

Final Semester Examination – May, 2017

Program/course:	MBA-LSCM	Semester	: II
Subject:	Retail Supply Chain Management	Max. Marks	: 100
Code :	MSDL-806	Duration	: 3 Hrs
No. of page/s:	6		

Section A

20 Marks , 2 Marks each

1. Which of the statement related to GMROI is not correct
 - a. GMROI measures how many gross margin rupee are earned on every rupee of inventory investment.
 - b. GMROI combines the effects of profits and turnover.
 - c. $GMROI = \text{Gross Margin} / \text{Average Inventory at Cost}$
 - d. GMROI is not used for measuring the category performance
2. Which of the following is not an important requirement in success of VMI ?
 - a. Integrated information system
 - b. Effective forecasting technique
 - c. Joint product development
 - d. A clearly documented agreement with roles and responsibilities between manufacturer and retailer
3. Which of these may not be benefits of CPFR
 - a. Lesser Bullwhip effect
 - b. Better store display
 - c. Greater Sales
 - d. Better Category management
4. A Specialty store typically would carry ?
 - a. Wide variety and Deep Assortment
 - b. Wide variety and shallow Assortment
 - c. Narrow variety and deep assortment
 - d. Narrow variety and shallow assortment
5. For VMI implementation which is the basic infrastructural need without which it can not move
 - a. An Effective data interface
 - b. Structured warehouses at suppliers place
 - c. Sourcing team
 - d. Stocks retrieval system at retailer

6. Category plan would be _____ level of decision for Retailer
- Strategic
 - Tactical
 - Operations
 - Execution
7. Which pricing strategy is usually followed for Mobile handsets
- EDLP
 - Leader Pricing
 - Bundle Pricing
 - Market Skimming Pricing
8. Which one of these are not replenishment model
- Retailer Driven
 - VMI
 - CPFR
 - Direct store Delivery
 - None of them
9. Which one of these is not retail strategy for entry stage
- Direct Investment
 - Joint Venture
 - Strategic Pricing
 - Franchising
10. For the existing target Markets and New Retail Format , which growth strategy needs to be followed .
- Market Penetration
 - Market Expansion
 - Format Development
 - Diversification

Section B

Total 20 Marks – 5 Marks each

Answer any 4 , in max. 100 words , Be Specific , do not write general essays

- Briefly explain each of the following trade terms
 - Market Penetration
 - Width and depth of a category
 - Financial KPIs of Retail
 - Supply Chain KPIs of retail
 - Price Range
- A Retailer's merchandise pricing for school shoes is Rs.600 for 1000 pairs , he offers 10% discount on sales price to students on sale price of Rs.1100 and sells 800 pairs. After the peak

season is over he returns 200 shoes back to the supplier with 20% discount on his purchase price .
What is his Mark up % for this category of shoes . -28.44%

3. Enlist customer service performance measuring KPIs .
4. Explain Private branding , briefly describe 4 categories of private brands . Give Examples .
5. Enlist prime elements of Retail Mix , explain them briefly .

Section C

**Total 20 Marks
10 Marks each**

Attempt any two of the following questions

1. Define Retail Marketing strategy . Explain 4 basic growth strategies in detail with practical examples where these are implemented .
2. Explain the following terms in detail
 - a. Price Elasticity
 - b. Breakeven Analysis for pricing
 - c. Factors affecting the product pricing
 - d. Mark up Pricing
3. Define basic functions of Retail Merchandising .
4. Enlist 7 steps of Merchandising planning process , define them briefly .

Section D

Total : 40 Marks ,

Read the case study and reply any of five questions , 8 Marks each

The Starbucks Coffee Company

Inspiration for the present Starbucks concept came to Howard Schultz when he went to Italy on a buying trip in 1983. While wandering through the ancient piazzas of Milan, Schultz took particular note of the many cheerful espresso bars and cafes he passed. Italians, he felt had captured true romance of the beverage. Coffee drinking was an integral part of the Italian culture, but Americans lacked the opportunity to savor a good cup of coffee while engaging in good conversation in a relaxed atmosphere. He returned to the United States convinced that Americans would find the Italian coffeehouse culture very attractive. In 1987 , Schultz bough Starbucks.

