



**MASINDE MULIRO UNIVERSITY OF SCIENCE AND
TECHNOLOGY**

(MMUST)

NAIROBI CAMPUS

UNIVERSITY MAIN EXAMINATIONS

2021/2022 ACADEMIC YEAR

FOURTH YEAR FIRST SEMESTER EXAMINATIONS

FOR THE DEGREE

OF

BACHELOR OF COMMERCE

COURSE CODE: BCB 410

COURSE TITLE: RETAIL MANAGEMENT STRATEGY

DATE: THURSDAY, 28TH JULY 2022 TIME: 2:00 – 4:00PM

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS

TIME: 2 HOURS

MMUST observes ZERO tolerance to examination cheating

Read the case below and answer questions that follow.

1. Case Study on Kanchi Silks:

Kanchi Silks is a well-known fashion saree retailer in Kanchipuram that provides one-stop shopping for all sarees. The product variety is truly amazing, covering a wide range including Arani, Bangalore, Dharmavaram, Kanchipuram, Kumbhakonam, Pochampalli, Salem, Tanjavur, Venkatagiri etc. Kanchi Silks was established in 1981 at Vilakadi Kovil Street.

Its original site of 500 sq. ft. has now grown to more than 1,00,000 sq. ft. in two or three floors in adjacent locations, with over 1,00,000 SKUs. The store sales revenue in 2007 was more than Rs.20 crore. The founder, Mr. Murugan, can often be seen serving customers, unrecognized by those whom he serves.

On normal weekdays, 15-25 customers visit the store with the number increasing to 100 plus customers at times on weekdays as well as the weekends. His early memories begin with the time he joined the family profession of manufacturing silk saree boxes, made out of paper boards which he supplied to leading silk saree manufacturers. He started his first store with an area of 500 sq. ft. at his residence in Kanchipuram.

Kanchipuram town is known as the silk city since the main profession of the people is weaving silk sarees. Its economy is entirely dependent on tourism and the well-established handloom industry. Approximately 70 per cent of Kanchi Silks customers are tourists and the rest are locals. The tourists are mainly from the neighboring states especially from Karnataka, Andhra Pradesh and Kerala.

In terms of competition, Kanchi Silks unique positioning is its location. This area is closer to the market area where all the leading silks manufactures have their stores. This store is located at residential area having some great advantages like ample parking facility and easy accessibility from the main road. Even local retailers find it difficult to compete with Kanchi Silks on pricing due to higher overheads.

Kanchi Silks practices discounted pricing and provide fair value to its customers. Although it does not necessarily have the lowest prices in town, it is often perceived to be competitive by its customers. The gross margin on products is more than 40 per cent on an average, with the range between 25 to 30 per cent.

Kanchi Silks is very careful in its sourcing practices. They buy products on consignment basis from the weavers from in and around the town. Where it previously used only a few suppliers, it has now widened its purchasing network and buys sarees from different places like Bangalore, Arani, Dharmavaram, Selam and Thanjavour. Kumaran himself does the sourcing from the cheapest suppliers, bypassing all the intermediaries.

Mustafa mainly employs local people and weavers. The silk weavers of Kanchi settled more than 400 years ago and have given it an enviable reputation as the producer of the best silk sarees in the country.

Kanchipuram has thousands of handloom and skilled weavers that make its silk sarees one of the best in the entire world. About 75% of the city's population is associated with the handloom industry in some way or the other. About 75% of Kanchipuram's population is dependent on the silk saree industry, either directly or indirectly.

The market for South Indian silk sarees, popularly known in North India as 'Kanchipuram silk' irrespective of the place of production — Arni, Bhuvanagiri Thanjavur or elsewhere — is growing briskly. Conjeevaram is the English name of the ancient Kanchipuram. Like all ancient cities, this city was the capital of the early Cholas dating back to 2nd century BC and a Pallava capital between the 6th and 8th century.

