

EXTERNAL INTEGRATED SUMMATIVE ASSESSMENT MEMORANDUM

Question 1

- 1.1. As a buyer at Walmart, describe how you would advise the business to evaluate the performance of suppliers . **(5 marks)**

1 mark for each criterion/factor and a brief explanation

Enhance communication – ensure that clear communication and instructions are clear. Unclear communication can result in incorrect merchandise, late delivery, and price.

Rigorous Supplier Selection – Ensure a strict evaluation process during the supplier selection process. The buyer can consider assessing financial stability, production capacity, past performance as well as client reviews as means of reducing the risk.

Risk management strategy – Woolworths can introduce strategies such as a diverse supplier base, maintaining safety stock to prepare for any delivery delays, and ensuring an emergency plan is developed to deal with any poor performance from suppliers.

Supplier performance monitoring and evaluation strategy – Develop a continuous supplier performance monitoring and evaluation strategy where consistent feedback is shared with the supplier, and areas for improvement are identified.

Hold them accountable - When a supplier continues to display poor performance despite all measures taken by the business, it may be necessary to impose penalties. If a supplier consistently fails to meet your expectations despite your best efforts, it may be time to consider alternative suppliers.

- 1.2 In recent times, qualitative (non-tangible) factors have also been used as added advantages in supplier evaluation. Identify any five (5) such factors that are relevant to Walmart. **(5 marks)**

- **Just-In-Time System (JIT)** – focuses on reducing stock holding costs, through ensuring that only the right quantity of stock is ordered at a given

time. In addition, JIT reduces the risk attached to long stock holding periods such as damage to stock, expiry dates while improving cash flow.

- **Demand forecast** – Implementing an accurate forecast approach allows retailers to reduce wastage and improve customer satisfaction.
- **Customer Engagement** – Continuous engagement with customers through various communication channels allows retailers to understand pain points. Improved customer satisfaction results in high **performance merchandise and repeat sales**.
- **Personalised Marketing Strategies** – Personalised marketing strategies drive up sales, thus improving availability of cash flow and the overall performance of the merchandise.
- **Sales data analysis** – Analysis of sales assist retail buyers in making data driven sales. Purchase periods, preferred quantity/product size, colour, peak periods are all part of the critical information that can be obtained from analysing sales data.
- **Market trends** – Continuous analysis of the market, understanding of latest trends, market value versus the retailer's market share and competitor analysis.
- **Supplier collaboration** – Collaborate with the supplier for new trends, innovation, material changes, production process. This collaboration eliminates stock out situations, improves pricing strategies.

1.3 Analysis and evaluation of product performance is vital for the success of a retail business. Identify three (3) methods and justify why Walmart can use them to analyse and evaluate product performance **(6 Marks)**

This analysis involves comparing actual data against KPIs (Key Performance Indicators) and using tools like variance analysis, benchmarking, and customer feedback to determine if the product is performing above, at, or below standards.

Performing Above Standards;

- **Characteristics:** Exceeding sales quotas, high profit margins, low churn rates, and high positive user feedback.
- **Action:** Investigate the drivers of success to ensure they continue. Consider increasing investment, expanding marketing, or increasing production capacity.

Performing to Standards;

- **Characteristics:** Meeting set KPIs and targets within acceptable variance levels.
- **Action:** Maintain current strategies while monitoring for trends, such as shifting market demand or competitive actions that could impact future performance.

Performing Below Standards;

- **Characteristics:** Missed sales targets, low market share, high defect density, high churn, and negative feedback.

1.4 Buyers have the responsibility to continuously strive to improve the performance of merchandise through the implementation of various strategies. Propose any three (3) strategies that Walmart can implement to improve and promote its merchandise performance. **(6 marks)**

PROFIT GENERATING

When identifying profit generating categories, buyers/planners need to consider three factors:

Higher selling price, Higher gross profit % (margin) and Categories that have a high GP% and a high stock turn.

Accessories that compliment a product are generally profit generating categories.

The consumer's exposure to higher margin items can be increased by merchandising these categories in high traffic areas.

RECONSIDER CATEGORY ROLES

Part of category management is to assign a role for each category.

