

EXTERNAL INTEGRATED SUMMATIVE ASSESSMENT

EXEMPLAR 1B - MEMORANDUM

STUDENT NAME & SURNAME	
ID NUMBER	
EISA REGISTRATION NUMBER	
ASSESSMENT CENTRE	
ASSESSMENT CENTRE ACCREDITATION NUMBER	
QUALIFICATION	OCCUPATIONAL CERTIFICATE: RETAIL MANAGER GENERAL (RETAIL STORE MANAGER)
SAQA ID	91789
CREDITS	507
PAPER	1B (there are 2 papers to be written: 1A and 1B)
DATE OF EISA	DD/MM/YYYY
DURATION	3 HOURS
TOTAL MARKS	80

GENERAL EISA RULES

1. Students are **only** allowed to use the supplied EISA booklets.
2. Students are **only** allowed to use a black pen for their answers.
3. Students to ensure that their name, surname and EISA registration number appears on the front of your EISA booklet.
4. This is a closed book examination; therefore, no other material or belongings are to be brought into the assessment centre. Should you bring any other material or belongings into the assessment centre, you will be required to leave such at the front of the assessment centre examination room. The assessment centre will not be held liable for any loss or damage to property brought into the assessment centre examination room.
5. All EISA booklets must be handed back to the invigilator intact. No pages may be torn off from the EISA booklet. The removal of EISA booklets from the examination room is prohibited.
6. Students may make use of a calculator in this EISA.
7. Unless this is an online examination where access to a computer will be made available to you; the use of any communication devices, including smart watches, cell phones, tablets, i-Pads, head phones and laptops are prohibited.
8. All cell phones are to be switched off for the duration of the EISA.
9. The invigilator will not assist you with the explanation of questions related to the EISA.
10. Students are prohibited from conversing in any manner with other students.
11. Students may not leave the examination venue within one hour of the start of the examination and in the last 10 minutes of the allotted examination period.
12. Students who are found to be disruptive and unruly in the assessment centre will be requested to leave the assessment centre by the invigilator.

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

SIGNATURE OF STUDENT

CANDIDATE INSTRUCTIONS

- Candidates must complete all questions in this EISA.
- Candidates must ensure that they use only a black pen when completing this EISA.
- Should you require additional space to complete your answer, please request additional paper from your invigilator. Ensure that you indicate your name, surname and EISA registration number at the top of the additional paper. Also ensure that the question number is clearly marked on your additional paper.

Question 1

Managing the Retail Supply Chain

(44 Marks)

Mel's This 'n' That is a convenience store based in the southern suburbs of Cape Town. The retailer sells groceries and clothing items targeting the whole family. The store is located in a small overcrowded mall and therefore availability of space is a major challenge. The store can thus not afford to have large quantities of stock on hand because it has a small stock/storage area. The store thus has the option of having goods delivered directly to either the store or the company's distribution centre.

Below is a stock report for the period January – April 2019. When presenting the report, the store manager also noted that:

- There is no frozen fish in stock because the supplier is also out of stock
- Bathing soap is out of stock because the company's buyer placed the order very late and as such no deliveries have been received in the past two weeks.
- The records show that there are 20 packets of rice in stock but the physical stock count revealed that the item is out of stock. This anomaly is as a result of stock theft.
- The buyer incorrectly ordered 500 packets of sugar instead of 450.
- The toys are imported from an overseas supplier.
- Fresh produce is sourced from a local supplier who has his own delivery vehicles. However, his delivery service has been erratic.
- Frozen products are also sourced from a local supplier who has his own delivery vehicles. However, this supplier is reliable.
- Bathing soap is ordered from a supplier based in a town that is 2000km away so lead times are high.
- High value items e.g. cell-phones are sourced from a supplier who does not have delivery vehicles.

Fast selling items such as sugar and soft drinks are big and bulky and they therefore require more storage space. These products are mainly stored at the company's distribution centre.

