

EASTERN UNIVERSITY, SRI LANKA

Faculty of Commerce and Management

Third Year / First Semester Examination in Marketing Specialization / Enterprise Development

MKT 3133 Retail and Whole Sale Marketing

2005/2006 (July/August 2007)

Answer all questions.

Time: Three Hours

Q1.

ADVERTISING AND MARKETING ON THE INTERNET

When Tracy O'Such received a large bonus, she decided it was time to purchase a new Mercedes C280. After using the Web to research prices, she visited several dealerships seeking a comparable \$38,000 deal. One salesperson told her that the over \$40,000 price she negotiated there was a "giveaway". Undeterred, O'Such contacted a Web buying service and, within 12 hours, she was quoted the \$38,000 price. Coincidentally, the \$38,000 quote was from the same dealer she visited, but from a different salesperson. She called the first salesperson back and said, "Guess what? I've found the car for my price." The salesperson argued that the price quote was impossible. At that point, Tracy told the salesperson, "It's in your showroom." There was silence at the other end of the phone.

According to marketing research, the number of households using Web referral services to shop for cars increased from 800,000 in 1998 to 1.2 million in 1999. This figure was projected to increase to 1.7 million in the year 2000 and 5.2 million by 2003. About 94 percent of all car purchase requests submitted over the Web come from one of the referral services.

Many consumers believe auto referral services provide valuable information. In addition to price quotes, these services typically inform consumers about the invoice cost of each vehicle. This information was once a closely guarded secret. The Web sites also give information on vehicle specification and "test drive" testimonials that are useful in helping shoppers pare down the number of car choices they face to a reasonable level and in deciding which model and brand are most appropriate to their needs.

Dealers benefit from the large volume of sales leads supplied by the referral services. On average, dealers collect 37 leads a month from referral services and make sales with about 15 percent of the leads. Dealers generally pay \$25 per inquiry or a flat monthly fee. Many dealers view Web-generated sales in a positive way since they are connected with customers who are really ready to buy. The dealers' sales costs are lower due to the savings on sales commissions and in negotiating time.

The success of auto referral services has been observed by car dealers and car manufacturers. Dave Thomas who owns 16 dealerships in Oregon, is one of the thousands of dealers who have established their own Web sites. Thomas's site lets customers list the model and exact accessories they want and request a quote from one of his dealerships. More than 25 percent of the new vehicles sold or leased by Thomas' dealerships originate through his Web site. These transactions are conducted by a separate staff of eight salespeople who conduct only Web-driven sales transactions.

Ford has established a BuyerConnection section at its Web site (www2.ford.com), where prospective customers can tailor their vehicles and contact dealers. Similarly, General Motors has a GMBuy Power site (www.gmbuypower.com) and DaimlerChryslerAG has a GetAQuote site (www.getaquote.com). The General Motors' site allows shoppers to determine which specific dealer has the exact car configuration they desire. Although this

site does not yet enable consumers to purchase a car online, they can communicate with dealers by E-mail and apply for financing online.

There are predictions that by the year 2004 consumers will be able to buy new cars directly from manufacturers through the web and bypass dealers. In the meantime, there is always CarsDirect.com (www.carsdirect.com). It offers 2500 different models (via agreements with a network of dealers), lets shoppers pick colors and options online, has haggle free competitive prices, can arrange financing and insurance, and will deliver a car to the customer or let the customer pick up the vehicle from a dealer.

- a) Retailers engage in Web, non-store based and other forms of retailing to reach consumers and complete transformation. Discuss the direct marketing in retailing.

(05 marks)

- b) Evaluate the steps in direct marketing strategy and the strategic business advantages of it.

(06 marks)

- c) What are the advantages and disadvantages of having a Web site? Relate your answer with the case.

(08 marks)

- d) "There are predictions that by the year 2004 consumers will be able to buy new cars directly from manufacturers through the web and bypass dealers" Comment on this statement.

(09 marks)

(Total 28 marks)

2. (a) The theory of "Wheel of retailing" is grounded on four basic premises. Briefly explain those premises.

(04 marks)

(b) "A chain retailer operates multiple outlets under common ownership" Clarify the retail institutions characterized by ownership and explain competitive advantages and disadvantages of the chain retailing institution.

(06 marks)

(c) To flourish in today's environment, a retailer should strive to be dominant in some aspect of his/her strategy. The strategy mix is a firm's particular combination of the influencing factors. Briefly explain the considerations in planning a retail strategy mix.

(08 marks)

(Total 18 marks)

Q3. (a) Each retailer has an individual approach to pricing. There are three basic price positions prevailing in the market. Explain those three pricing position with examples.

(06 marks)

(b) The retailer needs to plan the development of activities to ensure continued success. Elaborate on the traits of the successful retailer.

(06 marks)

(c) Retailers are interested in structural changes in the society. Discuss the changes in the environment that would affect structural changes.

(06 marks)

(Total 18 marks)

Q4. (a) Identify the major types of wholesales and give examples of each.

(04 marks)

(b) "Merchant wholesalers own the products they sell." But they differ in how many of the wholesaling functions they provide. Identify different types of merchant wholesalers and types of services with suitable examples.

(06 marks)

- (c) Wholesaling is defined as “all activities in selling goods and services to those buying for resale or business use”. Explain the channel functions performed by the wholesalers with examples. (08 marks)

(Total 18 marks)

- Q5. (a) From the manufacturer, wholesaler and retail perspectives, value is represented by a series of activities and processes. Explain the term “value chain” and why it is a meaningful concept for manufacturer, wholesalers and retailer.

(04marks)

- (b) Wholesaling industry faces considerable challenges. Briefly describe the challenges faced by wholesaling organizations with examples.

(06 marks)

- (c) “Wholesalers must define their target markets and position themselves effectively”. Describe the importance of marketing mix decision regarding the above statement.

(08 marks)

(Total 18 marks)