



Retail Management and Merchandising Sample Exam Questions

The Retail Management and Merchandising Sample Exam will assist in preparing participants in the following events:

1. Fashion Merchandising and Marketing
2. Retail Management

These test questions were developed by the MBA Research Center. Items have been randomly selected from the MBA Research Center's Test-Item Bank and represent a variety of instructional areas. Performance indicators for these test questions are at the prerequisite, career-sustaining, and specialist levels. A descriptive test key, including question sources and answer rationale, has been provided.

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1. The most likely reasons that a vertically integrated apparel company might offshore its manufacturing processes to businesses located in India, Taiwan, and China are to
 - A. lower its costs and increase its profit margins.
 - B. eliminate its transportation costs and improve product quality.
 - C. avoid its tax obligations and meet trade quotas.
 - D. reduce product mix and accommodate demand.

2. How do retailers benefit by using electronic data interchange systems?
 - A. Decreases the need to check merchandise
 - B. Limits electronic communication
 - C. Reduces the order cycle time
 - D. Eliminates the need for intermediaries

3. In relation to channel management, which of the following actions should the manufacturer take to effectively introduce a new product to the marketplace:
 - A. Use appropriate promotional techniques to inform channel members
 - B. Establish ethics policies
 - C. Improve communication with distributors or wholesalers
 - D. Apply for a line of credit

4. What course of action can a lender take if a debtor's account is past due?
 - A. File a judicial lien
 - B. Claim defamation
 - C. Apply for bankruptcy
 - D. Liquidate assets

5. The purpose of asking the participants of a research study to maintain product diaries is to obtain marketing research about consumers'
 - A. financial skills.
 - B. viewing preferences.
 - C. essential needs.
 - D. purchasing habits.

6. What are the characteristics of dissonance-reducing buying behavior?
 - A. Expensive, infrequent purchase with high buyer involvement and few perceived differences
 - B. Inexpensive, frequent purchase with low buyer involvement and few perceived differences
 - C. Expensive, infrequent purchase with high buyer involvement and strong brand recognition
 - D. Inexpensive, frequent purchase with low buyer involvement and strong brand recognition

7. When a situation analysis reveals that a competitor's market share has steadily increased over the past year, the Franklin Electronics Store has identified an
 - A. internal change.
 - B. internal weakness.
 - C. external threat.
 - D. external strength.

8. An effective way for a retailer to reduce the risk of shoplifting for small, expensive items is to place them
 - A. in storage vaults.
 - B. on gondolas in the back of the store.
 - C. in locked display cases.
 - D. on wire shelves near the store's entrance.

9. A business might reduce a product's price during the growth phase of the product's life cycle because
 - A. the product tends to attract early adopters during this phase of the life cycle.
 - B. the business wants to recover its research and development costs.
 - C. it can lower advertising costs since the product has a loyal customer base.
 - D. competitors have introduced similar products to the marketplace.

10. Calculate the total owed for the following sales transaction that has a sales-tax rate of 7.25%: 3 picture frames for \$22.59 each; 8 boxes of light bulbs for \$8.50 box; 4 gallons of paint for \$38.79 per gallon; 2 paint brushes for \$9.35 each; and 1 light fixture for \$167.49.
 - A. \$511.72
 - B. \$527.12
 - C. \$515.27
 - D. \$521.71

KEY

1. A

Lower its costs and increase its profit margins. Offshoring is a trend that continues to affect the retailing industry. Many apparel companies offshore their manufacturing processes to businesses that are located in developing economies. By outsourcing certain activities, apparel companies are lowering their costs and increasing their profit margins because workers in developing economies tend to earn lower wages. In addition, the apparel companies often pay less for raw materials and operations. Offshoring does not eliminate transportation costs. An apparel company's decision to reduce product mix is a product management decision rather than an economic or operations decision. Quotas are trade restrictions on the amount of goods flowing into the country. Offshoring may reduce the apparel company's taxes and help the apparel company meet increased demand for its products. A disadvantage of offshoring is that lower quality inputs often create lower quality outputs or products.

