sold to German company Metro. Wal-Mart continues to do well in the UK, and its Asda subsidiary is the second largest chain after Tesco. In both Germany and South Korea, Wal-Mart had been unable to reach the levels of competitiveness and profitability required to be major player in either market.

Despite what could be perceived as setbacks, Wal-Mart's internationalization continued space. In November 2006, Wal-Mart announced a joint venture with Bharti Enterprises to open retail stores in India, as foreign corporations were not allowed to directly enter the retail sector in India. Wal-Mart is to operate through franchisee and handle the wholesale end. The partnership will involve two joint ventures; Bharti is to manage the front end involving opening of retail outlets, while Wal-Mart takes care of the backend, such as cold chains and logistics. In February 2010, the company agreed to buy VUDU, a Silicon Valley start-up, whose three-year-old online movie service is being built into an increasing number of televisions and Blu-ray players. VUDU, based in Santa Clara, California, is to become a wholly-owned subsidiary of Wal-Mart.

Wal-Mart struggled to export its brand elsewhere as it rigidly tried to reproduce its model overseas. In China, Wal-Mart hopes to succeed by adapting and doing things preferable to Chinese citizens. For example, it found that Chinese consumers preferred to select their own live fish and seafood; stores began displaying the meat uncovered and installed fish tanks, leading to higher sales.

Questions:

a) Wal-Mart entered the international markets through joint venture and acquisitions instead of franchise mode. Why so? Give reasons.
b) What are the major challenges faced by Wal-Mart in its globalization efforts?
c) Do you find any link between the country entered and type of entry mode used by Wal-Mart in its international operations? Explain with examples.
d) What do you think, will be the impact of Indian regulations on Wal-Mart's entry into India? What kind of approach is required to be successful in Indian market?

QUESTION 2
(8 Marks)

How Much for a Good Smell?

For the past two Christmas seasons, Courtney's, an upscale gift store, has carried a sweet-smelling potpourri in a plastic bag with an attractive ribbon. Heavily scented with cloves, the mixture gives a pleasant holiday aroma to any room, including the store.

Two years ago, the mixture cost $4.50 a bag. Courtney's (the only store in town that carried it) sold 300 pieces for $9.50. Courtney's supply ran out 10 days before Christmas, and it was too late to get any more.

Last year, the manufacturer raised the price to $5.00, so Courtney's raised its retail price to $9.95. Even though the markup was lower than that in the previous year, the store owner felt there was "magic" in the $10 ($9.95) price. As before, the store had a complete sellout, this time five days before Christmas. Sales last year were 600 units.

This year, the wholesale price has gone up to $5.50, and store personnel are trying to determine the correct retail price. The owner once again wants to hold the price at $10 ($9.95), but the buyer disagrees; "It's my job to push for the possible markup wherever I can. This item is sure seller, as we're still the only store around with it, and we had some unsatisfied demand last year. I think we should mark it $12.50, which will improve the markup to 56 percent. Staying at $10 will penalize us unnecessarily; especially considering the markup would be even lower than last year. Even if we run into price resistance, we'll only have to sell 480 to maintain the same dollar volume."

The owner demurs, saying, "This scent is part of our store's ambience. It acts as a draw to get people into the store, and its pleasant smell keeps them in a free=spending state of mind. I think we should keep the price at $9.95, despite the poorer markup. And if we can sell many more at this price, we'll realize the same dollar gross margin as last year. I think we should buy 1,000. Furthermore, if people see us raising a familiar item's price 25 percent, they might wonder whether our other prices are fair."

Questions:

a) What are the markup margin percentages which Courtney's gained, on each bag of Potpourri, for the last two years respectively?
b) For the current year, which retail price would result in the highest margin?
c) According to the owner, what are the other factors that should be considered? Are these factors relevant?
d) If you are the final decision maker of the store, what retail price would you charge, and how many units would you order for the current year?

QUESTION 3 Define Shopper Marketing. Briefly explain the concept of Path to Purchase with suitable examples. **(10 Marks)**

QUESTION 4 Design the Category Tree for **Any Two** of the following categories. **(10 Marks)**

a) Books
b) Automobiles
c) Cosmetics
d) Travelling Bags

QUESTION 5 Distinguish between **Any Two** of the following, along with suitable examples. **(10 Marks)**

a) Speciality Store Vs. Hypermarket Store
b) GMROI Vs. GMROF
c) Excitement Creation Strategy Vs. Cash Generation Strategy
d) Single Brand Outlet Vs. Multi Brand Outlet

QUESTION 6 Chalk out the Category Roles for **Any Two** of the following stores, with suitable examples **(10 Marks)**

a) Westside
b) Hypercity
c) Tata Croma
d) Nike

QUESTION 7 Write short notes on **Any Two**: **(10 Marks)**

a) Shopper Behavior Cycle
b) Retailing at Special Locations: Airport, Five Star Hotels, etc.

c) Visual Merchandising
d) Trade Area Analysis

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