

Eastern University, Sri Lanka
Faculty of Commerce and Management

Final Year First Semester Examination in Bachelor of Commerce 2012/2013

(February/March 2015)

(Proper/ Repeat)

DED 4043 Retail and Wholesale Marketing

No. of questions: 05

No. of pages: 04

Time: 3.00 hours

Answer all questions

01. Read the case study and answer the questions given below.

Wal-Mart Stores, Inc. is an American multinational retail corporation that operates a chain of discount department stores and warehouse stores. Headquartered in Bentonville, Arkansas, the company was founded by Sam Walton in 1962 and incorporated on October 31, 1969. It has over 11,000 stores in 27 countries, under a total 71 different brands.

Walmart is the world's largest company by revenue, according to the Fortune Global 500 list in 2014, the biggest private employer in the world with over two million employees, and the largest retailer in the world. Walmart is a family-owned business, as the company is controlled by the Walton family, who own over 50 percent of Walmart through their holding company, Walton Enterprises. It is also one of the world's most valuable companies (in terms of market value), and is also the largest grocery retailer in the US. In 2009, it generated 51 percent of its US\$258 billion sales in the US from grocery business. The company was publicly listed on the New York Stock Exchange in 1972. In the late 1980s and early 1990s, the company rose from a regional to national giant. By 1988, Walmart was the most profitable retailer in the US and by October 1989 it had become the largest in terms of revenue.

Sam Walton he joined the military at the age of 24. He married Helen Robson in 1943. When his military service ended in 1945, Sam and Helen moved Arkansas. During this time, Sam gained early retail experience, eventually operating his own variety store.

In 1945, a businessman and former J. C. Penney employee, Sam Walton, purchased a branch of the Ben Franklin Stores from the Butler Brothers. His focus was on selling products at low prices to get higher-volume sales at a lower profit margin, portraying it as a crusade for the consumer. He experienced setbacks, because the lease price and branch purchase were unusually high, but he was able to find lower-cost suppliers than the ones used by other stores. He passed on the savings in the product pricing. Sales increased 45 percent in his first year of ownership to \$105,000 in annual revenue, which increased to \$140,000 the next year and \$175,000 the year after that. Within the fifth year, the store was making \$250,000 in revenue. When the lease for the location expired, he couldn't reach an agreement for renewal, so he opened a new Ben Franklin franchise at Main Street in Bentonville, Arkansas calling it "Walton's Five and Dime." That store is now the Walmart Museum.

On July 2, 1962, Walton opened the first Walmart Discount City store in Arkansas.

Within its first five years, the company expanded to 24 stores across Arkansas and reached \$12.6 million in sales. In 1968, it opened its first stores outside Arkansas, in Sikeston, Missouri and Claremore, Oklahoma.

By 1988, Walmart was more profitable than its rivals Kmart and Sears and was the dominant retailer in the Bible Belt; by 1990, it outsold both in terms of revenue and became the largest US retailer in sales revenue. In 1998, Walmart introduced the "Neighborhood Market" concept with three stores in Arkansas. In 2002, it was listed for the first time as America's largest corporation on the Fortune 500 list, with revenues of \$219.8 billion and profits of \$6.7 billion. In 2005, Walmart had \$312.4 billion in sales, more than 6,200 facilities around the world – including 3,800 stores in the United States and 2,800 elsewhere, employing more than 1.6 million associates worldwide.

As Walmart rapidly expanded into the world's largest corporation, many critics worried about its effect on local communities, particularly small towns with many "mom and pop" stores. There have been several studies on the economic impact of Walmart on small towns and local businesses, jobs, and taxpayers. In one, Kenneth Stone, a Professor of Economics at Iowa State University, found that some small towns can lose almost half of their retail trade within ten years of a Walmart store opening. However, in another study, he compared the changes to what small town shops had faced in the past – including the development of the railroads, the advent of the Sears Roebuck catalog, as well as the arrival of shopping malls – and concluded that shop owners who adapt to changes in the retail market can thrive after Walmart arrives. A later study in collaboration with Mississippi State University showed that there are "both positive and negative impacts on existing stores in the area where the new supercenter locates."