Since its early days in the 1980s, Starbucks has been the leading retailer of specialty coffee and beans and related food and merchandise. Its most recent annual revenues were \$9.8 billion from 8832 company-owned stores and 7803 licensed stores in airports and shopping centers in the United States and in 50 countries across the world. Worldwide, the company employs 142,000 people. Designed to provide a community gathering place and social experience as well as a premium cup of coffee or hot or cold beverage, the brand intentionally mimics the cafes of Italy.

In addition to its direct retailing activities, Starbucks has formed strategic alliances with Unilever, Kraft Foods, and PepsiCo to expand its product and distribution portfolios. Starbucks coffee beans, ice cream, and ready-to-drink (RTD) beverages appear on supermarket and warehouse club shelves. The company promotes sustainable best practices for quality and yield among its suppliers, boasts relatively low staff turnover and encourages customer loyalty through its Starbucks card program.

Starbucks was nearly synonymous with premium coffee beverages and seemed to be on an unstoppable growth trajectory until Howard Schultz, company's founder, the chairperson and CEO, left his daily leadership role to become owner of the Seattle SuperSonics. Schultz soon realized his move was a mistake for both himself and Starbucks. Store traffic was falling for the first time in U.S. stores, and competition from premium brands and mass-market coffee gnawed at Starbucks' market share. In addition, the economy had soared. In 2008, Schultz returned to the company's helm, reawakening the vision of the Starbucks brand and initiating a transformation process that involved cost reductions, quality improvements in every aspect of the company's operations, and a renewed commitment to providing a unique customer experience. Two years later, despite the still-sluggish economy, Starbucks is once again on a profitable path.

Although designs vary in any particular store to match the local market, the typical Starbucks store works around a planned mix of organic and manufactured components: light wood tones at the counters and signage areas; brown bags; polished dark marble countertops; glass shelves; thin, modern, white track lighting and pure white cups. Even the logo delivers a double organic/modern message: The Starbucks icon is an earthy-looking yet rendered in a modern abstract form, in black and white with a band of color around the center-only. The colors of the lamps, walls and tables mimic coffee tones, from green (raw beans) to light and darker browns. Special package and cup designs are coordinate to create livelier, more colorful tones around holidays. Starbucks also keeps its looks lively with rotating in-store variations based on timely themes.

Starbucks stores are spacious so that customers can read in overstuffed chairs, gather around tables, or wander around the store while drinking their coffee. Stores sell pastries, breakfast sandwiches, and lunch offerings as well as coffee paraphernalia ranging from coffee beans to French presses and home cappuccino machines. Although coffee beverages are standardized across outlets, food offerings vary from store to store.

Starbucks also has strict quality standards. For example, espresso is brewed precisely from 18 seconds to 23 seconds and thrown away if not served in 10 seconds of brewing. Coffee beans are donated to charities if they are still in the store seven days after coming out of their vacuum-sealed packs. Drip coffee is thrown away if it is not served within an hour of making it. Throughout the store, there exists a keen attention to aroma: Employees are not allowed to wear colognes, stores use no scented cleaning products, and smoking is verboten.

Traffic is the major determinant in selecting cities and locations for retail stores. Because Starbucks can tailor the size and format of its stores to the surrounding community, stores can be located in nearly any high-traffic, high-visibility location, including college campuses, office buildings, downtown or suburban settings, and rural or off-highway locations. The company operates approx. 2,650 drive-thru locations and continues to expand development of these businesses.

