

EXTERNAL INTEGRATED SUMMATIVE ASSESSMENT MEMORANDUM

LEARNER REGISTRATION NUMBER	
ASSESSMENT CENTRE	
ASSESSMENT CENTRE ACCREDITATION NUMBER	
QUALIFICATION	Occupational Certificate: Retail Manager: Retail Store Manager
SAQA ID	91789
CREDITS	507
DATE OF EISA	
DURATION	4 Hours 09:00 -13:00
TOTAL MARKS	200 Marks
PASS MARK	120 Marks

GENERAL EISA RULES

This External Integrated Summative Assessment (EISA) memorandum consists of five (5) Questions and Forty Six (46) 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 a calculator and 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

Managing Stakeholder Relations and Communications in Retail

Question 1

Read the Case Study below and answer the following questions.

EXOTIC LUGGAGE

Exotic Luggage was founded in 2010, at a time when there were very few online retailers selling Luggage in South Africa. The company grew over the years, mainly by offering several customer-friendly services that no other online retailers provided. Exotic Luggage offered free delivery across the country and a generous returns policy. Some of these services were offered at a considerable cost to the company. Moreover, Exotic Luggage ensured that customer service was embedded in the company's culture.

After evaluating the retailers' profits, the management of Exotic Luggage introduced a new customer services charter. The company has planned to retrain all staff members in line with the new customer service charter. The new customer service charter places emphasis on the customer service representatives to be friendly and helpful to customers, and even allows them to go to the extent of directing customers to competitors websites if a particular product was not available within the company.

The new customer services charter has not been well received by some sections of the company especially the labour union which objects to the requirement that all customer service representatives must undergo retraining for a period of up to a month. The union has there threatened to go on strike if its demands are not fulfilled.

- 1.1 As the Stakeholder Relationships and Customer Services Manager of Exotic Luggage you are tasked to create a communication strategy to persuade the labour union to accept the new customer services charter that was introduced at the company. Your strategy must include a description of the medium to be used when communicating with the stakeholders **(6 marks)**

Allocate one mark for the identification of the appropriate medium and three marks for the content of the communication

The action plan can be communicated to staff using any of the following medium:

- Staff meetings
- Memorandum to all staff
- Posters

The content of the communication may include some of the following discussion

Heading/ Topic - Implementation of the New Customer Services Charter

- Decreased profits and the presence of more online retailers has necessitated that we need to be innovative in the way we engage with our customers.
- Management has decided to introduce a new customer service charter
- The new customer services charter will not lead to any job losses but will actually create a better performing that will be able to create better opportunities for current and future employees.
- The organisation required the support of to implement the new customer service charter effectively
- Management will therefore adopt the following action plan in order to manage the implementation of the new customer services charter:
 - Set up a meeting with all branch operational staff and management.
 - Identify the key stakeholders including union leaders and conduct meetings to hear their concerns
 - Perform a Training Needs Assessment
 - Ensure buy-in from all stakeholders
 - Develop Learning Objectives
 - Design Training Materials
 - Pilot training material
 - Develop Your Training Materials
 - Implement the Training
 - Evaluate the training/ Return on investment of training

1.2 Draw up an action plan to be communicated to all staff detailing the roll-out of the training programme for the customer service representatives. Develop an action plan to be communicated to the staff of the store addressing their concerns and how the company

The action plan must include the following:

- What is the objective of the actions?
- Who will be responsible for the actions?
- When will the actions be taken?
- What resources will be required?

(4 marks)

Allocate four marks for a comprehensive action plan that includes the following steps.

- Step 1: Perform a Training Needs Assessment Step 2: Ensure buy-in from all stakeholders Step 3: Develop Learning Objectives
- Step 4: Design Training Materials
- Step 5: Develop Your Training Materials
- Step 6: Implement the Training
- Step 7: Evaluate the Training

The action plan must also detail the following:

- What specific actions need to be taken, and these **must** be listed in order of priority
- When will these actions be taken and by who?
- What resources will be required?
- What is the envisaged outcome?

1.3 Using an appropriate medium, communicate the action plan to the store operational staff

(4 marks)

Allocate one mark for the identification of the appropriate medium and three marks for the content of the communication.

The action plan can be communicated to staff using any of the following medium:

- Staff meetings
- Memorandum to all staff
- Posters

The content of the communication may include some of the following discussion

Heading/ Topic - Implementation of the New Customer Services Charter

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 - Ensure buy-in from all stakeholders
 - Develop Learning Objectives
 - Design Training Materials
 - Pilot training material
 - Develop Your Training Materials
 - Implement the Training
 - Evaluate the training/ Return on investment of training

- 1.4 Compile a one-page report to your senior manager detailing the strategies that you are going to implement in order to overcome the challenges that Exotic Luggage is currently facing.

(4 marks)

Allocate up to 4 marks for a report that has the following:

- Report title
- Introduction, body and conclusion
- Detailed explanation of the strategies to be implemented.

Examples include

- Ensuring that all staff are informed of the current situation through constant internal communications.
- Sending out positive messages to the labour union leaders through meetings, internal mail and the company's intranet/ internal communication mediums
- Having periodic meetings with union leaders to ensure their buy-in.
- Explaining the benefits of implementing the new customer service charter.

- 1.5 List the different staff levels that you will need to share the communication strategy you developed with.

(2 marks)

Assign one mark each for the different levels of staff identified. (3)

The different levels of staff include:

- Management
- Supervisors
- Operational staff in the store

(Total Marks for Question 1 = 20)

Retail Financial Management

Question 2

Analyse financial reports for Alpha Retailers the months of April 2024, May 2024 and June 2024 respectively and answer the questions that follow.

ALPHA RETAILERS: INCOME STATEMENT			
	APRIL 2024 R'000	MAY 2024 R'000	JUNE 2024 R'000
Sales	R820	R850	R834
Cost of Sales	R550	R600	R634
Gross profit	R270	R250	R200
Selling expenses	R84	R95	R102
Operating Profit	R186	R155	R98
Expenses			
Discounts	R22	R21	R20
Telephone	R14	R12	R18
Stationery	R8	R9	R10
Admin expenses	R12	R15	R12
Shrinkage	R20	R9	R18
Income before tax	R110	R89	R20
Tax expense	R46	R37	R8
Net income	R64	R52	R12

ALPHA RETAILERS : BALANCE SHEET			
ASSETS	APRIL 2024 R'000	MAY 2024 R'000	JUNE 2024 R'000
Cash	R390	R340	R503
Accounts receivable	R350	R320	R440
Inventory	R87	R95	R90
Current assets	R827	R755	R1 033
Fixed assets	R500	R450	R401
Total assets	R1 327	R1 205	R1 434
Equity and Liabilities			
Accounts payable	R330	R279	R332
Bank loan	R200	R280	R405
Total current liabilities	R530	R559	R737
Bonds payable	R187	R146	R187
Total liabilities	R717	R705	R924
Common stock (100 000 shares)	R160	R100	R120
Retained earnings	R450	R400	R390
Total liabilities and equity	R1 327	R1 205	R1 434

Additional information:

Month	Shrinkage Stock in Units
April 2024	187
May 2024	95
June 2024	130

Corporate tax rate : 42%

All figures must be rounded off to two decimal numbers where applicable.

2.1 Determine the profitability situation of Alpha Retailers by calculating the gross profit and net profit margins for the company for each of the three months. As part of your answer identify and prioritise two areas requiring improvement.

(8 marks)

Allocate 1 mark for the correct calculation of the gross profit margin and the net profit margin of each of the three months. Allocate two marks for each explanation of the areas requiring improvement.

