

Jagan Institute of Management Studies
End-Term Examination, December, 2016 – January, 2017
Trimester II – PGDM (RM) 2016-18

Retail Store Operations
ET_RM_RSO_3012

Time: 3 Hrs.

M. Marks: 70

INSTRUCTIONS: Attempt any FIVE questions including Q1 & Q7 which are compulsory.

- Q 1** Comment on any **FOUR** of the following :
- a) Business hours depend on the location of the store.
 - b) Size of stores and level of operations determine kind of security.
 - c) Unit growth measures the true growth regardless of inflation of prices.
 - d) Old stock causes loss in profitability.
 - e) Space management is vital for store operations. **16**
- Q 2** Store Operations have a number of functions. Mention them and discuss any two in detail. **12**
- Q 3** In any retail enterprise higher gross margin results in higher profit. Comment. **12**
- Q 4** Retail selling has seven steps. Mention them and discuss any two in detail. **12**
- Q 5** a) If your store's monthly sales and expenses are Rs. 5,00,000/- and Rs. 50,000/- respectively, the margin is 30% and the investment is Rs. 2,00,00,000/-, calculate the Return on Investment.
- b) Calculate the profitability of a store for the first year based on the following figures: Sales Rs. 1 crore; COGS Rs. 40 lakhs, Occupation/Rental cost 12% of sales, Salary 10% of sales, Housekeeping 1.5% of sales, Security 2.0% of sales, Electricity 2% of sales, Administrative cost 4% of sales, Telephone/ Internet 1.5% of sales, Shrinkage etc. 1% of sales, Repair/ Maintenance 0.25% of sales, Mark down 10% on COGS, Depreciation on Investment 20%, VAT 14% of sales and Investment Rs. 20 lakhs. **12**
- Q 6** Managing receipts is an integral part of store operations. Elaborate. **12**
- Q 7** **Read the case and answer the questions given at the end.**

Nike hit the ground running in 1962. Originally known as Blue Ribbon Sports, the company focused on providing high-quality running shoes designed especially for athletes by athletes. Founder Philip Knight believed that high-tech shoes for runners could be manufactured at competitive prices if imported from abroad. The company's commitment to designing innovative footwear for serious athletes helped it build a cult following among American consumers. By 1980, Nike had become the number-one athletic shoe company in the United States.

From the start, Nike's marketing campaigns featured winning athletes as spokespeople. The company signed on its first spokesperson, runner Steve Prefontaine, in 1973. Prefontaine's irreverent attitude matched Nike's spirit. Marketing campaigns featuring winning athletes made sense. Nike saw a "pyramid of influence"—it saw that product and brand choices are influenced by the preferences and behavior of a small percentage of top athletes. Using professional athletes in its advertising campaigns was both efficient and effective for Nike.

In 1988, Nike aired its first ads in the "Just Do It" ad campaign. The \$20 million month-long blitz—subtly encouraging Americans to participate more actively in sports—featured 12 TV spots in all. The campaign challenged a generation of athletic enthusiasts to chase their goals; it was a natural manifestation of Nike's attitude of self-empowerment through sports. The campaign featured celebrities and noncelebrities. One noncelebrity ad featured Walt Stack, an 80-year-old long distance runner, running across the Golden Gate bridge as part of his morning routine. The "Just Do It" trailer appeared on the screen as the shirtless Stack ran on a chilly morning. Talking to the camera as it zoomed in, and while still running, Stack remarked, "People ask me how I keep my teeth from chattering when it's cold." Pausing, Stack matter-of-factly replied, "I leave them in my locker."

As Nike began expanding overseas to Europe, it found that its American-style ads were seen as too aggressive. The brand image was perceived as too fashion-oriented. Nike realized that it had to "authenticate" its brand in Europe the way it had in America. That meant building credibility and relevance in European sports, especially soccer. Nike became actively involved as a sponsor of soccer youth leagues, local clubs, and national teams. Authenticity required that consumers see the product being used by athletes, especially by athletes who win. The big break came in 1994, when the Brazilian team (the only national team for which Nike had any real sponsorship) won the World Cup. The victory led Nike to sign other winning teams, and by 2003 overseas revenues surpassed U.S. revenues for the first time. Nike also topped \$10 billion in sales for the first time in that year as well.

Today, Nike dominates the athletic footwear market. Nine of the 10 top-selling basketball shoes, for example, are Nikes. Nike introduces hundreds of shoes each year for 30 sports— wristwatches to golf clubs to swimming caps.

Questions:

- a) Do a SWOT analysis of Nike.
- b) What have been the key success factors for Nike?
- c) What recommendations would you make to senior marketing executives going forward? What should they be sure to do with its marketing?

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