A category role defines the role the retailer wants the category to play within the stores. Category roles can be used to:

Set the stage for assortment, pricing and merchandise strategies

EXCITEMENT GENERATING

Excitement generating strategies essentially focus on offering fashionable and innovative products or promotions.

This strategy is used to create excitement for a particular category by communicating a sense of urgency or opportunity to the consumer.

- 1.5 At times, Walmart is faced with the challenges of non-performing ranges of merchandise. This means that the merchandise does not sell as expected. This exposes the retailer to the risk of financial loss. What three (3) strategies can you suggest to Walmart to implement in order to clear the non-performing merchandise? **(6 marks)**

Some of the strategies that can be implemented are detailed below.

- Discounts – One of the commonly approaches used to clear non-performing merchandise is through discounts. Flash sales, price reduction, product bundling and cross promotion.
- Inventory audits (stock take),
- Targeted marketing campaigns – social media, advertising, email, instore promotions etc.
- Donation or Recycling Programs: Redirecting unsellable goods through donation or recycling can reduce storage costs and support community
- Loyalty Programmes: Offering incentives to customers can encourage repeat purchases and improve brand loyalty

- 1.6 High performing merchandise are key to a retail business as they ensure profitability and competitive edge. It is therefore crucial that Walmart implement strategies to further enhance such merchandise. Propose three (3) strategies that you would implement to Walmart to implement to further enhance its high performing merchandise. **(6 Marks)**

TRAFFIC BUILDING

The aim of the traffic building strategy is to draw customers' attention into the stores then to the aisle, and into a category. This strategy is typically used for products that are price sensitive and are frequently purchased.

Traffic building products or categories are usually displayed at eye-level, which is deemed prime position because it generates the most sales.

TRANSACTION BUILDING

The transaction building strategy focuses on increasing the size of the average category transaction, by encouraging consumers to purchase complementary products.

Transaction building strategies also include the display of items to encourage impulse purchases, and using promotions to encourage up-trading, for example, 3 for the price of 2.

EXCITEMENT GENERATING

Excitement generating strategies essentially focus on offering fashionable and innovative products or promotions.

This strategy is used to create excitement for a particular category by communicating a sense of urgency or opportunity to the consumer.

- 1.7 Walmart has recently had to deal with non-performing merchandise as a result of supplier fault. As a buyer, identify and describe three (3) strategies that you will implement to resolve such challenges in the future. **(6 marks)**

Supplier performance monitoring and evaluation strategy – Develop a continuous supplier performance monitoring and evaluation strategy where consistent feedback is shared with the supplier, and areas for improvement are identified.

Strict Supplier Evaluation: Utilizing scorecards to measure performance against Service Level Agreements (SLAs)—focusing on metrics like on-time delivery, defect rates, and order accuracy—can help identify underperforming suppliers.

Diversification and Contingency Planning: To avoid reliance on a single, struggling supplier, retailers should diversify their supplier base and create backup plans for logistical disruptions.

Product Substitution: Replacing non-performing products with similar items that may appeal more to customers based on feedback or market trends.

Any 3 x 2 = 6

[Total = 40 marks]

Question 2

2.1. Identify the three (3) categories of suppliers. Provide a brief description of each category. (3 marks)

Suppliers can be divided into three general categories. They are:

- **Manufacturers.** Many retailer chains buy from manufacturers through representatives.
- **Distributors.** Also known as wholesalers or brokers, distributors buy in quantity from several manufacturers and warehouse the goods for sale to retailers.
- **Import sources.** Many retailers buy foreign goods from a domestic importer, who operates much like a domestic wholesaler or the retail company may import directly.

2.2. Retail buyers at times source products from international suppliers for various reasons. Though this approach meets the sourcing requirements of the business, it also comes with challenges. How can sourcing products from an international supplier be challenging (give three (3) challenges). (6 marks)

1. Logistics and Supply Chain Complexity

- **Long Lead Times and Delays:** Products must travel thousands of kilometers, making shipping susceptible to delays, port congestion, and transportation disruptions, which makes inventory management difficult.
- **High Freight Costs:** Shipping, handling, and insurance fees can significantly reduce the cost advantages of sourcing internationally.
- **Risk of Damage in Transit:** Goods are more vulnerable to damage due to long distances and multiple handling points.

