

Code No: MB1332/R13

MBA III Semester Regular/ Supplementary Examinations, November-2016

RETAIL MANAGEMENT

Time: 3 Hours

Max. Marks: 60

*Answer Any FIVE Questions
All Questions Carry Equal Marks
Question No. 8 is Compulsory*

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| 1. | a | Explain the strategic retail planning in detail. | 4 |
| | b | Discuss in detail about retail pricing decisions. | 8 |
| 2. | a | What are the methods of inventory planning available to a retailer? | 8 |
| | b | How do customers evaluate a retailer's services? | 4 |
| 3. | a | What are different types of retail formats? And also explain the factors influencing retail formats and location. | 8 |
| | b | Retail branding plays important role in retail business. Explain with an Example. | 4 |
| 4. | a | Explain the pricing and promotion of retail business. | 8 |
| | b | Discuss the factors influencing retail store layout and design. | 4 |
| 5. | a | Discuss the emerging trends and challenges ahead of Indian retail industry | 8 |
| | b | How is the buying decision process different in shopping on the internet? | 4 |
| 6. | a | Explain the building retail store image. | 6 |
| | b | Describe the MNC's role in organized retail format. | 6 |
| 7. | a | Explain about the buying merchandise. | 6 |
| | b | What is the difference between service retailing and product retailing? Explain with an example related to retailing in India. | 6 |
| 8. | | Margin Free Market Private Ltd. | 12 |

Subhiksha in Chennai, Margin free in Kerala, Bombay Bazaar in Mumbai, RPG'S Giant in Hyderabad, and Big Bazaar in Kolkata, Hyderabad, and Bangalore have one thing in common - they all price their products below MRP. Discount stores are slowly arriving in India and industry insiders feel they will spearhead a revolution in organized retailing. On the list of top retailers in the world, quite a few are discounters. Around 60% of the business abroad comes from this format. Incidentally, the largest retailer in the world, Wal-Mart, is a discount store.



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Margin Free was registered as a co-operative society in 1993 in Kerala and entered the supermarket business in 1994. It is run by the Consumer Protection and Guidance Society, a charitable organization based in Thiruvananthapuram. Today, it has emerged as India's number one supermarket chain with 150 stores and a turnover of Rs. 450 crores. Margin Free purchases directly from manufacturers at ex-factory price and sells at lower prices than the MRP, as it eliminates the margin accrued in the traditional manufacturer-stockist-wholesaler-retailer network.

Margin Free takes extreme care while pricing the products through its entire stores. It has employed software which evaluates the price by minimizing profits. Every store is computerized and utilises the software to determine the pricing. This helps in ensuring that the products are rationally priced.

Margin Free has found exceptional success in its scalable franchised model. It is now looking to upgrade to a central warehouse concept. which will help it manage growth further. The success of Subhiksha and Margin Free indicate that the discount war will hot up in the coming months but it will be the customer who will emerge as the final winner.

Margin Free also gets an average credit of 20-22 days from suppliers, which it sells, on an average in 10 days, thereby even earning a notional interest on its sales also. Its strategy has made it flush with funds, which can finance further expansion. Margin Free uses its customer base as a bargaining power to strike discount deals. Any dealer who wants to set up a Margin Free store has to buy at least rupees one lakh worth of share of the main Margin Free holding company. Margin Free has a consumer base of 6 lakhs and it sells them consumer cards at Rs. 40 per year. Customers who buy using this card get discounts on bulk purchases and also on government subsidized products like Rs. 2 per kg rice.

The stores are now opting for a major expansion drive. A key part of this is the introduction of private labelling, which is the season's flavour in the retailing industry. For the purpose they have shortlisted 15 items - all generic labels like rice, sugar, etc. - and will add to the list in future.

Hence, they will be in a better position to provide quality stuff at considerably low prices within easy reach of an average middle-class family. For example, a packet of tea which sells for an MRP of Rs. 120 at one of the corporate retailers, will be available for Rs. 90 at the Margin Free stores.

The chain is now planning to open huge Margin Free hyper markets, The first such hyper market, featuring an array of wares and spread over 50,000 square feet of well-laid out space, is planned to open at Ernakulam. The two other hyper markets would be opened in Thiruvananthapuram and Kozhikode.



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If the success of retail activity is measured in the number of outlets, the existing 240-odd chain of franchisees must have already made Margin Free the largest 'pure retail chain' (as distinct from retailers who are manufacturers) in the private sector. Even going by the number of footfalls, the Kerala-based retailer must have already beaten competition by a handsome margin.

The hyper markets will feature almost all conceivable retailing products under one roof - textiles, leather, cosmetics, provisions, electronic goods, consumer durables, grains; and grocery. As for ambience and class, they are most likely to resemble the Giant retailing chain operating out of Hyderabad and other cities.

The hyper market would not dabble in imported items - Chinese or otherwise - that are flooding the retail market right now. The cooperative society is in the process of mobilizing resources for the hyper market initiative. It plans to rope in outside investments over and above what the Consumer Protection and Guidance Society hopes to raise on its own.

The Society chose Ernakulam first because it happens to be the most commercialized city in the state. Also, the comparable purchasing capacities are higher there. The nomenclature for the hyper market has a Margin Free prefix to it, seeking to build on the enormous trust that the discount chain has been able to build over a span of eight years of existence.

The management feels that the Margin Free retail chain has been able to earn the wholesale trust of consumers in a very short span. However, in its journey to success, the Margin Free stores have made life slightly uncomfortable for entrenched interests who have, on one hand, been fleecing consumers and on the other, resorting to indiscriminate under invoicing to avoid tax. The latter leads to loss of crores of rupees in realisable revenue for the state government.

Every month, Margin Free is opening upto 12 stores and the number has grown to 241 at last count. The chain has spread to literally all parts of Kerala. It has seven franchisees in neighboring Tamil Nadu already and two in Karnataka. The overall turnover has grown to Rs. 600 crore.

Questions :

- (a) What has been the role of pricing strategy in the success of Margin Free Markets?
- (b) What are the salient features of Margin Free Market pricing strategy?
- (c) Analyse the external and internal factors that have made it possible to sustain the present pricing strategy of Margin Free Market.
- (d) Discuss the limitations of the existing pricing strategy of Margin Free Market. Suggest appropriate changes.

