

Eastern University, Sri Lanka

Final Year First Semester Examination in Bachelor of Commerce Honours

2018/2019 (August/September 2020)

Proper/ Repeat

DED 4043 Retail and Wholesale Marketing

No. of questions: 05

No. of pages: 09

Time - 3:00 hours

Answer all questions

1. (I). Write the appropriate answer in the script from the following multiple-choice questions.
- i. Which statement concerning retailing is correct?
 - a. Retailing activities cannot be performed by wholesalers.
 - b. It is the last stage in the distribution process
 - c. All retail activities are store-based.
 - d. A lawyer purchasing stationery for use in his/her office is an example of retailing.
 - ii. While some manufacturers specialize by producing one product, consumers generally favour retailers with extensive selections from many manufacturers. These divergent viewpoints can be reconciled through _____.
 - a. the sorting process
 - b. selective distribution
 - c. intensive distribution
 - d. exclusive distribution
 - iii. In exclusive distribution, suppliers _____.
 - a. enter into agreements with one or a few retailers that designate the latter as the only companies in specified geographic areas to carry certain brands and/or product lines
 - b. sell to as many retailers as possible
 - c. sell to a moderate number of retailers
 - d. utilize multiple channels of distribution to reduce channel conflict
 - iv. Which of the following best illustrates a value-driven retail strategy?
 - a. a retailer's setting goals and using its strategy to attain them
 - b. a retailer's reducing prices to the lowest possible level
 - c. a retailer's having prices appropriate for the level of products and customer service
 - d. a retailer's integrating all plans and activities to maximize efficiency
 - v. The minimum value chain elements a given customer segment anticipates from a given type of retailer is referred as a(n) _____ retail strategy.
 - a. potential
 - b. realized

- c. expected
- d. augmented
- vi. An advantage of a retailer-generated credit card is _____.
 - a. no bad debt or slow-payment problems
 - b. no need for credit checks
 - c. low startup costs
 - d. the encouragement of store loyalty
- vii. Car rental and airplane travel are examples of _____ services.
 - a. regulated goods
 - b. owned-goods
 - c. nongoods
 - d. rented-goods
- viii. Computer and auto repair are examples of _____ services.
 - a. nongoods
 - b. repair
 - c. owned-goods
 - d. rented-goods
- ix. An example of perishability of a service is _____.
 - a. the inseparability of the producer from the service
 - b. the variability of a service's quality
 - c. that some services cannot be inventoried or stored
 - d. that the owner-operator is indispensable
- x. Which retail strategy can be used by a retailer as a competitive advantage?
 - a. expected retail strategy
 - b. primary retail strategy
 - c. augmented retail strategy
 - d. secondary retail strategy
- xi. Which retail strategy is typically based on benchmarking from firms in other industries?
 - a. potential retail strategy
 - b. primary retail strategy
 - c. augmented retail strategy
 - d. expected retail strategy
- xii. Which one of the following is a controllable variable to a retailer?
 - a. legislation
 - b. economy
 - c. technology developments

- d. store location
- xiii. Sole proprietorships are most likely to use which management alternative?
 - a. professional manager system
 - b. decentralized structure
 - c. owner-manager system
 - d. franchise
- xiv. An objective, easily identifiable, and measurable population characteristic is called a(n) _____.
 - a. AIO inventory
 - b. demographic statistic
 - c. lifestyle measure
 - d. reference group measure
- xv. An informal ranking of people in a culture is a(n) _____.
 - a. AIO group
 - b. social class
 - c. reference group
 - d. family life cycle
- xvi. The family life cycle shows _____.
 - a. families which share a distinctive heritage
 - b. how a typical family evolves from bachelorhood to children to solitary retirement
 - c. the extent to which groups influence a person's thoughts and actions
 - d. the ranking of people within a culture
- xvii. Which of the following is an element of perceived risk?
 - a. physical risk
 - b. reference group risk
 - c. purchase risk
 - d. lifestyle risk
- xviii. The element of perceived risk that relates to how friends and relatives view the purchase of a good or service is _____ risk.
 - a. social
 - b. physical
 - c. performance
 - d. psychological
- xix. In which strategy does a retailer adjust its self-space allocations to respond to customer and other differences among local markets?
 - a. cross-merchandising
 - b. concentrated marketing

- c. micromerchandising
- d. niche marketing

xx. A retailer specifically attempts to increase its average sale through carrying complementary goods and services in _____.