2. Quality Control and Product Standards

- **Inconsistent Standards:** Manufacturing standards may differ significantly from local expectations, leading to inconsistent product quality.
- **Difficulty in Monitoring:** It is difficult to conduct audits or inspect products, resulting in potential issues not being discovered until the order arrives.

- **Complex Rework/Returns:** Fixing quality issues is time-consuming and expensive due to the distances involved.

3. Communication and Cultural Barriers

- **Language Misunderstandings:** Differences in language can cause misinterpretations of product specifications, leading to incorrect orders.
- **Time Zone Differences:** A lack of overlapping working hours can delay communication, slowing down decision-making and problem resolution.
- **Business Etiquette:** Different cultural approaches to negotiations, ethical standards, and deadlines can lead to misunderstandings.

4. Financial and Currency Risks

- **Exchange Rate Fluctuations:** Volatile currency exchange rates can change the cost of goods unexpectedly, eroding profit margins.
- **Hidden Costs:** Expenses such as tariffs, import duties, customs fees, and, sometimes, bribes can add up, making the total landed cost higher than expected.
- **Payment Complications:** International banking, credit terms, and payment security are more complex than domestic transactions.

5. Regulatory, Legal, and Compliance Hurdles

- **Customs and Compliance:** Navigating foreign trade regulations, import restrictions, and complex documentation can lead to severe fines or confiscation of goods.
- **Intellectual Property (IP) Risks:** Protecting designs and, patents can be difficult in countries with weaker IP laws.
- **Ethical and Sustainability Issues:** Ensuring suppliers follow fair labor practices and environmental standards is challenging, and violations can severely damage a brand's reputation.

6. Political and Economic Instability

- **Trade Barriers:** Unexpected changes in trade laws, tariffs, or trade wars can make sourcing from specific countries too expensive or impossible.

- **Instability:** Natural disasters, political unrest, or labor disputes in the supplier's country can cause sudden, prolonged shutdowns.

2.3. Consider the buying industry you are familiar with and identify two South African suppliers. Give reasons why you choose these suppliers. **(6 marks)**

Evaluation Criteria & Reasons:

- **Product Quality & Range:** Do they offer what you need (e.g., tech gadgets, household goods, food) with consistent quality? (e.g., Gadgetgyz for tech, Neat Freak for household).
- **Cost & Pricing:** Are they competitive? Do they offer bulk discounts or favorable terms? (Good margins are key).
- **Reliability & Logistics:** Can they handle your volume? What are their delivery times and tracking?
- **Compliance & Standards:** Do they meet local (SABS) or international quality/safety standards? (Crucial for some sectors like food).
- **Communication & Transparency:** Clear, responsive communication builds trust and solves issues quickly.
- **Minimum Order Quantities (MOQs):** Do their MOQs fit your business size? (Cosmetic SA is good for low MOQs).

2.4 Discuss key challenges in product sourcing and provide reasons to mitigate these challenges? **(5 marks)**

Common Challenges in Supplier Sourcing

- **Supplier Unreliability & Inconsistent Quality:** Suppliers may fail to meet delivery deadlines, provide poor-quality products, or lack consistency, directly causing production delays and damaging brand reputation.
- **Lack of Visibility and Transparency:** A lack of clear insight into suppliers' operations makes it difficult to detect risks early, hindering effective collaboration.

- **Geopolitical and Economic Volatility:** Trade wars, sanctions, currency fluctuations, and political unrest can suddenly make a key supplier inaccessible or unaffordable.
- **Logistical Disruptions:** Port congestion, container shortages, and transportation bottlenecks can halt the flow of goods.
- **Cultural and Language Barriers:** Operating in foreign markets can lead to misunderstandings, miscommunicated specifications, and strained relationships.

Mitigation;

Avoid Single-Sourcing: Do not depend on one supplier for critical items.

Nearshoring/Reshoring: Move production or sourcing closer to home to reduce shipping times, lower transport costs, and increase control.

Categorize Suppliers: Tier suppliers into primary (high volume), secondary (backup), and spot-purchase options.

[Total = 20 Marks]

Question 3

3.1. Briefly discuss three phases of negotiation.

(5 marks)

During the **pre-negotiation** process, preparation includes analysing of information, setting objectives and developing strategies.