Ratio	Formula	April 2024	May 2024	June 2024
Gross profit margin	$\frac{\text{Gross profit}}{\text{Sales}} \times 100$	$\frac{270}{820} \times 100 = 33\%$	$\frac{250}{850} \times 100 = 29\%$	$\frac{200}{834} \times 100 = 24\%$
Net profit margin	$\frac{\text{Net profit}}{\text{Sales}} \times 100$	$\frac{64}{820} \times 100 = 8\%$	$\frac{52}{850} \times 100 = 6\%$	$\frac{12}{834} \times 100 = 1\%$

Gross Profit

April 2024: 33% → May 2024: 29% → June 2024: 24%

- The gross profit margin is declining steadily over the three periods. This suggests that the company's cost of goods sold (COGS) is rising relative to revenue. It could also mean the company is either reducing prices to drive sales or facing increasing input costs (materials, labour, etc.) that are not being controlled effectively.

Net Profit

April 2024: 8% → May 2024: 6% → June 2024: 1%

- Net profit is also declining, indicating that in addition to rising production costs, there are increasing overheads, operating expenses, or other financial inefficiencies. A net profit margin of 1% in June 2024 suggests that after all expenses, the company is barely profitable.

Possible areas requiring improvements:

Improve Cost Control:

- Review COGS: Investigate the rising costs of goods sold. This could include evaluating supplier contracts, negotiating better pricing, sourcing alternative suppliers, or improving production efficiency. If there are inefficiencies in manufacturing or service delivery, consider streamlining operations to reduce waste.
- Cost Reduction Initiatives: Implement cost-cutting measures across the organization. This could include reducing operational overheads, optimizing supply chain logistics, and eliminating non-essential expenses.

Enhance Pricing Strategy:

- Increase Prices (if feasible): If possible, consider a strategic price increase, particularly if market demand is strong and customers are willing to pay more for the product or service. However, be cautious not to drive away customers by pricing yourself out of the market.
- Value-Added Services: Instead of just raising prices, consider offering value-added services that justify the higher pricing. This could help improve gross margins without a significant loss of sales volume.

Boost Operational Efficiency:

- Reduce Overheads: Analyse and control operating expenses that are eating into the net profit margin. This could include reducing administrative costs, improving workforce productivity, or using technology to automate tasks.
- Improve Productivity: If the company is service-based or involves manual labour, focus on improving workforce efficiency, reducing overtime costs, and ensuring that each unit of labour produces maximum output.

Revenue Growth Strategies:

- **Increase Sales Volume:** Focus on driving sales to offset rising costs. This could be achieved through marketing efforts, expanding into new markets, upselling to existing customers, or launching new products.
- **Diversify Revenue Streams:** Explore additional products, services, or market segments to diversify revenue sources and reduce the impact of rising costs in one area.

Monitor and Reduce Debt:

- **Debt Management:** If the company has significant debt, high-interest payments could be affecting net profit. Look into refinancing options or paying down high-interest debt to reduce the financial burden.

Improve Profitability Metrics:

- **Focus on Profitability Drivers:** Implement profitability analysis tools (e.g., margin analysis by product line or service) to better understand which aspects of the business are most profitable. Shift resources toward high-margin products or services and phase out low-margin ones.
- **Operational Benchmarks:** Set internal benchmarks for cost ratios and compare with industry standards. Track metrics regularly to identify when costs are rising disproportionately and act early to contain them.

Invest in Technology and Innovation:

- **Automation:** Consider automating parts of the production or administrative processes to reduce labour costs and improve efficiency. Automation can help reduce the COGS, which should positively affect both gross and net profit.
- **Innovation for Cost Efficiency:** Explore innovative technologies or processes that can reduce production costs, such as adopting new materials, energy-saving techniques, or more efficient production methods.

2.2 Calculate the liquidity position of the company for each of the three months using the current ratio only. **(6 marks)**

Allocate two marks for the correct answer for each of the three months

Ratio	Formula	April 2024	May 2024	June 2024
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{827}{530} = 1.56$	$\frac{755}{559} = 1.35$	$\frac{1033}{737} = 1.40$

2.3 Using the acid test ratio, advise management on the company's liquidity position and recommend appropriate remedial action.

(6 marks)

Allocate one mark for the correct calculation of the acid test ratio for each of the three months and allocate one mark for the recommendation of the appropriate action that needs to be taken.

Ratio	Formula	April 2024	May 2024	June 2024
Acid ratio	$\frac{\text{Current assets} - \text{inventory}}{\text{Current liabilities}}$	$\frac{827-87}{530} = 1.40$	$\frac{755-95}{559} = 1.18$	$\frac{1033-90}{737} = 1.28$

April 2024 (1.40):

A ratio of 1.40 means the company had R1.40 in liquid assets for every R1 of current liabilities, indicating a healthy liquidity position in April. The company could comfortably meet its short-term obligations without relying on inventory sales.

May 2024 (1.18):

The acid-test ratio dropped to 1.18 in May, suggesting a weakening liquidity position. While the company can still meet its obligations, the margin of safety is shrinking, indicating reduced availability of liquid assets.

June 2024 (1.28):

The ratio improved slightly in June to 1.28, which suggests some improvement in liquidity management, but it's still lower than April. This shows that while the company has addressed some liquidity concerns, it hasn't fully regained its original strength.

- An acid-test ratio of 1.0 or higher is generally considered acceptable, as it shows the company can meet its short-term liabilities without selling inventory.
- A ratio below 1.0 would be a red flag, indicating potential liquidity problems.
- The fluctuation between 1.18 and 1.40 suggests that the company's liquidity position weakened but recovered somewhat in the third year, though it hasn't fully stabilised.

Possible recommendations:

Strengthen Liquidity Management:

- **Improve Cash Flow:** A declining acid-test ratio indicates a need for better cash flow management.
- The company should focus on collecting receivables more quickly to improve its liquid asset base. Offering early payment discounts to customers or tightening credit terms could help.

Maintain Adequate Cash Reserves:

- Ensure that enough cash and other liquid assets are on hand to cover short-term liabilities.
- This could involve establishing a cash buffer or accessing short-term financing
- options to maintain liquidity during low cash flow periods.

Optimize Working Capital:

- **Monitor Receivables:** Ensure accounts receivable are collected promptly. Delays in collecting receivables tie up liquid assets and hurt the acid-test ratio. Implement stricter credit policies or offer incentives for early payments to customers.
- **Review Payables Management:** Negotiate better payment terms with suppliers to delay outflows without negatively affecting supplier relationships. This gives the company more time to hold onto cash and improve the acid-test ratio.

Reduce Reliance on Inventory:

- Since the acid-test ratio excludes inventory, the company should reduce its dependence on inventory sales to meet short-term obligations. High inventory levels can lock up capital that could be used for more immediate liquidity needs.
- **Optimize Inventory Levels:** Implement just-in-time (JIT) inventory management or other efficient inventory control systems to minimize stock levels without sacrificing sales. This reduces the need to rely on liquidating inventory to meet short-term liabilities.

Invest in Liquid Assets:

- **Increase Short-Term Investments:** Consider holding more liquid investments such as short-term marketable securities that can be quickly converted into cash. This will improve the company's liquidity position without sacrificing too much in potential returns.
- **Reserve Capital for Short-Term Needs:** Avoid locking up too much capital in long-term or illiquid investments. Ensure that a portion of the company's assets remains available to cover short-term liabilities, especially during periods of uncertainty.

Monitor and Improve Asset Utilization:

- **Maximize Asset Turnover:** Ensure that assets (particularly liquid ones like cash and receivables) are being used efficiently. This can include reviewing operational efficiency, cutting unnecessary expenses, and improving the company's overall cash conversion cycle.
- **Regular Financial Analysis:** Continuously monitor the acid-test ratio and related liquidity metrics to ensure the company remains in a healthy position. If there are signs of liquidity stress, corrective actions should be taken immediately.