- a. cross-merchandising
- b. impulse sales
- c. scrambled merchandising
- d. merchandising

(20 x 1.5 = 30)

(II). Write true or false from the following statements in the answer script.

- i. Channel relations tend to be most volatile in exclusive distribution.
- ii. Charging manufacturers for shelf space for their new products is an example of a retailer's channel power.
- iii. While they do not directly involve a store facility, Web transactions, mail-order sales, home selling, and vending machine sales are not a component of retailing.
- iv. A manufacturer can limit price competition in a retail area through use of exclusive distribution.
- v. The social-class classification system is based on factors such as income, occupation, education, and dwelling type.
- vi. The only stimulus that can be totally controlled by a retailer is a commercial cue.
- vii. The last stage of the consumer decision process is the purchase.
- viii. An area's level of saturation can be calculated by examining average sales per retailer, store sales per capita, and sales per square foot of selling area.
- ix. A store that has own trading area of its own is a parasite.
- x. Two types of stores can have different trading areas even though they are located in the same shopping district/center.

(10 x 01 = 10)

(Total: 40)

02. **Case Study: *The race to be the king of retail***

It has been a turbulent and challenging couple of decades in developed markets with the physical retail of shopping being under threat from online shopping across many categories from grocery to electronics. However, in Sri Lanka, the brick and mortar business are at point of take-off, as Fitch ratings predict Sri Lanka's grocery retail to grow in the middle teens over the midterm due to urbanization and increasing per capita income.

Four brands are positioning themselves with an eye on dominating this massive modern trade or grocery supermarket business, with possible plans for an ambitious new entrant as well. Brick-and-mortar refers to a traditional business that has a physical store or stores where customers browse and make purchases in person.

The brands

The brands include Cargills Food City with 315 stores, Keells with 80 stores, Arpico with 58 stores and Laugfs with 34 stores. With the exception of Arpico they have all coincidentally recently rebranded themselves with each one staking out its own distinctive positioning (and uniquely associated colour), making them easy to identify on the busy streets of Colombo and other cities. Rumour has it that Softlogic also has ambitions to aggressively enter this market in the very near future.

The revised brand identities are being used to stake out what they stand for. Cargills Food City (CFC) is the everyday low-price brand, Keells (K) stands for freshness, Arpico (A) offers the widest choice of products and Laugfs is yet to make a distinguishable offer, apart from its claim to being the first supermarket to offer 24-hour service.

Of these four main players, Keells has opted to make the most change from its dominant red and smiley faced brand identity, they have opted for a dramatic make over in green. They have also transitioned their name to simply “Keells” by dropping the “Super” descriptor. This was to be expected following the name change of Keells meat products to Krest, which has freed up the reputed corporate brand for exclusive use in the supermarket business.

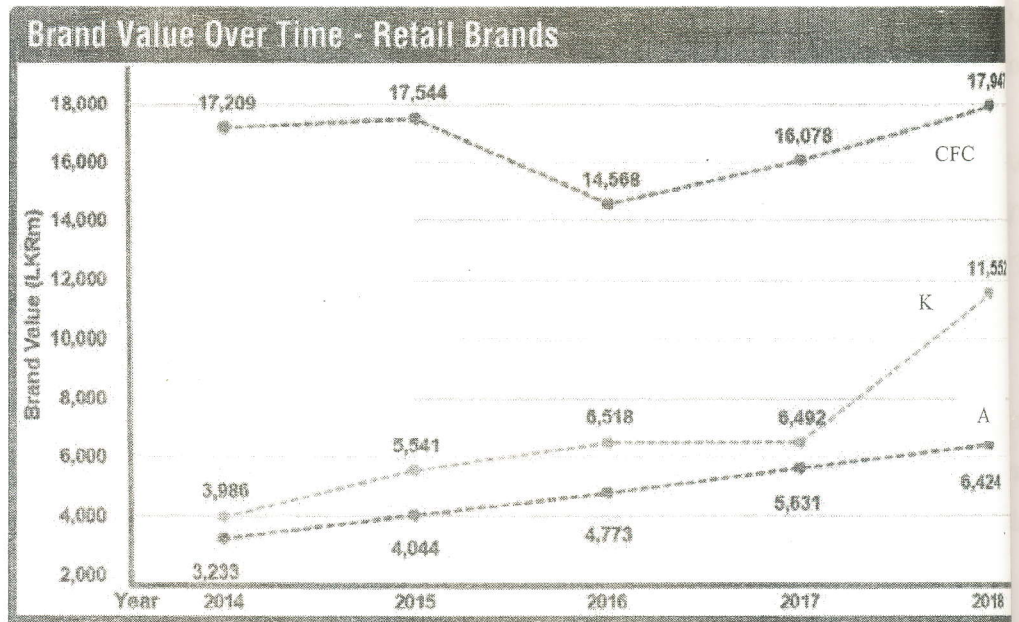
Cargills Food City has refined its branding as well, by prominently featuring “Cargills” whilst “Food City” is being less conspicuous on its signage and promotions which may be a strategic move. The plan could be to phase out “Food City” completely and be simply known as “Cargills”, similar to that of Keells, leveraging the corporate name for supermarkets.