The **meeting phase** involves an introductory stage, discussion, further collection and analysis of information, with the reaching of agreement between the parties.

The process is, in essence, often more complex and the meeting phase may involve multiple meetings. In such cases, preparation requires phased objectives. It may, for example, be that the first meeting is purely intended as an exploratory exercise where both parties should clarify issues of the negotiation and collect further information.

The **post-negotiation phase** involves the implementation of the agreement/contract within and between the organisations.

3.2. One of Nondwe Distributors' fast sellers are hair brushes. Please calculate the cost of a hair brush with the following information: Selling Price = R100; Profit = R30. Calculate the margin on the hair brush.

(5 marks)

Step 1: Calculate the margin

The margin is calculated using the formula

$$\text{Margin} = \frac{\text{Profit}}{\text{Selling Price}} \times 100\%$$

$$\text{Margin} = \frac{\text{Profit}}{\text{Selling Price}} \times 100\%$$

Substitute the given values: Profit = R30 and Selling Price = R100.

$$\text{Margin} = \frac{30}{100} \times 100\%$$

$$\text{Margin} = \frac{30}{100} \times 100\%$$

$$\text{Margin} = 30\%$$

Answer:

The margin is **30%**.

3.3. Calculate the profit margin of a hair straightener that Nondwe Distributors sells.

Selling Price = R200

Cost price = R150

What is the margin? (please show all calculation steps)

(5 marks)

The formula for the profit margin (PM) is:

$$PM = \frac{\text{Selling Price} - \text{Cost Price}}{\text{Selling Price}} \times 100\%$$

$PM = \frac{\text{Selling Price} - \text{Cost price}}{\text{Selling Price}} \times 100\%$

Substitute the given values:

$$PM = \frac{R200 - R150}{R200} \times 100\%$$

$PM = \frac{R200 - R150}{R200} \times 100\%$

$$PM = \frac{R50}{R200} \times 100\%$$

$PM = \frac{R50}{R200} \times 100\%$

$$PM = 0.25 \times 100\%$$

$PM = 0.25 \times 100\%$

Answer Profit margin = 25%

3.4. Name any FIVE (5) payment terms that a Buyer can negotiate

(5 marks)

Payment terms and Settlement discounts

- Cash payment:
 - Cash discounts are reductions in the selling price for prompt payment of invoices.
 - The supplier indicates on the invoice that a given percentage may be deducted if payment is received by a specified date. A cash discount benefits the buyer and the supplier.

- The supplier gains quicker payment while the buying company gets to pay less for the merchandise.
- Anticipation.
 - Anticipation is a special form of cash discount.
 - Anticipation works in the manner that a given amount may be deducted before the end of the cash discount period.
- Trade discount.
 - Some suppliers have list prices. The list price is the published price set by the supplier from which a percentage or trade discount is taken.
 - The discount awarded to the retail company is based on the business classification, for example, wholesaler or retailer.
 - The purpose of this type of arrangement is for the supplier to publish one set of prices and to merely assign an appropriate discount percentage to different categories of buyers.
- Quantity discount.
 - Quantity discounts may apply, but both the buyer and supplier should take cognisance of relevant regulations.
- Seasonal discount.
 - Seasonal products such as swimwear and outdoor furniture are sometimes offered with discounts prior to the selling season.
 - The objective of this is to motivate retailers to purchase these items early in the season so that the supplier can minimise the costs of warehousing.
 - The retailer needs to consider own storage facilities and the cost of storage.
- Postdating.
 - Postdating involves an additional period of time before payments become due.
 - This is also called “dating the order”. It enables the retailer to sell some of the merchandise before payment must be made.

