



BERJAYA BUSINESS SCHOOL

FINAL EXAMINATION

Student ID (in Figures) :

--	--	--	--	--	--	--	--	--	--	--	--	--	--

Student ID (in Words) : _____

Subject Code & Name : **RTL1513 PRINCIPLES OF RETAILING**
 Semester & Year : May – August 2016
 Lecturer/Examiner : KATRINA CHUA
 Duration : THREE (3) Hours

INSTRUCTIONS TO CANDIDATES

1. This question paper consists of 2 parts:
 PART A (60 marks) : Answer all **FOUR (4)** short answer questions. Answers are to be written in the Answer Booklet provided.
 PART B (40 marks) : Answer all **FOUR (4)** questions based on the case study. Answers are to be written in the Answer Booklet provided.
2. Candidates are not allowed to bring any unauthorized materials except writing equipment into the Examination Hall. Electronic dictionaries are strictly prohibited.
3. This question paper must be submitted along with all used and/or unused rough papers and/or graph paper (if any). Candidates are **NOT** allowed to take any examination materials out of the examination hall.
4. Only ballpoint pens are allowed to be used in answering the questions, with the exception of multiple choice questions, where 2B pencils are to be used.

WARNING: The University Examination Board (UEB) of BERJAYA University College of Hospitality regards cheating as a most serious offence and will not hesitate to mete out the appropriate punitive actions according to the severity of the offence committed, and in accordance with the clauses stipulated in the Students' Handbook, up to and including expulsion from BERJAYA University College of Hospitality.

Total Number of pages = 5 (Including the cover page)

PART A : SHORT ANSWER QUESTIONS (60 MARKS)

INSTRUCTION(S) : There are **FOUR (4)** questions in this section. Answer ALL questions.
Write your answers in the Answer Booklet(s) provided.

QUESTION 1

Explain in detail **FIVE (5)** factors of macro environment which retailers need to put under consideration while operating a business. Provide examples to support your answers. (15 marks)

QUESTION 2

Justify **FIVE (5)** opportunities for retailers to develop sustainable competitive advantage in the international business context. (15 marks)

QUESTION 3

Analyse **FIVE (5)** key components for integrated marketing communication that should be applied by retailers. (15 marks)

QUESTION 4

Discuss **THREE (3)** types of store layout that can be used by retailers to attract high foot traffic into the store. (15 marks)

END OF PART A

PART B : CASE STUDY (40 MARKS)

INSTRUCTION(S) : There are **FOUR (4)** questions in this section. Answer all questions.
Write your answers in the Answer Booklet(s) provided.

Blue Tomato: Internationalization of a Multichannel Retailer

Synopsis: Blue Tomato is the leading European multichannel retailer for board sports and related apparel. This case describes the different distribution channels adopted by the company, as well as the internationalization of Blue Tomato's business activities.

HISTORY OF BLUE TOMATO: A BRICK-AND-MORTAR RETAILER

When Blue Tomato started, it was at the initiative of Gerfried Schuller, a former European snowboard champion who opened a snowboarding school in 1988 and then launched a small store for snowboarders in Schladming, an Austrian ski resort, in 1994. Since that time, Blue Tomato has opened eight brick-and-mortar stores throughout Austria and Germany. Three shops located in ski areas and five of them function in more urban locations. To expand its business activities, Blue Tomato has expanded the variety of merchandise it sells, including products for not just snowboarders but also surfers, skaters and freeskiers.

EVOLUTION OF BLUE TOMATO INTO A MULTICHANNEL RETAILER

The number of brick-mortar-stores that a small company like Blue Tomato could open easily was relatively limited, which meant its potential customer contacts were limited too. Therefore, it expanded into the online realm in 1997, allowing Austrian customers to place orders 24/7. By 1999, its first large scale web store was online; 2008, it relaunched its website (www.blue-tomato.com) to facilitate the product ordering process and introduced a product finder, designed to help customers locate just the right snowboards, boot bindings, snow gear and street wear. Using predetermined characteristics (e.g. preferred size, brands, price), this sophisticated product finder helps consumers identify their ideal products alternatives. For the company, the website relaunch was a great success, leading to sales increases of 35% in the first year. In general, Blue Tomato's web store has enabled it to attract new customers without investing in finding, building or stocking new stores. In addition, it has been able to offer far more products online than it could stock in any single brick-mortar outlet.

In 2002, Blue Tomato expanded its multichannel strategy even further by publishing a new, printed snowboard catalogue (with a print run of 130,000 in the first year), targeting convenience-oriented customers who avoided online shopping. This catalogue has expanded to a print run of 500,000; in addition, the company offers not just the snowboard catalogue but also a freeski catalogue (with a print run of 170,000 in 2013), a skate and streetstyles catalogue (print run of 80,000 in 2013) and a surf/simmer catalogue (print run of 350,000 in summer 2013). To distribute these catalogues, Blue Tomato uses direct mailing to selected customers, hands them out at events, and promoted them with flyers in snowboards, freeski and surf magazines. Interested consumers also can request catalogue on the company's websites, download them from its website or view pages online.

Although many of the company's sales come through its online orders, it relies on its brick-mortar stores to maintain close, direct contacts with its (potential) customers, in line with its overall and attract new customers; Blue Tomato also opened two test centers in ski resorts, which allow (potential) customers to try out new snowboards, boots and bindings. The company hosts four snowboard schools in local ski area, together with special events such as its "Kids Days", during which children can attend its snowboard courses for free.