Consider Debt Management:

- **Control Short-Term Liabilities:** If short-term liabilities are growing faster than liquid assets, it could signal a risk to the company's liquidity. The company should either refinance short-term debt into longer-term obligations or take steps to reduce overall liabilities.
- **Avoid Over-Leverage:** Excessive borrowing or short-term debt accumulation can put pressure on liquidity. Focus on balancing short-term liabilities with an adequate proportion of liquid assets.

Plan for Contingencies:

- **Prepare for Unforeseen Events:** Unexpected drops in sales, delays in receivables, or sudden increases in liabilities can harm liquidity. The company should have contingency plans, such as access to lines of credit or emergency funds, to handle any liquidity shortfall without relying on liquidating critical assets.

- 2.4 After analysing the company's profitability and liquidity position, compile a report to senior management detailing actions needed to improve the situation. **(6 marks)**

Allocate up to 10 marks for a report that has the following:

- Report title.
- Properly structured with an introduction, body and conclusion
- Detailed explanation of the current profitability and liquidity position of the company.
- A detailed explanation of what action needs to be taken

- 2.5 Develop an action plan to communicate the company's financial situation to store's operational staff. **(6 marks)**

Allocate seven marks for a detailed communication action plan that includes the following information:

- Identification of the purpose of your communication
- Identification of the audience
- Planning and design of the message

- Consideration of the available resources
- Plan for obstacles and emergencies
- Strategy of how to connect with the media and others who can help in spreading the message
- Create an action plan
- Communication evaluation plan

Communication can take many forms, including:

- Word of mouth
- Memorandum
- Article in both print and broadcast media
- Press releases and press conferences
- Posters, brochures, and fliers
- Meetings, workshops etc
- Special events and open houses that your organization holds

2.6 Calculate the following ratios:

a) return on investment for April 2024 and May 2024 respectively. (2 marks)

Allocate one mark for correct calculation of the return on investment for April 2024 and May 2024 respectively.

Ratio	Formula	April 2024	May 2024
Return on investment	$\frac{\text{Net profit} \times 100}{\text{Total assets}}$	$\frac{64 \times 100}{1327} = 5\%$	$\frac{52 \times 100}{1205} = 4\%$

b) inventory turnover ratios for May 2024 and June 2024 respectively. (2 marks)

Allocate one mark for correct calculation of the inventory turnover ratio for May 2024 and June 2024 respectively.

Ratio	Formula	May 2024	June 2024
Inventory turnover ratio	$\frac{\text{Cost of sales}}{\text{Inventory}}$	$\frac{600}{95} = 6.32$	$\frac{634}{90} = 7.04$

c) Selling expenses to net sales ratios for April 2024 and May 2024 respectively. (2 marks)

Allocate one mark for the correct calculation of the selling expenses to net sales ratio for April 2024 and May 2024 respectively.

Ratio	Formula	April 2024	May 2024
Selling expenses to net sales ratio	$\frac{\text{Selling expenses} \times 100}{\text{Sales}}$	$\frac{84 \times 100}{820} = 10\%$	$\frac{95 \times 100}{850} = 11\%$

d) Inventory shrink percentages for May 2024 and June 2024 respectively.
(2 marks)

Allocate one mark for the correct calculation of the inventory shrink percentage for May 2024 and June 2024 respectively.

Ratio	Formula	May 2024	June 2024
Inventory shrink percentage	$\frac{\text{Shrinkage} \times 100}{\text{Inventory}}$	$\frac{9 \times 100}{95} = 9\%$	$\frac{18 \times 100}{90} = 25\%$

(Total Marks for Question 2 = 40)

Employee Performance Management

Question 3

Read the Case Study below and answer the following questions

NDLOVU CURIOS

Ndlovu Curios a 100% female owned company , operates across the Kruger National Park in Limpopo and Mpumalanga. Each store has a store manager, two cashiers and one merchandiser. The Head office of Ndlovu curios is in Nelspruit business sells traditional curios, clothing, jewellery, handmade artwork, and special gifts , natural body products and memorabilia. There are also a few convenient items such as batteries , beverages and snacks . All Products sold is proudly South African and most of the traditional curios and artwork are made by locals around the Kruger National Park area. The main customer base of the store are the international tourists who visit the Park. The store also ensures that they are ecofriendly . There are currently 10 stores, and the business is fully female owned. Each store has a store manager, two cashiers and one merchandiser. The Head office of Ndlovu curios is in Nelspruit. The store is regular visited by the two female owners to monitor the performance of the stores.

Skukuza is one of the busiest sites at the Krugernational Park , it is situated on the southern banks of the Sabie River. The store manager is Thandi, she has been working for Ndlovu Curios for the past five years. She was placed at the store through a learnership and due to her excellent performance and successful completion of her National Certificate: Wholesale and Retail Generic Management she was appointed as Merchandiser, then cahier and in the last two years as manager of the store. Since being employed as Manager she recommended changes to the layout of the store and also recommended that the displays in the store are made of recycled material to provide an earthy and ecofriendly tone to the store. She also developed a service charter that was adopted by the owners across all 10 stores. The company policy requires that all staff meet sales targets.

Lerato who matriculated last year and who is a niece to one of the owners, was appointed as a merchandiser of the store, she is currently completing her merchandiser skills programme course. Lerato regularly pitches up for work late for which she has

already received two verbal warnings and during the day she does not check on the displays to ensure optimal stock levels on the store floor. Thandi continuously has to call on her to replenish the shelves and displays. Lerato complained to Thandi that the hours are too long, as well her dissatisfaction with her salary, although her salary is in line with the company policy and the sectoral determination for wholesale and retail set by govern.

In the last year all stores introduced a new brand of natural body products, and all sales assistants received training form head office to promote the product. Denise is the sales assistant in the store she holds a matric certificate as well as certificate in wholesale and retail operations level 2. Thandi has noticed that the sales of the natural body products are very low, the management at head office also informed her that the sales of the product are below average compared to the other nine stores. Thandi has spoken to Denise and has taken her through product training for a second time. Thandi has noticed that Denise has become very withdrawn and is not her happy and welcoming self. This is now not only affecting the sales of the new product, but other products that normally track the foreign customers are showing a decline in sales. There also appears to be very little communication between Denise and Thandi. Thandi has stepped in to promote sales.

Steven , the only male in the store, has been with the store for two years, he works at the Point of Sale. He is currently pursuing a BCOM degree through distance education. He is a very optimistic and hardworking young man, and he picks up the slack for both Lerato and Denise. He always follows company policy, and he has not had any discrepancies in his daily cash ups at the Point of Sale.

3.1 Analyse the expected performance of any three staff members mentioned in the case study **(6 marks)**

Allocate three marks for the detailed explanation of the expected performance of each of the three staff members.

The expected performance of three staff members is as follows:

- Thandi - store manager- To facilitate the overall daily operations of the store, ensuring

efficiency and profitability. His primary duties include staffing, and staff management. Other main responsibilities are to facilitate customer service and meeting sales targets of the store. To adhere to company policies and procedures as well as relevant legal requirements

- Lerato – merchandiser- To arrange product/merchandise on the store shelves fixtures and displays. To optimise the retail space to make products visible, easily accessible, organised, and pleasing to customers . to monitor and replenish the shelves , fixtures and displays.
- Denise – sales assistant – To interact with customers, assisting them find products, answering questions by customers , promoting sales of products. Communicating on the levels of merchandise on the shop floor.
- Steven – POS person- To scan items, process payments cash , debit and credit card payments as well as cell phone payments (in this case travellers checks may also be accepted and deal with fees and commissions) , and issue receipts and provide change for cash transaction. Ensure the daily float for cash transactions are available. Balance the POS at the end of the business day . To maintain a clean and organised workspace and deal with returns and refunds.