Mel's This n That Store: Stock and Sales Report for the period January – April 2019

Name of Item	Beginning Inventory	+ Purchases	- Ending Inventory (actual)	= Total Number of Units Sold	Selling Price/Unit	= Total Sales	Theoretical stock on hand
Toys	24	41	50	5	R60	R300	60
Fresh fruits	200	400	100	450	R5	R2 250	150
Frozen fish	80	120	0	200	R10	R2 000	0
Bathing Soap	50	70	0	120	R5	R600	0
Cell-phones	100	20	110	5	R1000	R5 000	115
Soft drinks	500	500	600	400	R10	R4 000	598
Ladies shoes	20	0	10	3	R200	R600	17
Sugar	1000	500	50	1300	R20	R26 000	200
Rice	50	30	0	60	R20	R1 200	20
Watches	40	10	28	2	R300	R600	48
Coffee	60	140	0	200	R80	R16 000	0

- The mark up on all the products is 50%.
- All figures must be rounded off to two decimal numbers where applicable.

- 1.1 Calculate the inventory turnover ratios for toys, frozen fish, rice and soft drinks. The company uses the periodic inventory management system.

(8 marks)

Allocate two marks for each correct turnover ratio with one mark being for the correct calculation of the ratio and the other mark being for the correct answer.

The inventory turnover ratio is calculated by dividing the cost of goods sold for a period by the average inventory for that period. Average inventory is used instead of ending inventory because many companies' merchandise fluctuates greatly throughout the year.

Inventory turnover ratio for toys:

$$\frac{5 * 60}{(24 + 41 - 50) * 30} = \frac{300}{450} = 0.67$$

Inventory turnover ratio for frozen fish:

$$\frac{200 * 10}{(80 + 120 - 0) * 5} = \frac{2\,000}{1\,000} = 2$$

Inventory turnover ratio for rice:

$$\frac{60 * 20}{(50 + 30 - 0) * 10} = \frac{1\,200}{800} = 1.5$$

Inventory turnover ratio for soft drinks:

$$\frac{400 * 10}{(500 + 500 - 600) * 5} = \frac{4\,000}{2\,000} = 2$$

1.2 Identify and describe any four (4) stock related issues other than shrinkage that the retailer is facing.

(8 marks)

Allocate two marks for the identification and description of any four of the following issues:

- There is no frozen fish in stock because the supplier is also out of stock. The store should not rely on one supplier.
- Bathing soap is out of stock because the company's buyer placed the order very late and as such no deliveries have been received in the past two weeks. This is evidence of poor performance in stock ordering process and lack of an effective inventory management system.
- The buyer incorrectly ordered 500 packets of sugar instead of 450. This is evidence of poor performance in stock ordering and points out to a lack of checks and balances in the inventory management system
- The toys are imported from an overseas supplier. This may affect lead times and also the cost of importing the products will ultimately affect the price that the store will charge.
- Fresh produce is sourced from a local supplier who has his own delivery vehicles. However, his delivery service has been erratic. The store should not rely on one supplier. They need to have alternative suppliers. The store must also have alternative forms of transportation.
- Bathing soap is ordered from a supplier based in a town that is 2000km away so lead times are high. The store needs to find an alternative supplier who is located closer to the store. If this is not possible, the store needs to order in large quantities so that they avoid running out of stock. They need to have enough buffer stock.
- High value items e.g. cell-phones are sourced from a supplier who does not have delivery vehicles. The store must organise its own transport to collect the items from the supplier. This not only increases the cost of the cell-phones but also the security risk of transporting such items.
- Fast selling items such as sugar and soft drinks are big and bulky and they therefore require more storage space. These products are mainly stored at the company's distribution centre. This increases the cost of selling these products as they have to be transported from the DC to the store.

1.3 Identify any four (4) products that have a high shrinkage rate at the store.

(4 marks)

Allocate one mark for the identification of four of the following products

- Toys
- Cell-phones
- Ladies shoes
- Sugar
- Rice
- Watches

1.4 Evaluate the performance of any three products listed in the report and make appropriate recommendations to relevant stakeholders and external suppliers on how to improve stock performance.