Laugfs Super has also changed its brand identity through a more contemporary design in line with the corporate, but have taken on board the “Super” name, which Keells has dropped, so as to differentiate from Laugfs Gas which is the primary business for this corporate.

These changes are key to establishing a clear consumer proposition for each brand, in a rapidly growing market with each entity hungry to achieve the first milestone of hitting the Rs. 100 billion revenue mark, before accelerating on to the next of becoming a billion-dollar revenue business.

Performance

Brand Finance Lanka has been tracking the brand value performance of three of the brands (Cargills, Keells and Arpico) which disclose their revenue through annual reports for several years. See chart.



Whilst the long established Cargills Food City has been the market leader, we find that Keells made dramatic strides in catching up on them. For years, Keells was under performing, but recently found the formula to accelerate its performance. What they are doing is clearly working for them. If they are able to maintain the momentum, it is likely that they will catch up Cargills Food City in the foreseeable future based on our brand value forecast. This of course is dependent on Cargills Food City would do in response. It would seem that Arpico is happy to continue with relatively slow and steady growth year on year, but are clearly in danger of being left behind by the third player.

Our research shows that whilst Keells and Arpico have found and settled on their store formats, Cargills Food City have not. Keells have mid-sized stores, standardized to a warehouse style with sufficient parking and Arpico has its mega store formats in order to accommodate the vast range of products across many categories which is their core strength. Cargills Food City on the other hand have many legacy stores, which does not have a consistent format, with different configurations and sizes which makes standardization much more challenging.

Customer experience

It's now apparent that for all brands, the in-store experience is where focus has devolved. Statistics demonstrating that getting shoppers in to stores will result in increased basket sizes and a more loyal customer base, the emphasis in 2018 and beyond will be squarely on enhancing the customer experience. Studies in developed markets have shown that if retailers can combine online shopping with the widespread appeal of the in-store experience, then their customer base will grow. Shopping frequency will increase, and basket sizes will get exponentially bigger.

The importance of having a well-defined customer offering which delivers on the brand promise through standardized and consistent formats as well as service offerings is critically important to be successful.

successful retail business. By defining their brand and what they provide, we are seeing a shift in going beyond advertising to offer a holistic customer experience. As the market gets more competitive and shoppers more sophisticated, focusing on the key brand drivers of price, convenience, product availability and service begins to play a crucial role.

The future king of retail will be the one who better understands customers and is able to deliver on those expectations.

Places to get your groceries/meds delivered during covid-19 curfew hours

So far we've found 38 places in and out of Colombo that deliver groceries, other daily essentials and medicine to your doorstep during these curfew hours.