3.2 Evaluate the actual performance of any three staff members mentioned in the case study **(6 marks)**

- Thandi - store manager- Performs her job well- recommended changes to the layout of the store and also recommended that the displays in the store are made of recycled material to provide an earthy and ecofriendly tone to the store. She also developed a service charter that was adopted by the owners across all 10 stores.
- Lerato – merchandiser- under performs does not check on the displays to ensure optimal stock levels on the store floor during the course of the business day and comes to work late
- Denise – sales assistant – under performs , does not interact with customers as required and does not promote the sales of goods in the store.
- Steven – POS person- Ensures the POS balances at the end of the business day and picks up the slack from Lerato and Denise.

- 3.3 Differentiate between compliance and performance issues in the case study. In your also provide an example of each. **(6 marks)**

Allocate one mark each for the explanation of compliance and performance. Allocate one mark each for an example of compliance and performance.

Compliance means meeting company policies/ regulations and meeting set targets. Compliance is a minimum standard of work. Performance on the other hand means exceeding set targets and it is a measure of excellence.

Employees must comply with the company policies, procedures and targets, they are also required to perform their specific functions. Performance without compliance and compliance without performance does not add value. It is the responsibility of managers to ensure that staff comply with policies and to motivate them to exceed targets. Exceeding customer expectations and generating profit for the company are both essential.

Examples of compliance

- Thandi– Operating the store inline with company policies
- Steven – Ensuring that POS balances at end of the business day/ ensuring he has sufficient cash on hand for cash transactions

Examples of non- compliance

- Lerato- Pitching up late for work and having a bad attitude
- Denise – Not meeting sales targets for the products not communicating with Thandi on what is needed on the shopfloor

Examples of good performance issues

- Thandi– Ensuring that the store is still operational despite the challenges even stepped in to promote product sales
- Steve- Picking up the slack from Lerato and Denise going beyond his job role as POS person / Cashier

Examples of bad/ under performance

- Lerato- Not checking up on the merchandise/ stock on shopfloor during the day
- Denise – Not meeting sales targets for the products not communicating with Thandi on what is needed on the shopfloor

- 3.4 Propose and explain any two strategies that the company can implement to improve the performance of the two employees whose actual performance does not meet requirements. **(8 Marks)**

Allocate three marks per detailed description of any two strategies

- Re-training the employees on the internal company processes
- Clarifying exact problem, listening to employee's side of the story and Setting clear goals/ objectives eg. Denise not meeting sales targets
- Sending Denise for counselling
- Providing mentoring or coaching to the underperforming staff and
- Rewarding improvement.
- Motivating the employees
- Implementing the company disciplinary measures for continued under performance.
- Arranging teambuilding for the store team to clarify roles and responsibilities and to improve staff interactions
- Recommending the dismissal of Lerato if she does not conform

3.5 Suggest two strategies that the company can implement to improve compliance where compliance standards are not being met. **(8 marks)**

Allocate three marks per detailed description of any two strategies

- Continuous education and dissemination of information about the rules, regulations and procedures that employees must always comply to.
- Making compliance procedures a key requirement for employee performance
- Re-training;
- Counselling;
- Actively listening to understand and act on information given by employees;
- Punishing repeated lack of compliance
- Team building

3.6 Not every employee at the store is performing below standard. What two strategies should the company implement to enhance the performance of those staff members who are already meeting or exceeding the set performance standards? **(6 marks)**

Allocate four marks for any two strategies suggested and explained.

- Highlight good performance by acknowledging and rewarding it. Eg. Best store performer, cash and gift vouchers etc
- Promote good performers.
- Allocate more challenging responsibilities.
- Job enrichment and job enlargement

(Total Marks for Question 3 = 40)

Managing The Retail Supply Chain

Question 4

Analyse the case study and answer the questions.

GAUTENGMART

GautengMart, established in 2012, has quickly become a recognized retail brand throughout Gauteng, South Africa's economic powerhouse. The company has strategically positioned itself as a key provider of both essential goods and high-demand products in urban and peri-urban areas where access to major retail chains is more competitive but still varied by locality. With stores spread across major hubs such as Johannesburg, Pretoria, Midrand, Centurion, and Germiston, GautengMart serves the diverse shopping needs of communities, from bustling city centers to suburban neighborhoods.

The decision to focus on a mix of urban and peri-urban areas stems from the company's founding mission: to deliver affordable, high-quality products to regions that, despite their proximity to large markets, are often overlooked by larger retailers due to varying income levels and dense populations. While Gauteng is highly urbanized and commercially active, it is also known for its pockets of underserved communities where economic disparities and dense urban sprawl create logistical challenges. GautengMart identified this gap and capitalized on it by building stores that offer a wide range of goods, from fresh groceries and electronics to household items.

GautengMart's approach of entering both high-traffic urban areas and underserved suburban regions has paid off, with residents relying on the chain not only for daily essentials but also for specialized products that would otherwise require trips to larger, more crowded malls. GautengMart has distinguished itself from local grocery stores and independent shops, providing customers with a more comprehensive shopping experience without the need to travel far.

Concerns:

- **Fresh Beans:** A local supplier in Johannesburg is currently facing stock shortages, impacting GautengMart's ability to meet demand across its stores in the region.
- **Frozen Fish Cakes:** Previously popular in Midrand, deliveries have been delayed as the supplier based in Durban struggles with transportation logistics.
- **Coffee:** Supplied reliably by a local vendor in Pretoria who uses their own vehicles for delivery, ensuring consistent stock levels across all stores.
- **Rice:** Sourced from an international supplier, leading to longer lead times, especially for stores located in more congested areas like Johannesburg.
- **Smartwatches:** Delivered from Cape Town, over 1,400 kilometers away, causing extended delivery times to GautengMart stores in Pretoria and Centurion.
- **Televisions:** Supplied by a Durban-based vendor, but the lack of their own delivery vehicles often results in delayed shipments to stores in Johannesburg and Midrand.
- **Pasta:** A late order placed by the buyer resulted in stock shortages in Germiston, limiting sales opportunities.
- **Large Items** (e.g., large plastic bins, shelving units, storage containers): These bulky products are stored at GautengMart's central distribution center in Pretoria due to space constraints in smaller stores.
- **High-Value Items** (e.g., Smartwatches, tablets, etc): Sourced from a supplier in Port Elizabeth who does not provide transportation, requiring GautengMart to arrange delivery to its stores in Gauteng.
- **Large Plastic Bins:** An incorrect order led to insufficient stock across multiple locations, causing shortages.

By addressing these supply chain challenges with strategic partnerships and improved logistics, GautengMart aims to continue to meet the demands of its diverse customer base across Gauteng's urban and suburban landscapes.

GAUTENGMART STOCK AND SALES REPORT (1 SEPTEMBER 2023 TO 31 DECEMBER)

Item	Beginning Inventory	+ Purchases	= Ending Inventory (Actual)	Total Number of Units Sold	X Selling Price Per Unit	= Total Sales	Theoretical Stock on Hand
Fresh Beans	200	0	0	200	R20.00	R4 000.00	0
Frozen Ice cream	0	0	300	0	R33.00	R0.00	0
Fresh Bananas	200	700	0	900	R20.00	R18 000.00	0
Frozen Fish Cakes	254	416	300	199	R33.00	R6 567.00	471
Frozen Fish Fingers	457	450	460	56	R25.00	R1 400.00	851
Coffee	381	64	280	298	R66.00	R19 668.00	147
Pasta	402	232	300	48	R54.00	R2 592.00	586
Rice	30	325	0	355	R125.00	R44 375.00	0
Tea	63	267	140	179	R77.00	R13 783.00	151
Smartwatches	45	426	0	471	R399.00	R187 929.00	0
Tablets	408	439	0	847	R1 299.00	R1 100 253.00	0
Televisions	319	367	0	686	R2 999.00	R2 057 314.00	0
Dishwashing Liquid	107	330	200	117	R34.00	R3 978.00	320
Shelving Units	57	287	0	344	R150.00	R51 600.00	0
Large Plastic Bins	44	86	0	130	R228.00	R29 640.00	0
Tool Chests	33	107	54	86	R399.00	R34 314.00	54
Storage Containers	383	64	400	18	R199.00	R3 582.00	429

- The mark up on all the products is 35%.
- All figures must be rounded off to two decimal numbers where applicable.