3.5 Discuss key negotiation methods and strategies used for different suppliers for buying merchandise. **(5 marks)**

Key Negotiation Methods and Techniques

- **Total Cost of Ownership (TCO) Analysis:** Focus on the entire cost (maintenance, shipping, warehousing) rather than just the purchase price.
- **BATNA (Best Alternative to a Negotiated Agreement):** Always define your fallback option—if you have strong alternatives, your bargaining power increases.
- **Volume Leveraging/Consolidation:** Combine orders across departments to increase your buyer power and earn bulk discounts.
- **"If-Then" Conditional Offers:** "If you can reduce the price by 5%, then I can increase the order volume by 10%".
- **Negotiating Beyond Price:** If the price is rigid, negotiate other terms:
 - **Extended Payment Terms:** (e.g., Net 60 or Net 90) to improve cash flow.
 - **Improved Delivery Schedules:** (e.g., Just-in-Time) to reduce storage costs.
 - **Extended Warranties/Support:** To reduce risk.
- **Strategic Timing:** Negotiate at the end of the supplier's quarter or fiscal year, when they are motivated to hit targets.
- **Using Silence:** A "powerful" tactic to encourage the supplier to speak and potentially reveal their limitations or lower their price.

[Total = 25 Marks]

Question 4

Allocate stock to stores

You are part of the buying and planning team at Dyans Couture. The brand is rooted in culture and fashion. Inspired by the dress code of the 70s – 80s, a fashion culture that originates from Mdantsane, East London in the Eastern Cape Province. The culture has returned, now being embraced by Millennials. The culture, which sees every Millennial male referring to themselves as a Dyan is characterised by a sense street-smartness, cool, calm, and being well respected in the community. Dyans Couture is a private owned clothing label with three flagships stores in the following malls:

Hemmingways, Vincent Park, East London

Maponya Mall, Soweto, Johannesburg

Canal Walk, Century City, Cape Town.

The below is a classification of the brands by typical occasion.

Brand A: This is for the night out, where unique style is top priority.

Brand B: Semi-formal, ideal for occasions such as weddings, or even the everyday office wear.

Brand C: This is the very casual, comfortable yet stylish range. Perfect for running errands on a Saturday without losing the Dyans culture status.

For the upcoming summer season, the buyer is required to allocate stock to the stores. Previous sales data per store is displayed in table below. Each brand has 2000 SKUs purchased which will be allocated in accordance with the sales trends per brand, per store.

Store A is a 1,000 square metres, while **Store B** is 800 square metres.

STORES	BRAND X	BRAND Y	BRAND Z
HEMMINGWAYS	1000	800	100
MAPONYA MALL	800	900	300
CANA WALK	500	400	600

4.1. Name three methodologies used in the industry for allocating ranges to stores which Zara can implement as new stock for the summer season arrives. **(3 marks)**

1. The amount of merchandise allocated to stores.

This method involves grouping stores with similar characteristics into "clusters" or "tiers" (e.g., A, B, C or Top, Mid, Low) based on factors like sales volume, store size, and customer demographics.

- How it works: A high-volume "A" store (e.g., a flagship store in a city center) will receive a wider, deeper range of products compared to a small "C" store in a rural area.
- Pros: Efficient, easy to manage, and ensures high-potential stores are prioritized.

2. Demand-Driven (or Sales-Based) Allocation

This method relies on data-driven insights, using historical sales, predictive analytics, and real-time inventory tracking to determine where products will sell best.

How it works: Instead of applying a blanket rule based on store size analyze which stores sell specific items fastest, sending more stock to those locations regardless of the overall store tier.

The timing of merchandise allocation (Pull or Push Strategy).

- **Push Allocation:** Stock is sent to stores based on initial demand forecasts, ideal for new product launches or seasonal goods.
- **Pull Allocation:** Stock is sent only when actual sales occur, creating a "pull" signal that triggers replenishment, which is best for managing inventory with unpredictable demand.
- **How it works:** A retailer might "push" a basic range of products to all stores to ensure initial availability, then "pull" to replenish high-performing styles as they sell out.

4.2. Discuss basic assortment and apply the range to meet target market of the store? **(3 marks)**

Understanding the Consumer: Before building the range, buyers define their target market through demographics (age, income), geography (location), psychographics (lifestyle, values), and behavior (buying habits).

- **Balancing Depth and Width:**

- **Broad and Shallow:** A wide variety of styles with few color/size options per style.
- **Narrow and Deep:** A smaller selection of styles, but with many color/size options available.
- **Optimizing Size Ratios:** Analyzing past data to ensure the range includes the correct proportion of sizes, avoiding "broken" ranges where only unpopular sizes remain.
- **Price Point Alignment:** The cost of the items must match the spending power and expectations of the target demographic.

