

End Semester Examination, May, 2017

Program/course: BBA
Subject: Retail Buying
Code : BBCR 189
No. of page/s:

Semester – IV
Max. Marks : 100
Duration : 3 Hrs

Section A: OBJECTIVE TYPE QUESTIONS [2X 10 = 20 Marks]

- i) Sam owns a discount sporting goods store, and several of the items in his store have a manufacturer's suggested retail price (MSRP) above Todd's lower price. Todd is using the MSRP as a(n) _____.
- A) base reference price
 - B) external reference price
 - C) perceptual reference price
 - D) internal reference price
 - E) disclosed reference price
- ii) Successful retail organizations are recognizing that customer loyalty is a key factor in their success. What does customer loyalty mean to a retail business?
- A) Loyal customers spend more time when making a purchase and that increases their value to the retailer.
 - B) Customer loyalty decreases the amount of advertising a retailer must do to be competitive.
 - C) Customer loyalty increases employee satisfaction and loyalty.
 - D) Repeat business from loyal customer's increases a retailer's sales and profit because shoppers buy more often, recommend the retailer to others, and pay more for goods and services.
- iii) Listed below are several factors that affect the success of a retail business. Which of the following selections best describes internal factors, which a Retail Manager can influence
- A) Product availability, shopping atmosphere, customer service
 - B) Pricing, product placement, customers.
 - C) Customers, branding, product availability.
 - D) Advertisement, Customers, Place & Price
- iv) Marketers use data to determine pricing strategies such as
- A) what products to offer.
 - B) how much to spend on advertising.
 - C) how much of the product to create.

D) when to offer a discount on the product.

v) Which of the following is areas on for a business to offer a deep product mix:

- A. To ensure similar methods of distribution
- B. To compete effectively
- C. To specialize in a product line
- D. To control costs

vi. Offering low-priced items that are unavailable to attract customers to a business that then tries to sell them high-priced items is an example of

- A. bait-and-switch advertising.
- B. high-pressure selling.
- C. price-ticket switching.
- D. loss-leader promotion.

vii. Which of the following kinds of paid promotion is most likely to be used to promote the entire company:

- A. Publicity
- B. Sales promotion
- C. Advertising
- D. Personal selling

viii. Channel members' sharing inventory and order processing information through databases and computer systems is an example of the use of technology in

- A) pricing.
- B) planning
- C.)distribution..
- D) promotion.

ix. Which of the following is a type of software program that businesses often use to plan, modify, or customize products:

- A. Photo management
- B. Computer-aided design
- C. Freeform application
- D. Remote access

x. Encouraging customers to buy products that they might not otherwise want to buy is one reason why some businesses _____ products.

- A. display
- B. Promote
- C. market
- D. bundle

Section B-Short answer questions- (5 X 4 =20 marks)

Q2. What is retail mix?

Q3. What is the difference between bundled pricing and multiunit pricing?

Q4. What types of retailers often use a high/low pricing strategy?

Q5. What are the different methods of communication to customers?

Section C-Descriptive type questions ?(Any 2) (15 X 2=30 marks)

Q6. How can brand strategy, advertising, personal selling, public relations, direct marketing, and sales promotion complement one another in an integrated marketing communication program? How can a retailer's customer relationship management program support these activities?

Q7. Using the following information from Lowe's 2016 income statement and balance sheet, taken from Hoovers, determine its asset turnover, net profit margin percentage, and ROA. (Figures are in millions of dollars.)

Net sales \$47,220

Total assets \$33,005

Net profit \$ 1,783

Q8. a) The cost of a product is \$150 , mark up is 40 percent, and markdown is 20 percent. What's the final selling price?

b) Maintained markup is 39 percent, net sales are \$52,000, and reductions are \$2,500. What are the gross margin in dollars and the initial markup as a percentage? Explain why initial markup is greater than maintained markup.

Section D: case study (10X3=30 Marks)

Q 9. Case: How Much for a Good Smell?

For the past two Christmas seasons, Courtney's, an up- scale 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 highest possible markup wherever I can. This item is a 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

1. What prices caused Courtney’s new charges? Which price would result in the highest profit?
2. What other factors should Courtney’s consider?
3. What price would you charge, and how many units would you order? L
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