In October 2005, Walmart announced it would implement several environmental measures to increase energy efficiency. The primary goals included spending \$500 million a year to increase fuel efficiency in Walmart's truck fleet by 25 percent over three years and double it within ten, reduce greenhouse gas emissions by 20 percent in seven years, reduce energy use at stores by 30 percent, and cut solid waste from U.S. stores and Sam's Clubs by 25 percent in three years. CEO Lee Scott said that Walmart's goal was to be a "good steward for the environment" and ultimately use only renewable energy sources and produce zero waste. The company also designed three new experimental stores in McKinney, Texas, Aurora, Colorado, and Las Vegas, Nevada with wind turbines, photovoltaic solar panels, biofuel-capable boilers, water-cooled refrigerators, and xeriscape gardens. Despite much criticism of its environmental record, Walmart took a few steps in what some view as a positive direction, which included becoming the biggest seller of organic milk and the biggest buyer of organic cotton in the world, as well as reducing packaging and energy costs. Walmart also spent nearly a year working with outside consultants to discover the company's total environmental impact and find where they could improve. They discovered, for example, that by eliminating excess packaging on their toy line Kid Connection, they could not only save \$2.4 million a year in shipping costs but also 3,800 trees and a million barrels of oil. Walmart has also recently created its own electric company in Texas, Texas Retail Energy, and plans to supply its stores with cheap power purchased at wholesale prices. Through this new venture, the company expects to save \$15 million annually and also lays the groundwork and infrastructure to sell

electricity to Texas consumers in the future.

In March 2006, Walmart sought to appeal to a more affluent demographic. The company launched a new Supercenter concept in Plano, Texas, intended to compete against stores seen as more upscale and appealing, such as Target. The new store has wood floors, wider aisles, a sushi bar, a coffee/sandwich shop with free Wi-Fi Internet access, and more expensive beers, wines, electronics, and other goods. The exterior has a hunter green background behind the Walmart letters, similar to Neighborhood Market by Walmarts, instead of the blue previously used at its supercenters.

On September 12, 2007, Walmart introduced new advertising with the slogan, "Save money. Live better.", replacing the "Always Low Prices, Always" slogan, which it had used for the previous 19 years. Global Insight, which conducted the research that supported the ads, found that Walmart's price level reduction resulted in savings for consumers of \$287 billion in 2006.

Source: <http://en.wikipedia.org/>

Questions

- (i). As a retailer what are the special attributes that you have learned from this case, which will give a guideline, when you are establishing a retail business. (06 Marks)
- (ii). How Walmart maintain its life cycle for longer period as a successful retailer? (08 Marks)
- (iii). Explain how and why Walmart works for save green environment. (08 Marks)
- (iv). Discuss the consequence of growing business in large scale by expanding branches in several places of the country and outside of the country. (08 Marks)
- (Total: 30 Marks)**
02. (i). Explain how retailing business contribute for economic development of a country? (04 Marks)
- (ii). Explain meaning of retailing and its unique characteristics? (04 Marks)
- (iii). Discuss the role wholesaler in business. (04 Marks)
- (iv). Explain how wholesaling differ from retailing. (04 Marks)
- (v). Describe the documents used in domestic trading activities. (04 Marks)
- (Total: 20 Marks)**

03. (i). Classify retail institutions by store based strategy and non-store based strategy. (05 Marks)
- (ii). Explain the importance of strategic planning. (05 Marks)
- (iii). Assume that you have an idea to start a new retail business. Devise overall strategy for your business. (10 Marks)
- (Total: 20 Marks)

04. (i). Briefly describe on the factors which help in identifying and understanding consumers. (05 Marks)
- (ii). Suppose you planned to purchase laptop for your family members but you did not decide what to purchase and where to purchase. Explain how the consumer decision process would operate for the purchasing activity. (05 Marks)
- (iii). Explain how choosing appropriate store location is significantly influence on successful operation of the retail business? (05 Marks)
- (Total: 15 Marks)

05. (i). Explain how retailing concept is the foundation of a successful business, with an emphasis on the total retailing experience, customer service, and relationship retailing. (05 Marks)
- (ii). Discuss briefly the theories commonly recognized as the primary retail evolution. (05 Marks)
- (iii). Briefly explain the process of setting up a retail firm with examples. (05 Marks)
- (Total: 15 Marks)