SYNERGIES ACROSS DISTRIBUTION CHANNELS

In addition to its individual strengths, Blue Tomato relies on the synergies it has created across its different distribution channels. Since 2011, it has installed media boxes, or kiosks, in its brick-and-mortar stores that allow consumers to look up personalised information about special offers in particular stores. They also can log on to their Facebook (or other social media) page, connect with their friends, and ask about how well the latest snow gear or street wear suits them. Furthermore, customers can search for products in the printed or online catalogs and order them online, or vice-versa. According to Blue Tomato, the printed catalogs have contributed to and extended its online business; the opportunity to view catalogs online might further boost its online sales. For the future, the company plans to add pickup and return services to its brick-and-mortar stores, enabling customers to order a product online and pick it up in their local store.

CHALLENGES COORDINATING DIFFERENT DISTRIBUTION CHANNELS

The main challenge of operating multiple distribution channels is for Blue Tomato to provide a consistent face to customers across all contact points. For example, it seeks to reinforce its commitment to customer service throughout its web store. To meet this challenge, it also standardizes all prices and communication. With regard to price, the company simply guarantees to offer the best price. If a customer orders a product on the telephone, after receiving a catalog, but the product is listed at a cheaper price on the website because the price dropped since the catalog was published, Blue Tomato charges the customer the lower price. Its return policy – customers can return products within 21 days – also is consistent in each channel. In terms of communication, Blue Tomato's devotion to snowboarding, skating, and freeskiing is manifested by employees in the brick-and-mortar stores, as well as through the events the company hosts. Beyond this content oriented integration, the company's communication is formally integrated.

However, the product overlap across the different distribution channels is relatively minimal. Whereas the brick-and-mortar stores and catalogs offer limited merchandise variety and assortment, its website posts more than 450.000 products, from approximately 400 brands, available for purchase. This poor overlap might be a challenge for Blue Tomato in terms of reinforcing its retail brand image among customers.

INTERNATIONALIZATION

To initiate its internationalization moves, in 1997, Blue Tomato installed international purchasing facilities on its website. The focus of these early internationalization efforts was on German-speaking countries (i.e., Germany and Switzerland) and German-speaking customers. The website thus was available only in German. This strategy represented an easy choice, because the language barriers between different German-speaking countries are negligible, nor did Blue Tomato face many barriers in terms of export or customs regulations. Austria and Switzerland participate in stable exchange rates, and Austria and Germany already relied on a common currency (the euro).

But this internationalization process also has expanded, available in different languages (e.g., the snowboard catalog is issued in five languages, and the surf/ summer catalog is offered in four). The relaunch of the company's website in 2008 also sparked advances in the internationalization process, because the web store was no longer restricted to German-speaking customers; today, it has been translated into 14 languages. Thus, customers from countries throughout the world can place an order with Blue Tomato. Its most important foreign markets remain geographically nearby, including Germany, Switzerland, Scandinavia, the Benelux countries, Great Britain, and Spain, but it also has received orders from exotic destinations such as Hawaii, Hong Kong, and Argentina. Furthermore, Blue Tomato has earned the distinction of offering the largest selection of snowboards in the world on its website. As a result, 70 percent of its online orders come from foreign markets. In 2011, its products were delivered to 65 countries.

By the end of 2012, Blue Tomato's internationalization remained focused solely on its web store and printed catalogs. In these channels, it relies on direct exports. Furthermore, regardless of the channel used to support the internationalization, it has maintained its standardization strategy with respect to prices charges and communication. That is, the prices are the same for all customers in all countries, without any international price differentiation. The catalog layout also remains standardized, though the specific products included in each catalog issue vary slightly to reflect the varying appeal of certain brands in some international markets.

These eventually outcomes are not to suggest that the process of internationalization was easy. Blue Tomato has confronted several challenges, stemming largely from the complexity of the European market. Most countries in Europe are members of the European Union, but different legal conditions and tax rates arise in each member state, and their cultural differences remain pertinent. Logistics costs and economic power also differ from country to country, with notable effects on the level of income of (potential) customers. Against this background, Blue Tomato divided to undertake some foreign direct investment in Germany: As of the end of 2012, the company had opened three brick-and-mortar stores in its neighbouring country.

Meanwhile, Blue Tomato ranks as the leading European multichannel retailer for board sports and related apparel. If it decides to expand its internationalization further, by opening stores in other countries, it clearly will need to invest additional financial and personnel resources. Regardless of the strategy it might choose for such a foreign market entry, tackling more markets, with more widely variant national, legal, tax, and logistic characteristics, could make it more difficult for the company to continue with its strategy of standardization.

In 2012, Blue Tomato was acquired by Zumiez Inc., a leading North American specialty retailer of action sports-related apparel, footwear, equipment, and accessories. Zumiez already operated more than 450 stores in the United States and Canada and maintains a web store (www.zumiez.com). Despite this acquisition, Blue Tomato plans to continue to keep its headquarters in Austria, even as it seeks to meet its latest objective: to become the world leader in action sports retailing.

(Source: Case was written by Professor Thomas Foscht and Assistant Professor Marion Brandstaetter, both of Karl-Franzens-University, Graz, Austria)

QUESTIONS:

Based on the case study – Blue Tomato: Internationalization of a Multichannel Retailer

1. What strengths do the different distribution channels have, from the company's perspective?
(10 marks)
 2. Which synergies has Blue Tomato created across different channels? What additional actions might it take to become an omnichannel retailer?
(10 marks)
 3. What key challenges remain for Blue Tomato in its efforts to coordinate these different channels?
(10 marks)
 4. Which challenges might Blue Tomato face as it expands its business activities internationally?
(10 marks)
- (Total: 40 marks)

END OF QUESTION PAPER