4.3. Use ABC analysis to categorise stock into three groups based on their value and importance. **(3 marks)**

Evaluating stock shortages and rebalancing inventory across locations is a critical retail strategy to minimize holding costs, avoid lost sales, and improve turnover. The process requires analyzing data to identify high-stock/low-sale locations (surplus) and transferring those items to low-stock/high-sale locations (shortages).

Use ABC Analysis: Categorize inventory based on sales value (e.g., Number of Sales x Unit Price). "A" items (high value/velocity) should be prioritized for, and protected from, shortages.

Analyze Inventory Turnover Rates: Calculate how often inventory is sold and replaced to identify slow-moving items (low turnover) and fast-moving items.

Class A

Class A stores are those that have the highest sales figures (and are typically the largest in size).

Typically, Class A includes the top 20% of stores.

Class A should carry the full product range and it is crucial that these stores receive sufficient merchandise so that they never experience stockouts of merchandise, especially staple products.

Therefore, there should ideally be short lead times in supplying these stores and their sales should be monitored continuously to observe any changes in demand for merchandise so that quick response can be initiated.

Class B

Class B stores have lower sales than stores in Class A.

Class B typically makes up 50% of the stores, after Class A.

They are important to monitor very closely for replenishment but do not require the same level of attention and control as Class A.

Class C

Class C stores are typically the lowest 30% of the stores, both in terms of size and sales.

Analyze Inventory Turnover Rates: Calculate how often inventory is sold and replaced to identify slow-moving items (low turnover) and fast-moving items

4.4 An unexpected surge in sales has led to a significant reduction in stock levels for Product A. You were expecting a delivery next week, but stock levels may run out before then. What steps will you take to verify stock availability and ensure timely delivery? **(3 marks)**

Verifying Stock Availability

Perform Regular Cycle Counts: Instead of relying solely on annual audits, I will conduct daily or weekly cycle counts, prioritizing high-value and fast-moving items, to immediately identify and resolve discrepancies.

Set Automated Reorder Points: I will set minimum stock levels (par levels) in the system to trigger automatic notifications or purchase orders, preventing stockouts during high demand.

Utilize Demand Forecasting: I will analyze historical data, seasonality, and sales trends to ensure sufficient inventory is available before it is needed.

Ensuring Timely Delivery

Optimize Warehouse Operations: I will organize inventory using First-In, First-Out (FIFO) methods, ensuring that popular items are stored in accessible areas to reduce picking time.

Contingency Planning

Diversify Suppliers: To prevent disruptions caused by vendor delays, I will maintain relationships with multiple suppliers for critical items.

Maintain Buffer Stock: I will hold safety stock for critical, fast-moving, or high-uncertainty items to protect against unexpected supply chain interruptions.

4.5 Your store currently has 50 units of products in stock, The average weekly sales for the product are 30 units, and the lead time from the supplier is 2 weeks. How many units should you order to avoid running out of stock. Calculate expected demand during lead time. **(3 marks)**

Calculate the expected demand during the lead time

The demand during the lead time is the number of units you expect to sell while waiting for your order to arrive. This is calculated as the average weekly sales multiplied by the lead time in weeks.

Demand during lead time = Average weekly sales × Lead time

Demand during lead time = 30units/week × 2weeks = 60units

[Total = 15 Marks]

[TOTAL MARKS FOR THE EXAM: 100]

MARK ALLOCATION GRID (FOR USE BY MARKER AND MODERATOR ONLY)

QUESTIONS ANSWERED	SUBTOTAL MARKS		
	MARKS	MARKS AWARDED	MARKS: POST MODERATION
1.1	5		
1.2	5		
1.3	6		
1.4	6		
1.5	6		
1.6	6		
1.7	6		
Total Question 1	40		
2.1	3		
2.2	6		
2.3	6		
2.4	5		
Total Question 2	20		
3.1	5		
3.2	5		
3.3	5		
3.4	5		
3.5	5		
Total Question 3	25		
4.1	3		
4.2	3		
4.3	3		
4.4	3		
4.5	3		
Total Question 4	15		
GRAND TOTAL	100		

MARKER DETAILS

NAME & SURNAME	
SIGNATURE	
DATE	

MODERATOR DETAILS

NAME & SURNAME	
SIGNATURE	
DATE	