



Eastern University Sri Lanka

Faculty of Commerce and Management

Third Year, Second Semester Examination in Bachelor of Business Administration
(Specialization in Marketing Management) 2013/2014 (September/October 2016)
(Proper)

MKT- 3053 Sales and Retail Management

Answer All Questions

Time: 03 Hours

Q1. Read the case and answer the questions below.

Starbucks Coffee

In 1971, the original Starbucks opened in Pike Place Market in Seattle, Washington by three partners named Jerry Baldwin, Zev Siegal, and Gordon Bowker. In 1983, the original owners of Starbucks sold their chain of Il Giornale to Schultz's. Schultz changed Il Giornale outlets to Starbucks chains and quickly began to expand. Starbucks coffee has grown into the largest coffeehouse company in the world with 16,120 stores in 94 countries such as in Australia, Canada, China, Puerto Rico, etc. Starbucks has thirty blends and single origin coffee. Starbucks brand coffee can also be purchased in local stores to brew at home. Starbucks employs over 140,000 employees worldwide with over five million customers a week has had much market power in the gourmet coffee industry. They have attracted customers by an experience of an upscale French coffee shop with a neighborhood feel. Starbucks product line has grown to include fresh brewed coffee, hot and iced espresso beverages, coffee and non-coffee blended beverages, Tazo tea, baked pastries, sandwiches, and salads. Starbucks paraphernalia includes coffee grinders, espresso machines, coffee brewers, and music CD's, books, movies and gift cards. The global consumer products include bottled Frappuccino, iced coffee, and espresso drinks, whole bean coffee, tea, coffee liqueurs and premium ice cream.

Starbucks understands concepts of brand identity and product differentiation. They have tapped in on what the consumer perceives and had differentiated themselves between other companies' products or services. Starbucks realizes this success depends significantly on the value of the Starbucks brand while relying on its excellent reputation for their product quality, superior, and consistent customer service. The management believes it must safeguard and develop the value and importance of the Starbucks brand in order to bring continued success in the future. The perception of brand value by the consumer is based on an array of personal qualities. Loyal customers enter the retail chain as an escape from their mundane lives into a serene, regal atmosphere where they proudly sip from their branded mugs. Starbucks, despite their inflated prices have been able to create a sense of brand loyalty with an array of loyal followers. Starbucks operates in a monopolistically competitive market structure in which they have been able to maintain a control over their inflated prices. Starbucks prides itself on being completely different from any other coffee house and its competitors, which is a reason

why Starbucks has become so successful. The company's strategy to focus on their core competencies to differentiate themselves has made Starbucks into a coffee powerhouse. Starbucks has mastered knowing how to benefit their customer; leverage the company wide to many products and markets, and create ideas that are hard for competitors to imitate. Starbucks is not the only coffee shop on the market, others like Dunkin' Donuts, McDonald's and Panera Bread have an identical item with similar tastes and effect as the Starbucks brew yet they have been able to charge a premium for their blends by luring in customers with the aroma of an inflated lifestyle. There are other homogenous coffee shops in the market, but their loyal customers believe that the superior quality, taste, and aroma cannot be found from any other coffee brewing entity. At one point, their customers were more interested in the pretense that holding a Starbucks cup represented, but due to the current economic conditions their customers have begun second thinking how they are affected by the extravagant price of the black gold they have been sipping. Operating in a monopolistic competitive society has caused the Starbucks effect to crumble. Starbucks, in recent times, has experienced drastic direct competition from large US competitors from quick-service restaurants. These restaurants have significantly greater marketing and operating resources than they do. Starbucks is also faced with well-established competitors in the International markets with increased competition in the U.S. ready-to-drink coffee beverage market. Starbucks whole bean coffees compete directly against specialty coffees sold through supermarkets, specialty retailers and a growing number of specialty coffee stores. Both their whole bean coffees and coffee beverages compete indirectly against all other coffees on the market. Starbucks specialty operations face significant competition from established wholesale and mail order suppliers, some of whom have greater financial and marketing resources than the company. Starbucks faces intense competition from both restaurants and other specialty retailers for prime retail locations and qualified personnel to operate both new and existing stores.

Starbucks retail stores can generally be found in extremely busy, accessible locations including being located directly off exit ramps to serve a wider range of customers and promote brand awareness. The stores can also be found in 'downtown and suburban retail settings, shopping malls, within office buildings and can even be found on university campuses. Drive Thru stores continue to develop to reach non-pedestrian customers. Starbucks relies a great deal on information technology systems in the operations of its supply chain, point-of-sale processing, and many other business transactions. The management of these transactions greatly affects the production, distribution, and sale of its products. Any technical failure within these systems can cause delays in sales and decrease efficiency. Starbucks utilized its Human Resources to its full capacity. Employees are required to follow Starbucks comprehensive store operating procedures and attend training classes. Starbucks realizes that its growth depends considerably on the knowledge, skills, and abilities of key executives and other employees and its ability to recruit and retain those employees. What makes this Starbucks strategy all the more amazing is the fact that the company spends less than 1% of its annual revenues on advertising, versus the typical 10% of most other retailers. Instead, the Starbucks strategy relies on word of mouth advertising. They believe that by creating an intimate and welcoming environment in their stores, as well as providing a great