(9 marks)

Allocate three marks for the explanation of the performance of any of the following three products during the four months' period:

- Toys – only five units were sold so there is a slow moving product and the shrinkage rate is also high as 10 units are missing.
- Fresh fruits – this product performed fairly well as the store managed to sell almost half of the stock. However, shrinkage for this product is high as 50 units have been lost.
- Frozen fish – This is a fast moving product and all units were sold and the store is currently out of stock.
- Bathing Soap - This is a fast moving product and all units were sold and the store is currently out of stock.
- Cell-phones – This is a slow moving products and only five units were sold. Shrinkage is also high for this product as 5 units were stolen or are missing.
- Soft drinks - this product performed fairly well as the store managed to sell almost half of the stock.
- Ladies shoes - This is a slow moving products and only three units were sold. Shrinkage is also high for this product as seven units were stolen or are missing.
- Sugar - This is a fast moving product and the store managed to sell more than 80% of the stock. However, shrinkage for this product is also high.
- Rice - This is a fast moving product and all units were sold and the store is currently out of stock.

- Watches - This is a slow moving products and only two units were sold. Shrinkage is also high for this product as twenty units were stolen or are missing.
- Coffee - This is a fast moving product and all units were sold and the store is currently out of stock.

1.5 According to the case study, the retailer is facing supply chain challenges with products such as toys, fresh fruits, frozen fish, bathing soap and soft-drinks. Propose appropriate supply chain options for these products.

(15 marks)

Allocate three marks for the explanation of the performance of any of the following three products during the four months' period:

- Toys – only five units were sold so there is a slow moving product and the shrinkage rate is also high as 10 units are missing.
- Fresh fruits – this product performed fairly well as the store managed to sell almost half of the stock. However, shrinkage for this product is high as 50 units have been lost.
- Frozen fish – This is a fast moving product and all units were sold and the store is currently out of stock.
- Bathing Soap - This is a fast moving product and all units were sold and the store is currently out of stock.
- Cell-phones – This is a slow moving products and only five units were sold. Shrinkage is also high for this product as 5 units were stolen or are missing.
- Soft drinks - this product performed fairly well as the store managed to sell almost half of the stock.
- Ladies shoes - This is a slow moving products and only three units were sold. Shrinkage is also high for this product as seven units were stolen or are missing.
- Sugar - This is a fast moving product and the store managed to sell more than 80% of the stock. However, shrinkage for this product is also high.
- Rice - This is a fast moving product and all units were sold and the store is currently out of stock.
- Watches - This is a slow moving products and only two units were sold. Shrinkage is also high for this product as twenty units were stolen or are missing.
- Coffee - This is a fast moving product and all units were sold and the store is currently out of stock.

(Total Marks for Question 1 = 44)

Question 2

Retail Operations Management

(36 Marks)

Mellow Mart is one of South Africa's leading supermarket chains. It is a medium-sized company operating in a sector dominated by large chains. Most of the company's stores are found in the Western Cape.

Mellow Mart's main competitors include the country's four biggest retailers which all have turnover up to 400 times more than Mellow Mart's. As a family-owned business, Mellow Mart has sought to establish points of differentiation so that it stands out in the market. Its strategy has been to turn itself into a 'destination retailer', one differentiated by ambience and assortment; such as deli goods, regional specialities and seasonal items. Its reputation for quality and good service has made it a well-loved brand across the Western Cape.

Mellow Mart carries a wide selection of products comparable to many of its larger competitors. It keeps a significant number of slow moving lines in the assortment because they underpin their positioning as a 'destination' retailer. Freshness and quality are of paramount importance to Mellow Mart's offering. Yet the company enjoys less negotiating power than its huge rivals and therefore it cannot insist on suppliers to provide daily deliveries for all items. Mellow Mart also prioritises reducing spoilage of perishables because the potential for cost reduction is considerable.

The company wants to improve its handling of promotions as well. Where fresh and chilled items are concerned there are inevitably the additional risks of spoilage issues. Improved demand forecasting would also allow Mellow Mart to take better account of the weather, improve planning for new product introductions, ensure optimal allocations from the DC to the stores and to move staff towards more value-adding managerial tasks.

