

Eastern University, Sri Lanka
Final Year First Semester Examination in Bachelor of Commerce
2013/2014 (January 2016)

(Proper/ Repeat)
DED 4043 Retail and Wholesale Marketing



No. of questions: 05

No. of pages: 07

Time: 3.00 hours

Answer all questions

Read the case study and answer the questions given below.

Mothercare vision is to be the leading global retailer for parents and young children. Its products are designed to meet the needs of mothers-to-be, babies and children up to the age of eight. The product offering includes clothing with childrens' ranges from entry price offering mums everyday value to the more premium Little Bird and Baby K ranges and Blooming Marvellous, maternity range; Home and Travel which includes pushchairs, car seats, furniture, bedding, feeding and bathing equipment; and Toys mainly for babies. Mothercare sell its products through multi-channel retail and wholesale operations in the UK and through franchise operations across our International markets in Europe, the Middle East and Africa, Asia and Latin America.

Market specialist state that in the 21st century, women have become more health conscious and are continuously finding ways to look smart, trendy, slim and maintain their figure. However, most women who are expecting a child or who already have children have difficulty in maintaining the same beautiful shape they once had. The specialist brand retailer, Mothercare, has been around for more than 40 years and has always delivered on its promise of caring for women every step of the way. Now Mothercare wants to keep its binding promise and lend a helping hand.

Mothercare business is fully integrated across all our 60 countries. Its International markets operate on a franchise model, while in the UK, manage stores directly. The mission of Mothercare is to meet the needs and aspirations of parents for their children, worldwide. At the core of Mothercare's strategy remain in two world class brands, which are at the center of value creation at Mothercare and reflect our multi-channel offer. Mothercare do its business through four levers such as retailing, direct marketing, wholesale and International franchise, which make for growth in UK.

Mothercare has experienced double digit growth in international markets. Last year an eCommerce site launched in the Ukraine, the first use of a new customisable site template available to franchisees as the company expands the Mothercare and ELC brands internationally. Mothercare plans to launch 60 new overseas websites in 30 countries using the concept. Beyond eCommerce, the retailer is expanding its physical presence in China, where it now has more than 50 stores.

Serving the needs of busy parents-to-be and new and existing parents of young children, Mothercare has had to put a clear focus on online merchandising to enable the best customer journey for its customers with a growing demand for 24/7 availability and buying product online. In the last year, such investment has paid off with the retailer reporting both online and mobile sales increasing significantly in the period – with mobile now accounting for 82% of all online sales.

Mothercare has seen increasing competition from retailers, both online and on the High Street. Competitors such as Next have been successful in attracting customers online and on the High Street, drawing custom away from Mothercare, Discount retailers such as Poundland and supermarkets have moved into selling children's products undercutting Mothercare's prices and poaching market share, said Ishaq Siddiqui, market strategist at spreadbetting company ETX Capital. "You can buy Mothercare type products elsewhere, so why go to Mothercare?" he said. "They're a specialist retailer that's not specialist anymore." One of Mothercare's main problems is the pricing of its products. The management must concentrate on how the company can put less pressure on its profit margins.

In September 2015, Mothercare added digital technology, with product images that link to the product details and allow shoppers to access their in-store purchase history from one location. Further, digital offerings improve customer experience by website expansion, mobile, video and social capability while also integrating more effectively digital and in-stores customer experience through click-and-collect, improving CRM and building a strong database for marketing. They aim to improve product delivery proposition by enabling customers to track their orders, while also providing greater convenience and choice of delivery and collection points, to drive online customer retention and personalisation, and to simplify customers' online journey and enhance customer experience through improved photo and video presentation and customer reviews. But Internationally, its Franchise Partners' online presence is still at an early stage, reflecting the markets in which they operate

Consumers are predominantly savvy 25-35 year olds who are connected digitally, via social media and on mobile. In 2015, the UK online sales were growing by 18.4% and it accounted for nearly the third of UK total sales with click-and-collect becoming increasingly popular with customers who are looking for convenience and flexibility.

Mothercare is also improving what it sells with an expansion of its product ranges both online and in-store, in order to improve the quality and newness of its product range. This year alone, it has introduced new brands to its range with increasing exclusivity across its product categories.

In 2014, total sales were £1,191.5m. Total UK sales were down 7.5% at £462.3 million with like-for-like sales down 1.9% and gross margins down circa 200 basis points. However, its goal remains to return the UK to profitability and we closed a further 35 loss-making stores whilst also rationalising cost base aimed at operating a lean retail business. International retail sales in constant currencies were up 9.3% with currency devaluation of 2.8% and a wholesale reduction of 0.1% resulting in reported

retail sales growth of 6.4% to £729.2 million. Like-for-like sales were up 2.5% with all four regions making a positive contribution. Despite the increasing level of currency devaluation over the year, all four regions delivered positive reported retail sales growth.

The Company was founded by Selim Zilkha and Sir James Goldsmith in 1961. It was first listed on the London Stock Exchange in 1972. In 1982, it merged with Habitat to form Habitat Mothercare plc. In 1986, Habitat Mothercare plc merged with British Home Stores, to form Storehouse plc. In January 1996, it bought Children's World from Boots, and rebranded all of their superstores Mothercare World stores.