- 4.1 Calculate the inventory turnover ratios for Coffee and Storage Containers. The company uses the periodic inventory management system. Indicate if the item is a slow, medium or fast-moving item **(15 marks)**

Allocate one mark for the correct calculation of each turnover ratio and another mark for the correct answer for each turnover ratio and two marks for indication slow, medium or fast-moving item.

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.

FORMULA:

Inventory turnover ratio =

Total Sold x Selling price

(Beginning inventory + Purchases - ending inventory - Ending Inventory)
x percentage Markup x selling price

CALCULATIONS:

FORMULA:

Inventory turnover ratio =

Total Sold x Selling price

(Beginning inventory + Purchases - ending inventory - Ending Inventory)
x percentage Markup x selling price

CALCULATIONS:

Inventory turnover ratio for **Coffee**

$$\frac{298 \times 66}{(381 + 63 - 280) \times 35 / 100 \times 66}$$

$$= \frac{19668}{3811}$$

$$= 5.16$$

A turnover ratio is close to 5.16 indicates that the Coffee are a fast-moving seller.

Inventory turnover ratio for **Storage Containers**

$$\frac{18 \times 199}{(383 + 64 - 400) \times 35 / 100 \times 199}$$

$$\begin{aligned} &= \frac{3582}{3274} \\ &= 1.09 \end{aligned}$$

A turnover ratio of nearly 1.09 indicates that the Storage Containers are selling slow.

- 4.2 Identify and describe any five (5) stock related issues other than shrinkage that the retailer is facing. Furthermore, indicate possible reasons for the discrepancies. (15 marks)

Allocate 1 mark for the identification and 1 mark for the description for each stock issue.

1. Stock Shortages Due to Supply Issues:

- **Fresh Beans:** The supplier in Johannesburg is facing stock shortages, leaving no fresh beans in inventory and unmet demand across stores.
 - **Reason:** Supplier constraints, possibly due to production issues, disruptions in the supply chain, or a lack of raw materials.
- **Frozen Fish Cakes:** While Midrand stores previously sold them well, deliveries are delayed due to transportation issues with the Durban supplier.
 - **Reason:** Long-distance logistics and delays in shipping could be affected by transportation bottlenecks or supplier inefficiency.
- **Rice:** The international supplier has led to longer lead times, especially in congested urban areas like Johannesburg, where none of the rice stock is left.
 - **Reason:** Import processes involve delays, customs clearances, and shipping disruptions.
- **Smartwatches and Televisions:** These high-demand items are supplied from Cape Town and Durban, respectively, with extended delivery times due to the suppliers' lack of dedicated delivery vehicles.
 - **Reason:** Distance from suppliers and the absence of dedicated logistics arrangements for these products, leading to inconsistent stock availability.
- **High-Value Items (Smartwatches, Tablets):** The supplier in Port Elizabeth does not provide transportation, causing GautengMart to arrange its own deliveries.
 - **Reason:** Dependence on third-party logistics leads to delayed or inefficient deliveries of high-value items.

2. Overstocking and Late Orders:

- **Pasta:** A late order placed by the buyer caused stock shortages, limiting sales opportunities.

- **Reason:** Poor order planning and lack of alignment between purchasing and actual demand. This could stem from ineffective forecasting or administrative delays.

3. Mismanagement of Stock Levels:

- **Large Plastic Bins:** An incorrect order led to insufficient stock across multiple locations.
 - **Reason:** Human error in ordering or inaccurate stock forecasts likely led to ordering fewer bins than needed.

4. Centralized Storage for Bulky Items:

- **Large Items (e.g., large plastic bins, shelving units, storage containers):** These are stored centrally in Pretoria due to space constraints in smaller stores.
 - **Reason:** Lack of in-store storage space forces reliance on a central distribution hub, increasing lead times and complicating quick restocking.

5. Logistics and Transportation Delays:

- **Frozen Fish Cakes and Televisions:** The vendors lack their own delivery vehicles, resulting in delayed deliveries to stores.
 - **Reason:** Inefficient transportation from suppliers, leading to logistical bottlenecks.

6. Vendor Dependence and Supplier-Specific Issues:

- **Coffee:** While this item has been supplied reliably by a vendor in Pretoria using their own vehicles, there is still a heavy dependence on a single local supplier.
 - **Reason:** Even though supply is currently stable, relying on a single supplier creates vulnerability to any potential disruptions in their operations, which could lead to sudden shortages.

7. Storage Capacity Limitations for Bulky Products:

- **Shelving Units and Large Plastic Bins:** Due to their size, these items are stored at GautengMart's central distribution center in Pretoria instead of in-store.
 - **Reason:** Limited in-store storage space leads to inefficiencies in handling bulky products. This increases the lead time for these items when they are in demand but not easily accessible.

8. Seasonal Demand Fluctuations:

- **Frozen Ice Cream:** The beginning inventory shows no stock, and there were no purchases or units sold, yet the theoretical stock on hand is zero. This could indicate misalignment between supply and seasonal demand.
 - **Reason:** Stocking ice cream during off-peak seasons (e.g., colder months) might not align with consumer demand, leading to unnecessary inventory holding costs or stockouts when the product is needed in peak seasons.

9. Inconsistent Purchasing Patterns:

- **Fresh Bananas:** The beginning inventory was 200 units, with 700 units purchased, but all 900 units were sold, leaving none in stock.
 - **Reason:** While demand was met, the complete stockout could indicate either underestimating demand or inefficient restocking. The lack of buffer stock suggests poor forecasting and reactive purchasing rather than proactive planning.

10. Delays in International Shipments:

- **Televisions:** Despite substantial sales of televisions, the vendor in Durban faces delays because they lack delivery vehicles, causing shipments to Johannesburg and Midrand stores to be late.
 - **Reason:** This issue relates to the long distance and vendor's logistical challenges, compounded by dependency on third-party transportation or the use of general courier services, which are often slower for large items.

11. Inaccurate Stock Forecasting and Planning:

- **Tool Chests:** Although 54 units were sold and the ending inventory is 86 units, GautengMart might be carrying excess stock given the low sales volume.
 - **Reason:** Overstocking in anticipation of higher sales without accurate sales forecasting leads to excess inventory, which ties up capital and storage space unnecessarily.

12. Vendor Logistics and Delivery Infrastructure:

- **High-Value Items (Smartwatches, Tablets):** The supplier in Port Elizabeth does not provide transportation, forcing GautengMart to arrange delivery to its stores.
 - **Reason:** This dependence on GautengMart's own logistics for high-value items can lead to coordination issues and potential delays in getting products to the stores, affecting availability.

13. Delayed Restocking Leading to Stockouts:

- **Dishwashing Liquid:** Ending inventory shows only 117 units, even though 330 units were purchased. The stock may have been depleted too quickly, and the restocking process wasn't fast enough to meet ongoing demand.
 - **Reason:** The slow turnaround in restocking could be caused by inefficiencies in internal processes or vendor delays, leading to missed sales opportunities.

14. Poor Supplier Reliability and Lead Times:

- **Rice:** With zero ending inventory and no sales during the period, this is a critical issue for a staple product.
 - **Reason:** Longer lead times from international suppliers and issues with congestion in areas like Johannesburg might be contributing to frequent stockouts, affecting customer satisfaction.

15. Order Errors Impacting Stock Availability:

- **Large Plastic Bins:** Incorrect orders led to stock shortages across several locations, impacting sales of these items.
 - **Reason:** This points to operational inefficiencies, likely stemming from human error in the order process. Lack of systematic checks or automation in ordering processes could result in such mistakes.