Kanchi Silks communication efforts are limited because of the brand name. It leverages the city name and believes on the word-of-mouth concept and the past customer referrals. Although it does buy airtime on local TV (mainly Tamil speaking) and advertises in the local newspapers, it believes positive word-of-mouth communication is a more effective means of promotion.

The Indian women apparel market has undergone a transformational phase over the past few years — growing number of working women, changing fashion trends, rising level of information and media exposure, and entry of large number of brands have given the industry a new dimension.

The highly lucrative market was estimated at more than Rs.37, 000 crore in 2007. The market, in the past five years, posted a growth rate of good 14%. And with the growing presence of organized retail and rapidly spreading mall culture, the industry is all set to grow further in future, according to “Women Wear Market Forecast to 2010”.

Founder Kumaran has now expanded his store operations in different parts of the country. He started his outlet in Hyderabad in late 90s. Kanchi Silks has its own website [www \(dot\)kanchisilks\(dot\)com](http://www.kanchisilks.com) that is meant to replace its catalogs. The website receives order for almost 5-8 sarees in day worth of Rs.30, 000 with the orders coming mainly from across the world especially from countries like Singapore, Malaysia, Sri Lanka and the United States.

Today, they also get order from different states like Maharashtra, Kerala, UP, MP, and the North East. Online store uses the technology that allows for the user’s name and address as well as critically sensitive information such as the credit card number. But on an average he sells very limited sarees through internet. Also it is difficult to deliver the products across the country because different states will have different taxing procedures.

However, the US slowdown has resulted in low values of NRI purchases, although the volume has grown. They usually come down on business and won’t mind spending a huge amount on silk sarees because they earn in dollars. But because of the job loss there and uncertainty about the future there has been a five per cent dip in NRI purchases.

Kumar laments the unavoidable loss in excellence as zari is today made from copper, which is electroplated with silver and given a gold coating. In commercial terms, this is called ‘tested zari’. The gaudy shine is produced by treating the zari chemically and the ‘gold’ borders become lack-lustre within five years. He says, **“To those who look at the price we give tested zari and the ones who are particular about quality we give them pure zari”**. The price of zari has also doubled tremendously in recent years.

The maximum length possible on a traditional loom is an 18-yard wrap, which means that no more than three silk sarees can exactly look alike. In the new millennium, as the ‘Kanchipuram’ silk route traverses continents, hundreds of sarees designed for standardized tastes, are produced on the power looms.

The silk production turned competitive with the emergence of new silk houses in Tamil Nadu. Today, perhaps Kanchi silk are better known than Kanchi cottons. Kumaran, now a days also owns power looms to cater into cotton sarees business, which aims to target office going women.

Question One

- Store location is one of the most significant strategic decisions in retailing. Identify the benefits the location of Kanchi Silk has contributed to its growth (10 marks)
- In view of the above case, discuss the strategies employed by Kanchi Silk that gave it a competitive edge over the other competing retail stores in the saree industry. (10 marks)

- c. With reference to the case above, discuss the consumer characteristics at play that inform the growth and expansion of Kanchi Silk (10 marks)

Question Two

- a) Goods and services must be priced in a way that both achieves profitability for the retailer and satisfies customers. What are the factors affecting retail price strategy? (10 marks)
- b) A retailer has to make the right decision at the right time to promote his retail business. Analyze any five specific areas that retailers need to plan properly. (10 marks)

Question Three

- a) Direct selling is one of the most popular non-store retailing activities particularly for consumer goods. Giving examples, explain three types of activities involved in direct selling. (10 marks)
- b) State and explain the pricing strategies used in retail management (10 marks)

Question Four

Retail managers should rely on research information for making intelligent and informed decisions. Outline TEN retailing problems which require marketing Research (20Mks)

Question Five

- (a). Identify and explain the forces in the retailer's macro environment. (10 marks)
- (b) Technological strategies can lead to a better understanding of a retailer's competitors, state and explain five such strategies. (10 marks)