Mellow Mart's flag ship store is located in the central business district of Cape Town. This is a superstore which services about 5 000 customers a day. With a staff compliment of 150 people, employee pilferage, rostering, absenteeism and staff turnover are a major concern for the store manager. To reduce her workload, the store manager has appointed nine individuals to be section managers for the check-out area, the receiving area, the dispatch area, the deli, the butchery, the fresh foods section, the store room, the cash office and the main shop floor respectively.

In recent months, the store manager has expressed serious concern with the challenges that the store faces in the cash office, the store room and in the receiving section. Cases of under-banking and over-banking are rampant in the cash office. Two weeks ago, there was a suspicious break-in and all

computers in the cash office were stolen. The store room has had a fair share of its own problems with reported cases of missing stock, misplaced items and items reaching their expiry dates without having been placed in the store.

The receiving section is headed by Johannes, a young and inexperienced university graduate who joined the store five months ago. Recently, two interns working in the receiving section were dismissed after having received and signed for over-stated goods. Concerned with the losses experienced in the receiving section, the shop manager has requested head office to arrange in-house training for Johannes in order to enhance his capacity.

The festive season is around the corner and the head office has sent a memorandum instructing all stores to clear all their overstocks and sell as many products as possible at normal prices during the forthcoming promotional season. Because of the challenges being experienced in the store room, the superstore is highly over-stocked.

As the store manager for this Mellow Mart's flagship store, you are required to do the following:

- 2.1 Create checklists to evaluate the operations of the receiving and the cash office part of the store.

(10 marks)

Allocate five marks for each comprehensive checklist developed. The additional mark is discretionary.

The checklist for the receiving section should include the following information:

A receiving procedure is needed to properly inspect all incoming goods, mark them with tags, and record them as having been received.

Inspect Incoming Goods

- Upon receipt of a delivery, match the received items to the description stated on the accompanying bill of lading, as well as the description on the related purchase order. Major discrepancies can lead to rejection of the delivered goods.
- If there is no authorizing purchase order and the purchasing manager does not issue a waiver, reject the delivered goods.
- Use a pre-printed receiving checklist to inspect each delivery. Items likely requiring review are the quantity received, comparison to a quality threshold, and the date and time of receipt. Note any variances on the checklist. Initial the checklist when the review is complete.
- Sign a photocopy of the bill of lading to indicate that the delivery has been inspected and is accepted.

Identify and Tag All Received Inventory

- Identify each item in a delivery and ensure that it is properly labelled with a bar coded tag that includes the item number, quantity, and unit of measure. If there is some uncertainty regarding which item number to use, consult with the senior warehouse staff or purchasing department.

Log in Received Items

- Update the receiving log with the date and time of receipt of each delivery, as well as the name of the shipper, supplier, purchase order number, and description of goods received.
- Send a copy of the signed bill of lading to the billing clerk in the accounting department.
- File the master copy of the billing of lading by date in the warehouse filing area.

Note: *If a delivery arrives when a physical inventory count is being conducted, segregate the goods in a clearly marked storage area, and do not record these items in the inventory database until after the physical counting process is complete.*

- Dry, refrigerated, and frozen storage areas must be maintained at the proper temperatures.
- Cleanliness is important, and several food safety practices must be implemented to help maintain product quality during storage.
- Storage locations and capacities often relate to production volumes and are affected by the frequency of deliveries.
- Effective managers routinely calculate inventory turnover rates and determine the costs of products in inventory.
- Then they can calculate the monthly cost of goods sold (food or beverage cost) for comparison with the operating budget and completion of the income statement.

The checklist for the store room section should include the following information:

- Are all administrative up-to-date and available for review?
- Are current after hours phone numbers posted?
- Is shop access limited to trained and authorized personnel?
- Are appropriate fire department permits current and posted if required?
- Is someone trained in First Aid and CPR available?
- Have all shop users received all necessary training for their work in the shop?
- Are safety training records complete and available upon request?