SOURCE: EC:102

SOURCE: Gluckman, H. (2006, November). Retail industry: What's in store for outsourcing? A trend comparison of the recent past to 2006 and a look beyond. Retrieved March 14, 2011, from <http://www.tpi.net/pdf/papers/RetailIndustry-WhatsInStoreForOutsourcing.pdf>

2. C

Reduces the order cycle time. An electronic data interchange (EDI) system automatically transmits a retailer's sales information to its vendors via computer, which allows the vendors to quickly process the retailer's orders. This, in turn, reduces the cycle time. Because EDI systems involve the use of electronic communication, it reduces telephone calls and paperwork. Using an EDI system does not decrease the need to check merchandise during the receiving process, nor does it eliminate the need for intermediaries.

SOURCE: DS:160

SOURCE: Levy, M., & Weitz, B.A. (2007). *Retailing management* (6th ed.) [pp. 274-275]. Boston: McGraw-Hill/Irwin.

3. A

Use appropriate promotional techniques to inform channel members. Promotion is a critical consideration when introducing a new product because this function lets channel members and customers know that the good or service is available. The promotional efforts should be carefully planned and coordinated with the product's release. For example, a manufacturer might provide catalogs, brochures, coop-advertising funds, and product training to its intermediaries (e.g., dealers, wholesalers) before the product is released so that the intermediaries can explain the products to their customers or end users. Some channel members (e.g., retailers) might need to coordinate promotion so that newspaper and television advertising or special events are appropriately timed with the product's arrival on the stores' shelves. If the communication between a manufacturer and its intermediaries is already very good, the manufacturer needs to continue using good communication rather than improve it. Applying for a line of credit is a financial consideration. Ethics policies must not only be established, but they must be communicated to the appropriate people or organizations.

SOURCE: CM:007

SOURCE: Kotler, P., & Armstrong, G. (2008). *Principles of marketing* (12th ed.) [pp. 10-11, 12-17, 44-45]. Upper Saddle River, NJ: Prentice-Hall.

4. A

File a judicial lien. A lien is a legal claim to an item of property that protects the seller if the buyer does not complete his/her payments. If a debtor does not make payments as promised, the lender can take legal action to obtain the debtor's assets or items of collateral, such as a home, car, etc. The debtor, rather than the lender, may need to liquidate assets to fulfill her/his legal obligation to the lender. If the debtor doesn't have any assets, s/he may need to file for bankruptcy. Defamation involves writing or saying something that damages an individual's or an organization's reputation.

SOURCE: FI:063

SOURCE: Miller, R.L., & Jentz, G.A. (2005). *Fundamentals of business law* (6th ed.) [pp. 419-420]. Mason, OH: Thomson/South-Western.

5. D

Purchasing habits. To learn about consumers' purchasing habits for certain products, marketing researchers conduct surveys that require participants to log various types of information in a central location, which they refer to as a product diary. Over an extended period of time, participants fill out the diary, which is often a preprinted booklet containing detailed instructions. The diary might require the participants to write down where certain items and brands were purchased, why particular items were selected, etc. Although the product diaries might reveal information about the participants' financial-management skills and their essential needs, researchers do not always need to evaluate this data. To determine viewing (television) preferences, marketing researchers conduct studies using media-use diaries.

SOURCE: IM:287

SOURCE: Kent, R. (1999). *Marketing research: Measurement, method and application* (pp. 63-64). London: International Thomson Business Press.