4.3 From the following eight items, evaluate the performance of any five and provide one recommendation for each of your selected items:

- Fresh Beans
- Frozen Ice cream
- Fresh Bananas
- Rice
- Tea
- Smartwatches
- Televisions
- Large Plastic Bins

(10 marks)

1 mark for correctly appropriate analysis for each item (turnover/ Shrinkage).

1 mark for correct analysis

1 mark for correct recommendation

1. Fresh Beans

- **Shrinkage Potential:**
Low to moderate. Fresh beans are perishable, so spoilage could occur if not sold quickly, increasing shrinkage due to expiration rather than theft.
- **Sales Speed:**
High. All 200 units sold out with no remaining stock. Fresh beans are an essential item with consistent demand.
- **Recommendations:**
 - **Supplier Diversification:** Source from additional suppliers to avoid stockouts.
 - **Buffer Stock:** Maintain a buffer stock to prevent shortages, especially since they sell quickly.

2. Frozen Ice Cream

- **Shrinkage Potential:**
Moderate to high. Ice cream is sensitive to temperature changes and can spoil if not stored properly. Seasonal fluctuations also affect demand, increasing the risk of shrinkage during off-peak periods.
- **Sales Speed:**
Slow. No sales recorded during the period, despite 300 units being in inventory at the end.
- **Recommendations:**

- **Seasonal Stock Management:** Align ice cream stock levels with high-demand seasons (e.g., summer).
- **Promotions:** Run marketing campaigns or discounts to move stock during off-peak periods and avoid spoilage.

3. Fresh Bananas

- **Shrinkage Potential:**
High. Fresh bananas are highly perishable, with a limited shelf life, increasing the risk of shrinkage through spoilage.
- **Sales Speed:**
Very high. All 900 units were sold quickly, with no stock remaining.
- **Recommendations:**
 - **Increase Order Quantities:** Given the high demand, increase purchase volumes to ensure stock availability.
 - **Frequent Restocking:** Since bananas are perishable, restock frequently to meet ongoing demand without overstocking.

4. Rice

- **Shrinkage Potential:**
Low. Rice is a non-perishable item with a long shelf life, so shrinkage potential from spoilage is minimal.
- **Sales Speed:**
High. All 355 units were sold, but no stock remains, indicating strong demand.
- **Recommendations:**
 - **Supplier Optimization:** Work on reducing lead times by seeking local suppliers or improving logistics with current international suppliers.
 - **Safety Stock:** Establish a buffer stock to prevent future shortages, especially for such a high-demand item.

5. Tea

- **Shrinkage Potential:**
Low. Tea has a long shelf life, and shrinkage risks are mostly limited to theft or damage rather than spoilage.
- **Sales Speed:**
Moderate. 179 units were sold, but 140 units remain in stock.
- **Recommendations:**
 - **Inventory Audits:** Regularly audit inventory to address discrepancies between actual and theoretical stock.
 - **Increase Marketing:** To sell the remaining stock, consider promotions or product placement strategies.

6. Smartwatches

- **Shrinkage Potential:**
High. As high-value electronic items, smartwatches are susceptible to theft and are easy to conceal, increasing shrinkage risks.
- **Sales Speed:**
Very high. All 471 units sold out, indicating extremely strong demand.
- **Recommendations:**
 - **Increase Order Volumes:** Given the high demand, increase future orders to avoid stockouts.
 - **Security Measures:** Implement enhanced security, such as locked displays and strict inventory control, to reduce theft risks.

7. Televisions

- **Shrinkage Potential:**
Moderate. While valuable, televisions are large and harder to steal discreetly, reducing the risk of shrinkage compared to smaller electronics.
- **Sales Speed:**
High. All 686 units were sold, but stock ran out, showing strong demand.
- **Recommendations:**
 - **Improve Logistics:** Partner with better delivery services to reduce delays in restocking.
 - **Increase Order Sizes:** Order larger quantities to meet demand during high-sales periods, such as promotions or holidays.

8. Large Plastic Bins

- **Shrinkage Potential:**
Low. These bulky items are less prone to theft and do not spoil, so shrinkage potential is minimal.
- **Sales Speed:**
High. All 130 units sold out, indicating good demand despite earlier ordering errors.
- **Recommendations:**
 - **Automate Ordering:** Use an automated system to avoid human error in placing future orders.
 - **Increase Stock Levels:** Given the high demand, maintain higher inventory levels to ensure availability and prevent stockouts.

4.4. According to the case study, the retailer is facing supply chain challenges with products with the following items, i.e. **Fresh Beans, Frozen Fish Cakes, Rice, Smartwatches, Televisions, Pasta, Large Plastic Bins** and **High-Value Items**

(Smartwatches, Tablets, etc.). Select five of the items above and provide one possible supply chain solutions for each item.

(10 marks)

Allocate three marks for comprehensive solution per item chosen.

1. Fresh Beans

- **Challenge:** Supplier in Johannesburg facing stock shortages.
- **Solution:**
 - **Supplier Diversification:** Identify alternative local or regional suppliers for fresh beans to avoid dependence on a single source. This will help maintain a consistent supply even if one supplier experiences shortages.
 - **Contract Flexibility:** Negotiate flexible contracts that allow for quick sourcing from multiple suppliers based on demand.

2. Frozen Fish Cakes

- **Challenge:** Delayed deliveries from a Durban supplier due to transportation issues.
- **Solution:**
 - **Improved Logistics Partnerships:** Work with the supplier to either improve their logistics capacity or partner with third-party logistics providers to handle deliveries more efficiently.
 - **Local Supplier Exploration:** Identify alternative or backup suppliers closer to Midrand or within Gauteng to reduce reliance on long-distance deliveries from Durban.

3. Rice

- **Challenge:** Long lead times from an international supplier, particularly affecting stores in congested areas like Johannesburg.
- **Solution:**
 - **Supplier Diversification:** Source rice from both international and local suppliers to reduce lead times and ensure a steady flow of inventory.
 - **Inventory Buffer:** Maintain a higher level of buffer stock for rice in anticipation of longer lead times from the international supplier, especially in high-demand areas like Johannesburg.

4. Smartwatches

- **Challenge:** Extended delivery times from Cape Town, causing stock shortages in Pretoria and Centurion stores.
- **Solution:**

- **Optimize Transport Routes:** Work with logistics providers to create faster, more direct delivery routes from Cape Town to Pretoria and Centurion.
- **Local Warehousing:** Consider setting up a regional warehouse in Gauteng to store high-demand items like smartwatches, reducing delivery times to stores by keeping inventory closer to the retail locations.

5. Televisions

- **Challenge:** Delayed shipments from a Durban supplier due to their lack of delivery vehicles.
- **Solution:**
 - **Third-Party Logistics (3PL):** Engage with 3PL providers who can handle the delivery of large items like televisions, ensuring timely transportation and avoiding reliance on the supplier's limited logistics capacity.
 - **Supplier Negotiation:** Negotiate better delivery terms with the supplier, including incentives for quicker delivery or the supplier absorbing part of the cost for third-party transportation.

6. Pasta

- **Challenge:** Stock shortages in Germiston due to late order placement by the buyer.
- **Solution:**
 - **Automated Ordering System:** Implement an automated reordering system that triggers restock orders when inventory levels fall below a certain threshold, preventing late orders.
 - **Demand Forecasting Tools:** Use advanced forecasting tools to predict demand more accurately, allowing the buyer to place orders well in advance, reducing the likelihood of stockouts.

7. Large Plastic Bins

- **Challenge:** Incorrect order led to insufficient stock across multiple locations.
- **Solution:**
 - **Order Management System:** Implement an automated inventory and order management system to minimize human errors in order placement and ensure the right quantities are ordered.
 - **Regular Stock Audits:** Perform frequent stock audits to catch discrepancies and adjust orders accordingly, preventing future shortages due to incorrect orders.

