Roll No. ____________________

(Do not write anything on question paper except Roll No.)

[This paper consists of TWO Pages]

Jagan Institute of Management Studies

End-Term Examination, April, 2017

Trimester III – PGDM (RM) 2016-18

Merchandising & Category Management

ET_RM_MCM_1504

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) The process of distribution is combined with the elements of the merchandising mix.

b) Performance and bench marking is redundant to merchandise planning.

c) Is merchandising an art or science?

d) If vendor management is managed as a life cycle rather than a procurement event, it provides significant benefits.

e) A category should meet a similar customer need, be inter related and substitutable. **16**

Q 2 'Every organization follows a unique process and timeline to formalize vendor management'. Discuss the steps that match vendor management model to organizational goals. **12**

Q 3 'Pricing policy strategy is an integral component for retail successes'. Mention the various pricing strategies. **12**

Q 4 Open to buy is essential for proper planning. If the sales forecast is 400, 300, 450, 350, 300, 250, 300, 400 and 300; the period cover is 3; the opening stock is 800; on order is 200 for 1st. period and 100 for 2nd. Period, prepare the OTB for the first 6 periods. **12**

Q 5 "Category management is all about finding out what customers want and providing it better than the competition". Mention in detail the steps of category management process. **12**

Q 6 'Merchandising is a function unique to the retail industry'. Discuss its philosophy and planning process. **12**

Q 7 Read the case and answer the questions given at the end.

Space allocation for different product categories and individual products was always challenging for the trade. Space allocation and layout of product setting is directly impacting the product sell out, revenue, profit, stock levels, retailer working capital, stock out, customer satisfaction, extra workload, etc. For example, if the slow moving product is given too large stock and shelf space, then we have a situation where the working capital is frozen, due to low rate of return on investment. Also, this is generating the opportunity cost, since some more profitable products could have been sold with the same resources. Finally, slow movers can become obsolete and written off.

On the other side, if the less space is given to the fast moving product, then the brand strength is not utilized. The shelving requires additional physical effort through frequent filling of small quantities The product is frequently out of stock and customer dissatisfaction increases. The retailers are sometimes uneducated or they simply try to push the product that does not sell so as to get rid of the stock. But the question is why there is high stock in the first place? The answer for this is improper space allocation.

The ratio between spaces to sales is necessary for maintaining proper market and shelf share. If one brand has the high turnover and proportionately low space, then a frequent stock out situation arises at specific point of sales and frequent shelving is required.

If you have brand “A” an obvious category leader with 60% contribution to sales and brand “B” with a higher net margin than brand “A” has 73% Value Share, we find that both sales share and value share are important indicators and the value share profit story model can be used during negotiation with the retailer regarding the positioning and space allocation of profitable brands.

The retailer should be concerned how profitable his shelves in the outlet are since the sales outlet has the running costs that need to be covered with the profit from the sales of different products. Basically, every square feet of space within the store cost a certain amount of money that need to be paid by the sales of the products. On top of that, the extra earning is always welcome.

The products that are placed in a particular space should earn the money for occupying that area. If we multiply the space that every brand occupies with the unit monthly cost, we will get to know how much every product costs. It is expected that every product is covering the cost of the space it occupies and hopefully makes some extra profit. Proper space allocation should be done considering the market share, value share and shelf profitability of different products, which will bring the proper balance.

Space allocation should always be done with thorough planning. Bad space allocation can really hurt the business in the long run. Proper space allocation can greatly increase the profit and sustainability of the retailer on the long run.

Questions:

a) What is the importance of space planning in category management?

b) What have you deduced from the above case study? **18**

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