

## EXTERNAL INTEGRATED SUMMATIVE ASSESSMENT

LEARNER REGISTRATION NUMBER	
ASSESSMENT CENTRE	
ASSESSMENT CENTRE ACCREDITATION NUMBER	
QUALIFICATION	Occupational Certificate: Retail Buyer Level 5
SAQA ID	103145
CREDITS	131
DATE OF EISA	
DURATION	3 Hours 09:00 -12:00
TOTAL MARKS	100 Marks
PASS MARK	60 Marks

### GENERAL EISA RULES

This External Integrated Summative Assessment (EISA) Question Paper consists of THREE (4) QUESTIONS AND Thirteen (18) pages.

### INSTRUCTIONS

**NB! The question paper is used as the answer sheet**

1. Please read the questions carefully;
2. This is a Closed Book assessment;
3. Read the instructions for each question before answering;
4. Use the mark allocation for each written question to guide the length of your answer;
5. Candidates are not allowed any form of assistance and must always adhere to the invigilator's instructions;
6. All cell phones are to be switched off for the duration of the EISA
7. Candidates may not leave the Assessment Centre within the ONE HOUR (1) of the start of the EISA; and during the last 15 minutes of the allotted EISA period;
8. Candidates are prohibited from conversing during the duration of the EISA;
9. Candidates who are found to be disruptive in the Assessment Centre will be requested to leave the Assessment Centre by the invigilator;
10. Candidates are only allowed to use black pens; and
11. The candidate is required to **ANSWER ALL QUESTIONS.**

I HEREBY CONFIRM THAT I HAVE READ THE ABOVE EISA RULES AND DECLARE THAT I UNDERSTAND AND ACCEPT THE RULES.

**SIGNATURE OF STUDENT**

## Question 1

### Manage supplier relationships and performance of stock

#### CASE STUDY:

According to the Fortune 500 top global retailer list that was generated in 2016, **Walmart** is still by far the largest retailer in the world. It has 10 000 retail stores worldwide and sales of over \$480 billion per annum. It is one of the world's larger employers, with 2.3 million associates globally. (It does not have employees, but associates, as employees have shares in Walmart.) It has achieved this position largely due to its exploitation of all the opportunities and benefits offered by supply chain management. This is especially so in the case of purchasing, where Walmart works proactively with its suppliers to drive down costs so that it can pursue its policy of everyday low prices (EDLP) which has enabled it to gain an increasingly bigger market share.

In 2012, Walmart entered the South African market by acquiring the majority shareholding in **Massmart** which operates Game, DionWired, Makro, Jumbo Cash and Carry, and Builders Warehouse/Express, among others. Walmart boasts about its global supply chain, which enables it to drive down costs and pass on these savings to its customers in the form the lowest possible price. South Africa's unions and other retailers opposed the acquisition, arguing that large retailers like Walmart use their buying power to dictate buying terms to producers and suppliers. They feared that this would limit the supplier's ability to pay decent wages and invest in new products and technologies.

In approving the acquisition deal, the Competition Commission of South Africa required Walmart/Massmart to set up a Supplier Development Fund (SDF) as a precondition to their approval. The purpose of the fund was to boost local suppliers, create jobs, develop emerging farmers to supply Massmart with fresh produce, and to identify small businesses that could be developed to supply reliably to stores in the group. This requirement to develop local suppliers has not hampered Massmart's ability to procure goods at competitive prices. Massmart corporate affairs executive Brian Leroni stated: "The SDF has improved our supply chain by giving us a more diverse supplier base

[not being over reliant on one large supplier]. In a few cases we have also managed to manufacture products that were previously imported [e.g. plumbers tape].”

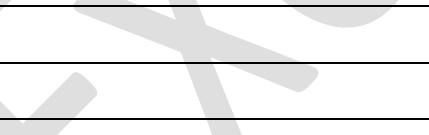
*Source: Adapted from <http://www.supermarket.co.za/news-article.asp?ID=5938&CatTags=13-Retailer%20trading%20results>*

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

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)**

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)**

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)**



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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. As a buyer, propose three (3) strategies that you will implement to clear the non-performing merchandise?