Starbucks' retail expansion strategy has historically been based on conquering one area of a city or a region at a time. Centralized cities served as hubs or regional centers for rollout expansions into nearby markets. "Clustering" was also key to its location strategy. Major markets were saturated with stores before new markets were entered. For example, there were over 100 Starbucks in the Seattle area before the company expanded to a new region. Having many stores in close proximity to one another generally increased overall revenues. However, comparable store sales growth eventually slowed down to cannibalization.

In response to the increasing competition and dropping traffic, Schultz and his management team elected to close 800 underperforming stores in The United States and 100 international stores. However the fundamental strategy for new store openings remains the same.

In the 1990's, the specialty coffee market experienced substantial growth, driven largely by the coffee-drinking habits of college graduates and young professionals. While retailers like Starbucks benefited from this growth, coffee growers and suppliers did not, due to the worldwide oversupply of lower-grade coffee beans. Although Starbucks promised the highest-quality Arabica beans and paid premium prices, all growers suffered from the oversupply. Even though Starbucks dominated the specialty coffee industry, it did not use its purchasing power to negotiate lower prices from growers and suppliers and squeeze their profits. Instead the company decided to use its market power to implement social change within its supply chain. It partnered with Conservation International, an environmental non-profit organization, to develop CAFÉ (Coffee and Farmer Equity) practices. These practices are designed to build relationships beneficial to growers and suppliers; increase economic, social, and environmental sustainability; and promote transparency and economic fairness within the supply chain. Economic incentives encourage suppliers to adhere to these standards.

With the company back on solid footing, executives are planning controlled growth internationally of both retail and licensed stores and selective development of new distribution channels. The company will focus initially on growth in markets where the brand already has a strong presence, but it is also viewing China as potentially the largest market for Starbucks outside the United States.

Innovative products that improve the customer experience will fuel growth, as will new products introduced in the grocery channel. Among recent in-store innovations are new food and beverage pairings and discount offerings, healthier food choices, and the launch of VIA Ready Brew, an instant coffee that meets the Starbucks standards. Executives describe VIA as an important new growth platform and a significant innovation in an instant coffee, a market worth \$21 billion globally.

To ensure strategies appeal to its target market, Starbucks engages consumers through social media and the company's My Starbucks Idea Websites. New iPhone applications launched by the company help customers locate stores, search for nutrition information, and reload Starbucks Cards.

As Starbucks grew, its customer base evolved, Starbucks' historical customer profile- affluent, well educated, white collar women between the ages of 24 and 44 years – expanded. For example, about half of the stores in southern California welcome large numbers of Hispanic customers. These newer customers were more interested in convenience than the experience, so Starbucks installed automatic espresso machines in its stores. But the mass-market vendors like McDonald's and Dunkin Donut improved their coffee offerings and touted their lower prices and premium brands like Peet's threatened Starbucks dominance, the company realized that its drive towards convenience was commoditizing the Starbucks experience. Returning to the company core values and guiding principles, including quality beverages and customer service, has been fundamental to reversing the company's slide.

While the recession lingers and no retailer can afford to be complacent, Starbucks has managed an impressive recovery that solidifies its unique image in a competitive market. Schultz insists on taking responsibility for past errors and on remembering the lessons learned. Nevertheless, Starbucks' resurrection acts as an illustration of how a corporation can be turned around by aligning employees behind a provocative vision that is backed by careful strategy

Questions

1. What is Starbucks' retail strategy? What is its target market, and how does it try to develop an advantage over its competitors? (4+2+2)
2. Describe Starbucks' retail mix: Location, Pricing, Advertising and Promotions, Store design and visual merchandising. (2+2+2+2)
3. How does Starbucks' retail mix support its strategy?
4. What factors in the environment provided the opportunity for Starbucks to develop a new, successful retail chain?
5. What have been the principal drivers behind Starbucks' success in the marketplace?
6. What does the Starbucks brand mean to consumers? How have the growth opportunities that Starbucks has pursued affected the value of its brand name?
7. What are the major challenges facing Starbucks as it goes forward? Is the Brand advantage sustainable going forward?
8. Can Starbucks defend its position against other specialty coffee retailers?