6. A

Expensive, infrequent purchase with high buyer involvement and few perceived differences. Some items, such as carpeting for your home or office, are expensive items that are not purchased frequently. These types of goods involve a lot of thought and consideration, but many buyers do not perceive great differences among brands. Buyers may be more concerned with appearance, feel, and durability rather than brand. This type of buying behavior is called dissonance-reducing buying behavior. Routine (habitual) buying behavior involves buying inexpensive goods on a frequent basis (e.g., sugar, orange juice). These types of purchases require little involvement or thought, and in most situations, there are few differences among brands. Complex buying behavior involves high customer involvement because the items are expensive and purchased infrequently. Because strong brand recognition or product characteristics are extremely important, complex buying behavior is most often exhibited when an individual is purchasing a car or a home. Characteristics of variety-seeking buyers include low involvement, but a high recognition of brand differences. Many variety-seekers switch brands often, such as buying Pepsi products rather than Coke products because Pepsi is on sale at the grocer.

SOURCE: MK:014

SOURCE: Kotler, P., & Armstrong, G. (2008). *Principles of marketing* (12th ed.) [pp. 145-147]. Upper Saddle River, NJ: Prentice-Hall.

7. C

External threat. A situation analysis is a determination of a company's current business situation and the direction in which the company is headed. The situation analysis is an important aspect of the marketing plan and is often summarized in a SWOT analysis chart. By identifying its internal and external strengths, weaknesses, opportunities, and threats, the company can implement strategies to improve a weakness or threat, as well as act on an opportunity or strength. When a competitor is gaining market share, the company has identified a threat from outside the company. This means that a competitor is reaching more of the target market and may take customers from the company. The situation analysis has not revealed an internal weakness, internal change, or external strength.

SOURCE: MP:008

SOURCE: Solomon, M.R., Marshall, G.W., & Stuart, E.W. (2008). *Marketing: Real people, real choices* (5th ed.) [pp. 43-44]. Upper Saddle River, NJ: Pearson Prentice Hall.

8. C

In locked display cases. Retailers often display expensive items such as jewelry, and highly desired items such as video games, in locked display cases to reduce the risk of shoplifting. The display cases allow customers to view the goods but require an employee to open the case so that customers can try on or obtain the goods for purchase. Placing items on gondolas in the back of the store or on wire shelves near the store's entrance will not reduce the risk of shoplifting. Items such as fur coats or expensive wines are often stored or displayed in walk-in vaults, but unless the vaults are locked and monitored, a higher risk of shoplifting exists.

SOURCE: OP:172

SOURCE: Kimiecik, R. C., & Thomas, C. (2006). *Loss prevention in the retail business* (p. 68). Hoboken, NJ: John Wiley & Sons.

9. D

Competitors have introduced similar products to the marketplace. During the growth stage of the product's life cycle, competitors are introducing similar products. To remain competitive, the business might lower prices and increase its promotional efforts to encourage brand loyalty. Businesses may set prices high during the introduction stage when early adopters are likely to buy and there is minimal competition. This will help the business to recover research and development costs.

SOURCE: PM:024

SOURCE: Solomon, M.R., Marshall, G.W., & Stuart, E.W. (2008). *Marketing: Real people, real choices* (5th ed.) [p. 283]. Upper Saddle River, NJ: Pearson Prentice Hall.

10. A

\$511.72. To calculate the total of the sales transaction, first calculate the extension prices for each item ($3 \times \$22.59 = \67.77 ; $8 \times \$8.50 = \68 ; $4 \times \$38.79 = \155.16 ; $2 \times \$9.35 = \18.70 ; $1 \times \$167.49 = \167.49). Then, add together the extension prices to obtain the sales transaction subtotal ($\$67.77 + \$68 + \$155.16 + \$18.70 + \$167.49 = \477.12). To calculate the sales tax dollar amount, multiply the subtotal dollar amount by the tax percentage rate ($\$477.12 \times .0725$ or $7.25\% = \$34.5912$ or $\$34.60$). Finally, add together the subtotal dollar amount and the sales tax to obtain the total amount of the sales transaction ($\$477.12 + \$34.60 = \$511.72$).

SOURCE: SE:329

SOURCE: Brechner, R. (2009). *Contemporary mathematics for business and consumers: Annotated instructor's edition* (5th ed.) [p. 650]. Mason, OH: South-Western Cengage Learning.