

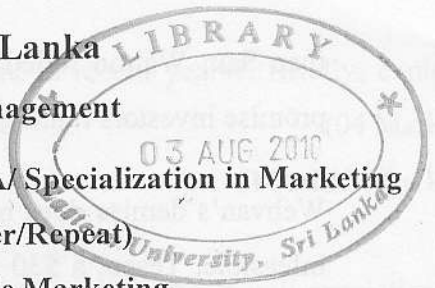
Eastern University, Sri Lanka

Faculty of Commerce & Management

Third Year Second Semester Examination in BBA/ Specialization in Marketing

Management - 2008/09 (Proper/Repeat)

MKT 3133 – Retail & Whole Sale Marketing



Answer all Questions

Time: Three Hours

**Q1. Case Study: Webvan – Bankrupt after spending \$1.2 Billion**

In 1997, Louis Borders, who also founded borders book - stores, started Webvan. His vision was to develop a national electronic supermarket chain. By using state-of-the-art, automated warehouses and a sophisticated scheduling system for the company – owned fleet of delivery trucks. Borders felt he could home deliver groceries, charge customers the same prices they would get shopping in a local supermarket, and make a profit. To deal with the problem of delivering perishables, Webvan committed to delivering orders within the 30- minute window specified by its customers.

Four months after delivering its first order, Webvan raised \$375 million in an initial public offering (IPO) and began to implement its plan to open 100,000-square-foot warehouses in 26 U.S.cities. The warehouses, costing \$35 million each, were capable of processing 8,000 orders during an eight – hour shift.

However, the demand for Webvan’s services grew too slowly. In its most successful region, the San Francisco Bay Area, only 6.5 percent of the households placed orders with Webvan and half of those ordered only once. The company never achieved the patronage to operate its warehouses anywhere near capacity. Thus, after an additional investment of \$825 million, Webvan declared bankruptcy in July 2001. Considering all of its overhead costs, Webvan lost \$132 on every order it received.

Many analysts felt that Webvan should have perfected its business model and demonstrated its profitability in one city before expanding across the United States. But David Beirne, a venture capitalist who was Webvan’s earliest financial backer, argued, “It’s easy to say we could have opened a few less markets, but we had catch-  
22. We had a unique opportunity to raise a lot of capital and build a business faster

than Sam Walton rolled out Wal-Mart. But in order to raise the money, we had to promise investors rapid growth.”

Webvan's demise does not mean that operating an electronic channel for groceries is infeasible. Tesco, a \$30 billion supermarket chain in the U.K., dipped its toe into e-commerce in 1995 to test whether customers would buy groceries without shopping in conventional supermarkets; it outfitted a single store in Osterley, England, to accept orders by phone, fax, and a crude website. Rather than building a special warehouse, Tesco had employees pick the orders from its store. After determining there was sufficient demand and the store-picking system was feasible, in 1999, Tesco rolled out the service to 100 of its 690 stores.

By 2001, Tesco.com was generating \$500 million in annual sales and making a profit on its grocery sales through its electronic channel. It handled over 3.7 million orders a year, and half of its online customers did not patronize Tesco before buying from it online.

### Questions

- 1) Why is it important for retailers to go for multi channel retailing? (06 Marks)
- 2) Discuss the issues of electronic retailing. (06 Marks)
- 3) Comment on the trend of e - retailing. (06 Marks)
- 4) Propose and comment which channel of retailing is most advantage in Asian countries? (05 Marks)
- 5) Why did so many electronic retailing entrepreneurs fail? Support your answers with citing the case. (05 Marks)

**(Total 28 Marks)**

Q2. a) “Expansion into international market requires a long-term commitment and considerable upfront planning”. Explain four approaches that retailers take when entering non-domestic markets. (08 Marks)

b) “Some believe that coupons annoy, alienate and confuse consumers and therefore, do little to increase store loyalty”. Discuss this statement and state the situation where coupons encourage more sales. (06 Marks)

- c) Why location decisions are more important in recent years?. Briefly, explain with examples. (04 Marks)

(Total 18 Marks)

- Q3.** a) “A retailer plans to open a new store near a university. It will specialize in collegiate merchandise such as T-shirts, cosmetics and memorial accessories”. Develop an integrated communication programme for the retailer that can address the university market. (08 Marks)

- b) “There are several trends that suggest considerable future growth in services retailing”. Assess the trend in service retailing with specific examples. (06 Marks)

- c) “Cannibalization is a key consideration in product portfolio analysis”. Elaborate on this statement with appropriate examples. (04 Marks)

(Total 18 Marks)

- Q4.** a) “Setting performance objective is a necessary component of any firm’s strategic planning process”. State what are the performance objectives those should be included and explain the types of measures used in measuring the wholesalers/ and retailers performance. (08 Marks)

- b) “Customer loyalty to a retailer means that customers are committed to purchasing merchandise and services from the retailer and will resist the activities of competitors attempting to attract their patronage”. Propose the ways by which the retailing firm can retain loyal customers. (05 Marks)

- c) “Wholesaling is defined as all activities involved in selling goods and services to those buying for resale or business”. Briefly describe the different types of wholesalers with appropriate illustrations. (05 Marks)

(Total 18 Marks)

- Q5.** a) “There is tremendous development in wholesaling industry globally”. Explain the new trend with example. (08 Marks)

- b) The needs for wholesalers are considered unimportant. Argue this statement with “selling to and selling through” concept. ( 06 Marks)
- c) “Customer buying decisions are influenced by both the customer’s beliefs, attitudes and values and factors in the customer social environment”. Briefly discuss the factors in social environment with examples. ( 04 Marks)

**(Total 18 Marks)**