- PickMe Food has been delivering groceries for months now, but this time around, they've teamed up with Sathosa and a whole bunch of other merchants, including CIC and Nestle to make sure that you have enough groceries, dry rations and daily necessities, even during curfew hours. Go to your PickMe app and start ordering.
- Arpico has grocery packages available from Rs. 1000, but you can add more items to the same but they are subject to availability and delivery charge applicable by distance.
- Keells takes a limited number of orders per day and the delivery is done within 48 hours. The orders can be placed through <https://int.keellssuper.net/> and it's payable by cards as well. The delivery areas include Colombo, Maharagama, Moratuwa, Kiribathgoda, Kalalgoda, Wattala and its suburbs.
- Cargills Food City delivery service operates with over 300 islandwide outlets. You get to customise your grocery bag, with a minimum order value of Rs. 2000, and a maximum quantity applies too. The branch list, along with their contact
- Spar Sri Lanka's online shop is live now. They require a minimum order of Rs. 2500, and accept cash payments only. Log in to www.spar.lk to place your orders, and they promise to make the delivery within 48 hours. At the moment, this service is available at Arangala, Athurugiriya, Hokandara, Kaduwela, Malabe, Battaramulla and Thalawathugoda.
- Trillium Deli's vegetable delivery service has no restrictions on maximum order quantity, and they accept card payments.
- Flemingo - If you're resident in Moratuwa and in need of groceries, call or WhatsApp your grocery list. Both cash-on-delivery and online payments are available.
- Annai Nagaa Food City in Wellawatte can deliver a range of dry rations like rice, grains, noodles, dried fish, spices and vegetables, to locations in Wellawatte, Dehiwala, Bambalapitiya and Mount Lavinia. Orders are accepted through WhatsApp.
- Healthnet is a pharmacy approved by the National Medicine Regulatory Authority (NMRA) with licensed pharmacists from Sri Lanka Medical Council (SLMC) that dispatch the medicine. Also;

Delivery within 24 hours, Delivery within Colombo 1 – 15, Panadura, Piliyandala, Kaduwela, Kadawatha, Jaela. Free Delivery for orders over Rs. 1,000, Payment options: Cash or card on delivery plus online payments.

Keells continuously improves the e-commerce offering with customer feedback: The COVID-19 pandemic has affected most of our ways of life and for most businesses, the way they operate. In a very short span of time, the Keells e-commerce platform which dealt with a maximum of 10,000 orders monthly, became a primary source of providing groceries to Sri Lankan households during the lockdown.

A brick and mortar operation had to now be reassessed and converted 180 degrees to cater to online demand. With a slightly rocky start and a few bumps along the way, the Keells website not only continued to improve, now with a capability to cater daily to 10,000 orders from the initial 1,000.

Source

<https://www.stingconsultants.com/articles/race-king-retail/>; <http://www.ft.lk/marketing/The-race-to-be-the-king-in-retail/54-659429>; <https://www.businessnews.lk/2020/05/09/keells-continuously-improves-the-e-commerce-offering-with-customer-feedback/>; <http://www.dailynews.lk/2020/08/22/finance/226595/retail-innovation-revolutionizing-trade>; <https://www.yamu.lk/blog/places-to-get-your-groceries-delivered-during-covid-19-curfew-hours>

- (I). Explain following scenario in the above case which is appropriately portrayed by the relevant theories of retailing evolution.
- Brick and mortar business is now moving in to online business.
 - COVID-19 pandemic has affected most of our ways of life and for most businesses.
 - Emerging new entries to the business.
 - Competition and emerging of new business format.
- (II). Based on the above case some retailers are leading in the market in the particular business. Discuss the factors which causes those retailer to become a market leader.
- (III). Retailers usually sells own branded goods in addition to manufacturers' brand. In the above case indicate the brands used by the retailers. Discuss the advantages and challenges for a retailer to sell own brands.

(10)

(05)

(05)

(Total: 20)

03. (I). Define the term "retailing" and discuss the role of retailing in a country.

(05)

(II). Explain meaning of wholesaling and how it differs from retailing?

(05)

(III). List out the documents used in domestic trading activities.

(05 Marks)

(Total: 15 Marks)

(I). "When a person buys a good or service or visits a retailer, uses a form of the decision process. The process is often used subconsciously, and a person is not even aware of its use".

a) Compare consumer decision process that would take when purchasing of Groceries, Smart Phone and Car.

b) Evaluate the level of retailer control for each type of stimulus.

c) Briefly explain different type of decision made by consumer regarding decision making process taken by consumer.

(10 Marks)

(II). Differentiate among an expected, augmented, and potential retail strategy. Explain with examples.

(05 Marks)

(Total: 15 Marks)

(I). Briefly discuss the key factors which are need to be considered in evaluating retail trading areas

(03 Marks)

(II). Based on the following information compute the probability of consumers' travelling from their homes to each of three shopping areas using Huff's law.

Location	Square Footage of Selling Space	Travel Time
1	1000	5
2	3000	10
3	6000	20

Effect on travel time on shopping trip is 2

(04 Marks)

(III). Retailers may sometimes be faced with crisis situations that need to be managed as smoothly as feasible. Discuss the precautionary steps that are needed for coping with crisis situations in a retail business?

(03 Marks)

(Total: 10 Marks)