**(6 marks)**


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 that Walmart should implement to further enhance its high performing merchandise. **(6 Marks)**


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 future. **(6 marks)**

**[Total = 40 Marks]**

## Question 2

### Source products through the identification and selection of suppliers

The process of supplier selection is at the core of retail buying, as it poses great financial loss should a poor selection be made. In this section, you are required to focus on the strategies of supplier selection, both locally and internationally.

2.1. Identify and briefly describe the three (3) categories of suppliers. **(3 marks)**


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). **(2 marks each = 6 marks)**


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)**

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

**[Total = 20 Marks]**

### Question 3

#### Buy merchandise

##### Case study

Nondwe Discounters is a retail group that specialises in homeware as well as DIY range. The retailer recently acquired a salon and personal care brand Beauty Lifestyle from Simant Group. Simant Group is a family-owned business that was up for sale after the business suffered loss due to the Covid-19 pandemic.

At the time of the acquisition, Beauty Lifestyle was generating a revenue of R20 Million per annum, of which the cost of returns and repairs was 3%. After Nondwe Discounters analysed the financial statements of Beauty Lifestyle, they noticed some weaknesses on how the brand was managed which they saw as an opportunity to negotiate a lower acquisition cost, while the brand has a decent market share that has a potential for further growth.

The acquisition was concluded which included all leftover stock as well as supplier database. The buying and quality assurance team conducted a comprehensive analysis of the products and discovered the following:

- The products were sourced from China, with payment terms of 30% deposit and 70% balance payable once the stock was on the shipping vessel.
- Majority of the suppliers were traders (not the actual manufacturers)
- There were no factory visits conducted, as such, responsible sourcing could not be guaranteed.

The Nondwe Discounters is a subsidiary of Versatile International Group headquartered in Spain. The Group has a footprint in 15 countries with additional quality assurance sites in the North and South of China. As such, the group has buying power with the ability to negotiate favourable price, and payment terms.

The buying team commenced the work of identifying new suppliers and the objective was to ensure that they sourced directly from manufacturers. In addition, the acceptable payment terms of the group are LC 90 and above (payment is only made 90 days after the issuance of the letter of credit). This option is a risk reduction strategy of the group which protects against poor quality and non-delivery.

The buying team from Nondwe Discounters, after extensive research identified Guangzhou Personal Care as a potential supplier. The team was now at a stage of preparing for the negotiations which were to be held at the offices of the supplier since the team also wanted to conduct factory visit. They set to achieve the following objectives, in the order of priority.

- Payment terms of LC 90 or above.
- Quality product
- Low cost to suit their target market.
- Low minimum order quantity (20ft container).

During the negotiations, the supplier could not agree to price on the basis that they have granted Nondwe Discounters long payment terms (LC 90). However, the team from Nondwe Discounters offered to link the supplier to the rest of the Versatile International Group subsidiaries. During the negotiations, the teams agreed to take a lunch break. The supplier offered the Nondwe Discounters buying team lunch which was accepted.

After lunch, the negotiations continued. The supplier agreed to a reduced cost, on the basis that the bulk order is made at the same time and both teams thus reached an agreement.

### 3.1. Briefly discuss three phases of negotiation. (5 marks)

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)**

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)

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

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

**[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)**

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

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


**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)**


**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)**

**[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		
<b>Total Question 1</b>	<b>40</b>		
2.1	3		
2.2	6		
2.3	6		
2.4	5		
<b>Total Question 2</b>	<b>20</b>		
3.1	5		
3.2	5		
3.3	5		
3.4	5		
3.5	5		
<b>Total Question 3</b>	<b>25</b>		
4.1	3		
4.2	3		
4.3	3		
4.4	3		
4.5	3		
<b>Total Question 4</b>	<b>15</b>		
<b>GRAND TOTAL</b>	<b>100</b>		

**MARKER DETAILS**

<b>NAME &amp; SURNAME</b>	
<b>SIGNATURE</b>	
<b>DATE</b>	

**MODERATOR DETAILS**

<b>NAME &amp; SURNAME</b>	
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