- Is all required PPE (respiratory protection, hearing protection, eye and face protection) available and in good condition for shop users and visitors?
- Are all shop users wearing long pants, sleeved shirts and appropriate footwear and are loose clothing, hair and jewellery restricted while working in the store room?
- Are emergency supplies (first aid kit, spill kit) available?
- Have fire extinguishers been inspected in the past year and are they secured and easily accessible?
- Are fire doors not obstructed or wedged open?
- Are aisles, exits, fire doors and adjoining hallways free of obstructions?
- Are extension cords in good condition, appropriately rated and used properly?
- Is the store room neat and orderly? A place for everything and everything in its place? Clean with no slip, trip or fall hazards?
- Is there adequate, permanent lighting to complete all tasks in the shop safely?
- Are heavy items stored low enough to prevent falling on people and for lifting safely?
- Are all chemical and chemical waste containers clearly labelled with their contents and primary hazard(s)?
- Are hazardous materials properly stored and are storage cabinets properly labelled and secured?
- Are top heavy machines, file cabinets and shelving secured?
- Are all store room tools and equipment (powered and unpowered) maintained in a good state of repair (sharp, clean, functional)?

The checklist for the cash office should include information such as the following:

- Are all requests for petty cash change funds made to the Cash Office Supervisor in writing, with a petty cash fund request form?
- Are cash and assets secured with locked cash drawers, locking cash registers, cashier cages or locked metal boxes at all times?
- Are safes and drop safes bolted in place and smaller receptacles secured in locked areas?
- Are the designated custodians and supervisors the only personnel who maintain combinations or keys for the safe?
- Is every cashier assigned an individual cash drawer?
- Are cash drawers shared?
- Are reviews performed on each cash drawer's assigned cash balance?
- Are daily audits and balancing of the receipts (or system reports) to the drawer required in the closing process?
- Are cash drawers balanced and closed out at the close of each cash handler's work period?

- Are all overages/shortages reported to the supervisor at daily closing and are they documented as overages/shortages in the balance process?
- Are all computer and credit card terminals closed out at the end of a cashier's shift or at the end of the day?
- Is working space provided for each cashier to maintain control of the cash handling process?
- Does the area allow space for the processing of transactions; is the area secure that is designated for balancing operations?
- Does the cashiering area provide for security and separation between cash handlers and customers?
- Is cash securely transported from the point of collection to the bank?
- Is there a set schedule when cash is transported?
- Is the transfer of cash documented and signed by both sending and receiving parties; is a store record maintained to document the transfer?
- Do armoured car personnel receipt all the cash received and provide a copy to the Cash Office Supervisor?
- Do armoured car personnel present adequate identification before each transport?

2.2 Identify five examples of risk in the case study and then analyse and evaluate these risks.

(6 marks)

Allocate half a mark for identifying the type of risk and another half a mark for the explanation of the risk in the case study. Use discretion to allocate the one mark for a good answer.

- Strategic risk – the risk that the company may fail to achieve its goals, for example as a result of increasing competition.
- Financial risk – the risk of losing money, for example as a result of poor financial controls, under-banking, theft etc
- Reputational risk – having a negative reputation as a result of for example, poor customer service, high employee turnover, employee absenteeism etc
- Physical risk – risk of physical harm, for example, customers falling inside the store, fire outbreak etc.
- Compliance risk – the risk of failing to comply with the rules, regulations, procedures, laws etc

2.3 Recommend strategies to mitigate the risks that you identified in question 2.2 above.

(8 marks)

Allocate two marks for the correct explanation of each of the four risk mitigation strategies:

- Strategic risk – the risk that the company may fail to achieve its goals, for example as a result of increasing competition. Ensure that the company has adequate resources to compete on the market. The company also has to have an in-depth understanding of its customers and be able to satisfy them better than its competitors.
- Financial risk – the risk of losing money, for example as a result of poor financial controls, under-banking, theft etc: Put in place adequate control systems, conduct periodic checks and ensure that employees are properly trained.
- Reputational risk – having a negative reputation as a result of for example, poor customer service, high employee turnover, employee absenteeism etc: Ensure that employees are trained to deliver excellent customer service, motivate and remunerate staff so that you reduce employee turnover and ensure a pleasant working environment.
- Physical risk – risk of physical harm, for example, customers falling inside the store, fire outbreak etc: Ensure that all OHS procedures are followed and that all hazards are properly identified and managed.
- Compliance risk – the risk of failing to comply with the rules, regulations, procedures, laws etc. Provide employees with the relevant training to ensure that they understand all the required procedures, regulations and the laws that they need to adhere to. Provide training and re-training where there is evidence of non-compliance. Also ensure that all policies and procedures are adequately written down and explained to all the employees.

There are four basic ways to handle a risk

- Avoid: The best thing you can do with a risk is avoid it. If you can prevent it from happening, it definitely won't hurt your project. The easiest way to avoid this risk is to walk away from the cliff, but that may not be an option on this project.
- Mitigate: If you cannot avoid the risk, you can mitigate it. This means taking some sort of action that will cause it to do as little damage to your project as possible.
- Transfer: One effective way to deal with a risk is to pay someone else to accept it for you. The most common way to do this is to buy insurance.
- Accept: When you cannot avoid, mitigate, or transfer a risk, then you have to accept it. But even when you accept a risk, at least you have looked at the alternatives and you know what will happen if it occurs. If you cannot avoid the risk, and there is nothing you can do to reduce its impact, then *accepting it is your only choice*.

2.4 Analyse the Mellow Mart case study above and establish any two objectives that the store manager can set out to achieve during the forthcoming promotional season.

(4 marks)

Allocate two marks for each SMART objective identified and explained

- To increase the store's monthly revenue by 30% during the promotional season.
- To sell all excess stock during the promotional season.
- To ensure that the store has adequate stocks of all products according to the company's operational procedures.
- To increase the store's market share from 20 to 30% for during the three months' promotional season
- By 31 January 2020, increase the store's sales by 15%, by creating innovative in-store offers and promotions.

2.5 Using at least two marketing mix elements, develop and recommend two appropriate marketing strategies that the store can implement in order to achieve the two objectives that you established in question 2.4 above.

(8 marks)

Allocate one mark for each of the two marketing mix elements identified then allocate three marks for a comprehensive explanation of the proposed strategy for the campaign.

- Product: The store need to ensure that they have the right products for the promotional season
- Price: The store needs to have an in-depth understanding of its market so that they charge the appropriate prices.
- Place: The store needs to ensure that its supply chain processes are efficient and effective so the right products are available at the right time.
- Promotion: The store needs to ensure that customers are aware of the products and services available for their customers. Promotional activities may include in-store promotions, sales promotions, advertisements, discounts etc
- People: The store needs to ensure that its employees are adequately trained to be able to serve customers and satisfy their needs. The store manager must ensure that the store has adequate personnel to service customers and that the employees have adequate product knowledge.
- Process: The store needs to ensure that the service delivery process is efficient and that customers do not spend a long time in queues or looking for products.

- Physical evidence: The store managers must ensure that they store has an attractive physical environment and atmosphere to afford its customers an unforgettable shopping experience.

The marketing strategies to be proposed may include the following:

- Market penetration
- Market development
- Product development
- Cost leadership
- Differentiation

(Total Marks for Question 2 = 36)

(TOTAL MARKS FOR THE EXAM: 80)

MARK ALLOCATION GRID (For use by the Assessor only)

QUESTION	MARK	MARKS AWARDED
1.1	8	
1.2	8	
1.3	4	
1.4	9	
1.5	15	
TOTAL Q1	44	
2.1	10	
2.2	6	
2.3	8	
2.4	4	
2.5	8	
TOTAL Q2	36	
GRAND TOTAL	80	

ASSESSOR DETAILS

ASSESSOR NAME & SURNAME	
REGISTRATION NUMBER	
SIGNATURE	
DATE	

INTERNAL MODERATOR DETAILS

MODERATOR NAME & SURNAME	
REGISTRATION NUMBER	
SIGNATURE	
DATE	