Source:

<http://internetretailing.net/2015>

<https://en.wikipedia.org/wiki/Mothercare>

Mothercare plc, Annual report and accounts 2014, www.mothercareplc.com

Questions

- (I). Distinguish the special features of Mothercare from other retailers.
(04 Marks)
- (II). Explain the demographic profile of customers of Mothercare.
(04 Marks)
- (III). Describe the target market of Mothercare, and explain what factors underpinning to choose that target market.
(06 Marks)
- (IV). Analyze the life cycle of Mothercare using wheel of retaining theory?
(06 Marks)
- (V). Mothercare uses wholesale marketing and retailing marketing approaches. Explain the difference between wholesaling and retailing.
(05 Marks)
- (VI). Discuss the role of Mothercare as a wholesaler in business.
(05 Marks)
- (VII). Discuss the consequence of growing business in large scale by expanding branches in several places of the country and outside of the country.
(05 Marks)

(Total: 35 Marks)

02. (I). Write the appropriate answer in script from the following multiple choice questions.

- i. The totality of the tangible and intangible product and customer service attributes offered to customers is referred to as:
 - a. an augmented retail strategy
 - b. an expected retail strategy
 - c. value
 - d. the value chain

- ii. A customer loyalty program should be designed to appeal to what types of customers?
 - a. Dissatisfied customers
 - b. A retailer's best customers
 - c. Satisfied customers
 - d. Customers who have recently defected

- iii. The activities that seek to balance corporate citizenship with a fair level of profits for stockholders, management, and employees are referred to as:
 - a. Consumerism
 - b. An ethical code of conduct
 - c. Social responsibility
 - d. Ethics

- iv. Those aspects of business that a retailer can directly affect, such as store hours and merchandise lines carried, are referred to as:
 - a. Controllable variables
 - b. Demographic statistics
 - c. Lifestyle measures
 - d. Uncontrollable variables

- v. Factors affecting perceived risk except,
 - a. Urgency of needs
 - b. Price of Product

- c. Social status
 - d. Consumer's budget
- vi. A portion of a larger market whose needs differ somewhat from the larger market is referred to as a (n)
- a. Market segment
 - b. Niche
 - c. Subgroup
 - d. Ancillary market
- vii. The number of different merchandising categories within a store or department is called
- a. Assortment
 - b. Breadth
 - c. Depth
 - d. Categories
- viii. The theory of retail evolution states that retail institutions pass through different phases from "low-status, low-profit margin" phase to "high-cost, high price vulnerability phase"
- a. Dialectic Process Theory
 - b. Retail Accordion Theory
 - c. Wheel of Retailing
 - d. Natural Selection
- ix. There are three theories of retailing evolution: the environmental theory, cyclical theory and:
- a. The cycle of retail evolution
 - b. The diffusion curve of retailing
 - c. The web of retailing
 - d. Conflict theory

- x. The core of theory of..... is leads to a new format being developed.
- a. Cyclical theory
 - b. Wheel of retailing
 - c. Conflict theory
 - d. Product-life cycle

(10 x 01 = 10 Marks)

(II). Mark true or false from the following statements.

- i. Ability to adapt to change, "successfully "is not at the core of Environmental theory. **(True/False)**
- ii. As a rule, consumers are more concerned with the value chain process than with the results of the process. **(True/False)**
- iii. To a retailer, the optimum value-based retail strategy is a potential retail strategy. **(True/False)**
- iv. The customer base, customer service, customer satisfaction and loyalty programs are key concepts in applying relationship retailing. **(True/False)**
- v. In recent years nonstore retailing has been growing much faster than has store retailing. **(True/False)**
- vi. Only expected customer services provide a retailer with a competitive advantage. **(True/False)**
- vii. Impulse purchase is one of the unique characteristics in wholesaling. **(True/False)**
- viii. Consumer loyalty (frequent shopper) programs should be designed to attract and maintain a retailer's new customers. **(True/False)**
- ix. An effective customer loyalty program requires that a retailer maintain a continuously updated database. **(True/False)**
- x. Strategic planning outlines retailer goals: set long-run and short-run objectives for sales and profit, market share, image, and so on. **(True/False)**

(10 x 0.5 = 05 Marks)

(Total: 15 Marks)

03. (I). Classify retail institutions by store based strategy and non-store based strategy.
(04 Marks)
- (II). One of the retailer who wants to upgrade their business as a super market advise the retailer to devise overall strategy for his business.
(07 Marks)
- (III). Explain the advantages of learning of theories in retail evolution for a retailer.
(04 Marks)
- (Total: 15 Marks)**
04. (I). Differentiate consumer decision process when buying grocery items, dress and mobile phone.
(09 Marks)
- (II). A firm cannot survive unless its organization structure fits to stakeholder. Discuss on what aspects that a retailer need to consider when setting up a retail organization
(06 Marks)
- (Total: 15 Marks)**
05. (I). Why store location is considered as a significant factor for a retail business?
(04 Marks)
- (II). What is trading area overlap? Are there any advantages to a chain retailers having some overlap among its various stores? Why or why not?
(04 Marks)
- (III). Explain operation blue print with an example?
(04 Marks)
- (IV). Habitually customers have impulse purchasing behaviour in retailing. Describe different type of impulse purchase with examples.
(04 Marks)
- (V). As a retailer, what are the precautionary steps that you would suggest for coping with crisis situations in a retail business?
(04 Marks)
- (Total: 20 Marks)**