cup of coffee, patrons will not only keep coming back for more, but will tell all their friends and family about it too. The Starbucks strategy has always involved thinking outside the box. In addition to clustering its outlets, the Starbucks strategy involves engaging in smart joint ventures with the right companies, such as their successful alliance with Pepsi-Cola Co., and rolling out fresh, new initiatives, including a new product line of hot sandwiches and breakfast food and new drinks such as coffee liqueurs. The Starbucks strategy is now also expanding online, allowing customers to pre-order and prepay for products via the Internet. Now Starbucks is trying a different tack by selling in supermarkets the same products that are available in its coffee shops, where consumers have already tried them. The Seattle-based coffee maker has been encouraged by the success of its via instant coffee, which was introduced in its coffee shops in September and is now available in supermarkets and retailers such as Target and Wal-Mart. Sales of via have exceeded \$100 million in the U.S. In addition to more via branded products, Schultz said the company plans to introduce new Tazo tea and Seattle's Best products first in its retail stores and then in supermarkets. Schultz said the chain is planning to drive its coffee-shop customers to supermarkets and to bring supermarket shoppers into the coffee shops through its Starbucks rewards program. Hence coffee shops will remain the core of the company's business. But at a time when rapidly opening new stores in the U.S. is no longer possible, Starbucks, like other retailers, is trying to do more with what it has. The instant coffee shows that the packaged-food segment can boost Starbucks's bottom line. By testing products in its own stores first, Starbucks has an advantage when it comes time to pitch those products to supermarkets. Starbucks is now rolling out via in supermarkets around the world, after first introducing it in local stores. The company also plans to leverage the licensed Starbucks cafes located inside supermarkets and target stores by sampling new products that it hopes will entice consumers to then pluck them from the store shelves.

- I. What is Starbucks' retail strategy? And what its target market and how does it try to develop an advantage over its competition?
(06 Marks)
- II. Describe Starbucks' retail mix: location, merchandise assortment, pricing, advertising and promotion, store design and visual merchandising, customer service, and personal selling and explain how does its retail mix support its strategy?
(06Marks)
- III. What factors in the environment provided the opportunity for Starbucks to develop a new, successful retail chain?
(05Marks)
- IV. What were the principle drivers behind Starbucks' success in the marketplace? And what does the Starbucks brand mean to consumers?
(05Marks)
- V. What are the major challenges facing Starbucks as it goes forward?
(Hint: Is the brand advantage sustainable going forward? Can Starbucks defend its position against other specialty coffee retailers?)
(06Marks)

(Total 28 Marks)

Q2.

- a. **“Quotas are tactical in nature and thus derived from the sales force strategic objectives”**
- I. Identify what functions do quotas perform and why are they so important to a firm?
(05 Marks)
- II. A good sales quota depends on some of attributes. List out those attributes which create a good sales quota.
(03Marks)
- b. **“Control of the marketing program is very important and is partially achieved by an analysis of net sales volume and marketing costs”**
Compare a marketing audit with a sales force audit and list out the similarities and differences.
(04Marks)
- c. **“Personal selling is when salespersons use a process to engage customers and take a sales order that may not otherwise have been made”**
Determine the term of personal selling and explain the steps which involved in personal selling process.
(06Marks)
- (Total 18 Marks)

Q3.

- a. **“The performance appraisal is a time of reflection on the past and hope for the future”**
- I. There are two general categories of performance criteria. Discuss the difference between them and explain why a sales manager needs to use both kinds.
(04Marks)
- II. The validity and reliability of the data on a performance appraisal can be influenced by the relationship between the sales manager and the sales person. Describe at least two of these influences and show how they may have impact on a performance appraisal.
(05Marks)
- b. **“To understand strategic planning, its linkage to strategic marketing and marketing management”.**
What is sales forecasting and what are the reasons behind in conducting of sales forecasting?
(04Marks)
- c. Why evaluation of sales training is an important step in sales training and development process and how would this evaluation process being conducted in an organization?
(05Marks)
- (Total 18 marks)

Q4

a. **“Hiring the right person for the job is critical for the success of the sales manager and sales force”**

I. ‘Sales people’s recruitment in an organization may do through two sources of internal and external’. Explain this statement.

(05 Marks)

II. What are the major influences and components of Sales Recruitment?

(04Marks)

b. **“Selection and Placement procedures provide the fuel that runs the sales force”**

Identify the major steps in sales personnel selection process and explains how each step can be effective in this selection process.

(05Marks)

c. **“The sales territory is an important business unit containing the organization’s customers”.**

What are the steps should be considered when determining a firm’s basic territories?

(04Marks)

(Total 18 Marks)

Q5.

a. **“Retail is a customer business. Sellers trying to take care of the customer solve something for the customer and there’s no way to learn that in the classroom or in the corner office...”**

I. What is retailing and why it is so important in our society?

(05 Marks)

II. Identify the key challenges that retailers face now a day.

(04 Marks)

b. What is a retailing strategy and what steps do retailers go through to develop a retailing strategy?

(06 Marks)

c. **“Price is a strongest short term tool that retailers have in their competitive arsenal”**

Determine the three methods of setting retail prices.

(03 Marks)

(Total 18 Marks)