8. High-Value Items (Smartwatches, Tablets, etc.)

- **Challenge:** Sourced from a supplier in Port Elizabeth who does not provide transportation, requiring GautengMart to arrange deliveries.
- **Solution:**
 - **In-House Logistics for High-Value Items:** Develop an in-house logistics team or a dedicated contract with a 3PL service for handling high-value items to ensure secure and reliable deliveries.
 - **Negotiate with Supplier:** Encourage the supplier to either include transportation in their service or negotiate better terms to offset the costs of arranging your own delivery

(Total Marks for Question 4= 50)

EXEMPLAR

Retail Operations Management

Question 5

Analyse the case study and answer the questions

XYZ Supermarket

In today's competitive grocery market, supermarkets face the dual challenge of maintaining profitability while catering to increasingly discerning consumers. Customers are not only looking for the best prices but are also prioritizing quality, sustainability, and health in their purchasing decisions. Recognizing these trends, XYZ Supermarket—a well-established regional grocery chain—sought to differentiate itself from its competitors and increase customer loyalty through the introduction of its own house brand, "XYZ Essentials."

The decision to launch this house brand was driven by several key factors. First, extensive market research indicated a growing consumer preference for private-label products that offer high quality at lower prices compared to national brands. Customers expressed a willingness to switch to a store brand if it provided equivalent quality and taste while being more budget-friendly. Additionally, the demand for organic, natural, and sustainably sourced products was on the rise, prompting XYZ Supermarket to align its offerings with these consumer preferences.

Moreover, the grocery landscape has become increasingly saturated with various brands vying for market share. In this environment, a strong house brand can serve as a critical differentiator, allowing XYZ Supermarket to create a unique identity and foster deeper connections with its customer base. The house brand not only has the potential to enhance profit margins but also enables the supermarket to exert more control over product quality, sourcing, and pricing.

"XYZ Essentials" aims to capture the essence of quality and value, providing customers with a diverse range of grocery items, from pantry staples to specialty

goods. By focusing on sustainability and health, the brand intends to resonate with modern consumers who are more conscious of their food choices.

5.1 A number of checklists are required for the following areas:

- Pay-point/checkout area
- Receiving Area
- Dispatch Area
- Stock/storage Area
- Shop Floor Merchandising
- Cash Office
- Store Manager Routine

Create two checklists for any of the six areas above

(30 marks)

Answer: Allocate five marks for each of the following checklists:

Possible checklist solutions

PAY-POINT/CHECKOUT AREA CHECKLIST

Equipment & Supplies:

- Ensure all registers are functioning properly.
- Check that scanners are operational.
- Verify the availability of receipt paper and bags.
- Restock impulse buy items near the checkout.

Staffing:

- Confirm staff is trained on the "XYZ Essentials" product line.
- Ensure adequate coverage during peak hours.

Customer Experience:

- Maintain a clean and organized checkout area.
- Display promotional signage for "XYZ Essentials" prominently.
- Monitor queue lengths and manage customer flow.

OHS Considerations:

- Ensure the floor is free of spills and obstructions to prevent slips and falls.
- Provide ergonomic mats for staff to reduce fatigue during long hours of standing.
- Regularly inspect equipment for electrical hazards and ensure proper use of cash handling techniques.

RECEIVING AREA CHECKLIST

Incoming Shipments:

- Check delivery schedules and confirm expected arrival times.

- Inspect the condition of incoming products (damages, expirations).
- Verify that all items match the purchase order.

Documentation:

- Record all incoming shipments accurately.
- File delivery receipts and invoices for record-keeping.

Health & Safety:

- Ensure that the receiving area is free of hazards.
- Use proper lifting techniques when handling heavy items.
- Ensure personal protective equipment (PPE) is available and worn as necessary (e.g., gloves, steel-toed shoes).

OHS Considerations:

- Maintain clear walkways to avoid tripping hazards.
- Provide training on safe lifting practices and use of equipment like pallet jacks.
- Regularly check for proper ventilation to prevent exposure to harmful fumes or allergens.

DISPATCH AREA CHECKLIST

Order Fulfilment:

- Confirm that orders are picked accurately and packed properly.
- Ensure all products are labelled correctly for dispatch.

Logistics:

- Check delivery schedules and confirm transportation arrangements.
- Monitor inventory levels to avoid stock-outs or overstocking.

Safety Procedures:

- Maintain a clear and organized area to prevent accidents.
- Regularly check equipment and tools for proper functioning.

OHS Considerations:

- Use PPE where necessary, particularly when handling heavy or hazardous materials.
- Train staff on safe driving practices if they are using delivery vehicles.
- Ensure proper ergonomics when lifting and moving products.

STOCK/STORAGE AREA CHECKLIST

Inventory Management:

- Conduct regular inventory counts to monitor stock levels.
- Ensure "XYZ Essentials" products are prominently displayed.
- Organize shelves for easy access and visibility of items.

Safety and Hygiene:

- Ensure that all storage areas are clean and free of debris.
- Check for proper ventilation and temperature control for perishables.

Accessibility:

- Clearly label all shelves and storage bins.
- Maintain clear pathways to prevent accidents.

OHS Considerations:

- Store heavy items on lower shelves to prevent falls.
- Ensure that all staff are trained on safety procedures for working in storage areas.
- Regularly inspect shelving for stability and safety.

SHOP FLOOR MERCHANDISING CHECKLIST**Product Display:**

- Arrange "XYZ Essentials" products prominently to attract customer attention.
- Use eye-catching signage and displays to promote seasonal items.
- Regularly rotate stock to ensure freshness and visibility.

Customer Engagement:

- Train staff on product knowledge to assist customers effectively.
- Set up tasting stations for new "XYZ Essentials" products if applicable.

Hygiene and Safety:

- Ensure shop floor cleanliness and tidiness.
- Regularly check for spills and hazards to prevent accidents.

OHS Considerations:

- Use mats or carpets in high-traffic areas to reduce slips.
- Ensure that all promotional displays are stable and secure.
- Train staff to handle customer inquiries and interactions safely, particularly during busy periods.

CASH OFFICE CHECKLIST**Financial Management:**

- Verify daily sales reports and cash counts.
- Ensure all transactions are recorded accurately.

Security Procedures:

- Maintain secure access to cash and sensitive documents.
- Monitor surveillance systems regularly for unusual activity.

Documentation:

- File all financial documents and receipts properly.
- Prepare bank deposits and ensure timely submission.

OHS Considerations:

- Ensure that the cash office is well-lit and free from hazards.
- Provide training on handling cash securely to prevent theft.
- Regularly check for ergonomic issues with desk and chair setups.

STORE MANAGER ROUTINE CHECKLIST

Daily Operations:

- Conduct a walkthrough of the store to assess overall conditions.
- Review daily sales and inventory reports.
- Meet with department heads to discuss performance and challenges.

Staff Management:

- Ensure all staff are aware of their daily tasks and responsibilities.
- Provide ongoing training and support, particularly for "XYZ Essentials."

Customer Relations:

- Engage with customers for feedback on the new product line.
- Address any customer concerns or complaints promptly.

Health & Safety Compliance:

- Regularly review safety protocols and ensure compliance with regulations.
- Conduct staff training sessions on safety practices and emergency procedures.

OHS Considerations:

- Maintain an open-door policy for staff to report safety concerns.
- Schedule regular safety drills and training for all employees.
- Review incident reports and implement changes to improve safety where needed.

5.2 Identify and describe five examples of risk in the case study and then analyse and evaluate these risks. **(10 marks)**

Allocate 1 mark for identifying each risk.

Allocate 1 mark for description

POSSIBLE ANSWERS

Strategic Risks

Market Acceptance of the House Brand

- Introducing a new house brand like "XYZ Essentials" involves the risk that consumers may not embrace it as anticipated. If customers perceive the products as inferior to established brands, it may lead to poor sales and wasted marketing resources.

Financial Risks

Unsold Inventory and Overstock

- The introduction of "XYZ Essentials" may lead to overstock situations, especially if the demand for new products is overestimated. Unsold inventory can result in significant financial losses due to potential write-offs and markdowns.

Reputational Risks

Negative Customer Perception

- If the "XYZ Essentials" products do not meet customer expectations in terms of quality, taste, or sustainability, it could harm the supermarket's reputation. Negative reviews or feedback can deter other customers from trying the brand.

4. Physical Risks

Safety Hazards in the Store

- The introduction of new products and displays may create physical hazards in the store, leading to accidents or injuries. For instance, improperly secured displays or obstructed aisles can pose risks to customers and employees.

5. Compliance Risks

Regulatory Compliance Issues

- The launch of the "XYZ Essentials" brand must comply with food safety regulations, labelling laws, and sustainability certifications. Failing to meet these requirements could lead to fines, product recalls, or legal challenges.

6. Operational Risks

Supply Chain Disruptions

- The introduction of new products increases dependence on suppliers and may lead to operational challenges, such as delays in delivery or issues with product quality. Disruptions in the supply chain can hinder the availability of "XYZ Essentials" and impact sales.

- 5.3 Using at least five marketing mix elements, propose an appropriate marketing strategy that the store can implement to achieve any objective that you established in question 5.2 above. **(10 marks)**

Allocate two marks for each of the three marketing mix elements identified and explained. Allocate two marks for the proposed strategy.

1. Product

- **Quality and Variety:** Ensure "XYZ Essentials" products meet high-quality standards, emphasizing organic and sustainably sourced ingredients. Introduce a diverse range of products, including pantry staples and specialty items that resonate with customer preferences.

- **Packaging:** Design attractive, eco-friendly packaging that highlights the brand's commitment to sustainability, making the products stand out on the shelves.

2. Price

- **Competitive Pricing:** Position "XYZ Essentials" products at a price point lower than comparable national brands to encourage trial and foster price sensitivity among budget-conscious consumers.
- **Promotional Discounts:** Implement introductory offers and bundled deals (e.g., buy two, get one free) to stimulate initial sales and attract customers to the house brand.

3. Place

- **Store Placement:** Strategically position "XYZ Essentials" products in high-traffic areas of the store, such as end caps and near checkout lines, to maximize visibility and encourage impulse purchases.
- **Online Availability:** Ensure that "XYZ Essentials" products are prominently featured on the supermarket's website and available for online ordering, catering to customers who prefer shopping from home.

4. Promotion

- **Integrated Marketing Campaigns:** Launch a comprehensive marketing campaign utilizing social media, email newsletters, and in-store signage to raise awareness of "XYZ Essentials." Highlight promotions and new product launches.
- **Sampling Events:** Host in-store tasting events for new products to encourage customer interaction and provide firsthand experience with the quality of the house brand.

5. People

- **Staff Training:** Equip staff with knowledge about "XYZ Essentials" products, including their benefits and sustainable sourcing, enabling them to confidently promote the brand and answer customer queries.
- **Customer Feedback:** Foster a culture of customer engagement where staff actively seek feedback on "XYZ Essentials" products to continually refine offerings based on customer preferences.

6. Process

- **Efficient Inventory Management:** Implement advanced inventory management systems to monitor stock levels and demand forecasts, helping to minimize overstock and ensure product availability.

- **Feedback Loop:** Create a process for collecting and analysing customer feedback on "XYZ Essentials" to guide product development and enhancements.

7. Physical Evidence

- **In-Store Displays:** Use eye-catching displays for "XYZ Essentials" to create an inviting shopping experience that reinforces brand identity.
- **Quality Assurance Materials:** Provide information on sourcing, ingredient quality, and sustainability practices through brochures or signage in-store, enhancing transparency and building customer trust.

PROPOSED MARKETING STRATEGIES

1. Market Penetration

- **Promotional Pricing:** Implement temporary price reductions on "XYZ Essentials" products to encourage trial among existing customers. Use discounts, loyalty rewards, and special promotions to incentivize purchases.
- **Cross-Promotions:** Bundle "XYZ Essentials" products with popular national brands at checkout to encourage customers to try the house brand. For instance, pairing organic pasta with a house brand pasta sauce at a discounted price.
- **Loyalty Programs:** Introduce a loyalty program that rewards customers for purchasing "XYZ Essentials" products, driving repeat purchases and increasing customer retention.

2. Market Development

- **Target New Customer Segments:** Focus marketing efforts on health-conscious consumers and environmentally aware shoppers by highlighting the organic and sustainable aspects of "XYZ Essentials." Tailor advertising campaigns to resonate with these demographics.
- **Expand Geographically:** Identify potential new store locations in areas with a high concentration of target customers. Launch the "XYZ Essentials" brand in these markets to increase overall reach.
- **Online Sales Growth:** Strengthen the online presence of "XYZ Essentials" through e-commerce platforms. Offer exclusive online promotions to attract new customers who prefer shopping digitally.

3. Product Development

- **New Product Lines:** Continuously develop and introduce new products under the "XYZ Essentials" brand based on consumer feedback and market trends, such as gluten-free, plant-based, or organic options.
- **Limited-Time Offerings:** Create seasonal or limited-edition products to generate excitement and urgency among customers, such as holiday-themed snacks or summer grilling essentials.
- **Customizable Products:** Introduce options that allow customers to personalize their purchases, such as customizable snack packs or bulk buy options for frequently purchased items.

4. Cost Leadership

- **Supply Chain Optimization:** Streamline the supply chain for "XYZ Essentials" to reduce costs. Negotiate better terms with suppliers and improve logistics to lower overall expenses and allow for competitive pricing.
- **Efficient Operations:** Implement cost-saving measures in operations, such as energy-efficient systems and waste reduction initiatives, which can contribute to overall profitability while enabling lower pricing on house brand products.
- **Private Label Focus:** Focus on producing the most popular items under the "XYZ Essentials" brand to maximize economies of scale, ensuring that pricing remains attractive while maintaining quality.

5. Differentiation

- **Quality Assurance:** Position "XYZ Essentials" as a premium alternative to national brands by emphasizing superior quality and sourcing practices. Regularly communicate these differentiators through marketing materials and in-store signage.
- **Sustainability Messaging:** Promote the sustainable sourcing and eco-friendly practices associated with "XYZ Essentials," appealing to environmentally conscious consumers who prioritize sustainability in their purchasing decisions.
- **Unique Branding and Packaging:** Design distinctive packaging that reflects the values of "XYZ Essentials," such as eco-friendliness and quality, to create a strong visual identity that stands out on the shelves.

(Total marks for question 5: 50 marks)

[Grand Total for Exam: 200 Marks]

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

QUESTIONS ANSWERED	SUBTOTAL MARKS		
	MARKS	MARKS AWARDED	MARKS: POST MODERATION
1.1	6		
1.2	4		
1.3	4		
1.4	4		
1.5	2		
Total Question 1	20		
2.1	8		
2.2	6		
2.3	6		
2.4	6		
2.5	6		
2.6	8		
Total Question 2	40		
3.1	6		
3.2	6		
3.3	6		
3.4	8		
3.5	8		
3.6	6		
Total Question 3	40		
4.1	15		
4.2	15		
4.3	10		
4.4	10		
Total Question 4	50		
5.1	30		
5.2	10		
5.3	10		

Total Question 5	50		
GRAND TOTAL	200		
Borderline (117-119)			
Adjusted Final Mark			

MARKER DETAILS

NAME & SURNAME	
SIGNATURE	
DATE	

MODERATOR DETAILS

NAME & SURNAME	
SIGNATURE	
DATE	

EXEMPLAR

